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2004-0967-F

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Collection/Office of Origin: National Security Council
Series: H-Files
Subseries: NSC/DC Meetings Files

OA/ID Number: 90011
Folder ID Number: 90011-003

Folder Title:

NSC/DC 050 - September 06, 1989 - NSC/DC Meeting on Additional Assistance to Poland, Keywords:
Poland, Food

Stack:	Row:	Section:	Shelf:	Position:
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Withdrawal/Redaction Sheet (George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Talking Points	Notecards, Re: Points to Be Made for Republican Leadership Meeting on Legislation on Poland and Hungary. (1 pp.)	n.d.	(b)(1)	S
01b. Talking Points	Points to Be Made for Republican Leadership Meeting on Legislation on Poland and Hungary. (1 pp.)	n.d.	(b)(1)	S
02a. Memo	Re: Recommendations of the DC [Deputies Committee] on Additional Assistance to Poland. (3 pp.)	n.d.	(b)(1)	S
02b. Memo	Robert Gates to Members of the Deputies Committee, Re: Recommendations of the DC on Additional Assistance to Poland. (1 pp.)	n.d.	(b)(1)	S
03a. Memo	Adrian Basora to Bob Gates, Re: Your September 14 Meeting on Aid to Poland. (3 pp.)	09/13/89	(b)(1)	S
03b. Memo	Brent Scowcroft to POTUS, Re: Decisions Needed on Additional Assistance to Poland. (4 pp.)	n.d.	(b)(1)	S
04. Paper	Poland: Additional Support. (5 pp.)	n.d.	(b)(1)	C
05. Paper	Poland: Additional Support. (5 pp.)	n.d.	(b)(1)	C

Page 1 of 2

Collection:

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WHORM Cat.:

File Location: NSC/DC 050 - September 06, 1989 - NSC/DC Meeting on Additional Assistance to Poland, Keywords: Poland, Food

Pinksheet Number: RML4991

OA/ID Number: 90011-003

Date Closed: 9/14/2009

FOIA/Sys Case #: 2004-0967-F

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P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet

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Doc. No. / Type	Subject/Title	Date	Restriction	Classification
06. Memo	Condoleezza Rice to Robert Gates, Re: Follow-up DC [Deputies Committee] Meeting to Consider Additional Aid to Poland. (3 pp.)	09/05/89	(b)(1)	S
07a. Paper	Poland: Additional Support. (4 pp.)	n.d.	(b)(1)	C
07b. Cable	U.S. Embassy, Warsaw to Secretary of State, et al., Re: Proposals "Just What We Needed." (9 pp.)	09/05/89	(b)(1)	C
07c. Letter	Re: Text of a Message Dated 4 September 1989 from the Prime Minister to the President. (5 pp.)	09/04/89	(b)(1)	C
08. List	Re: DC [Deputies Committee] Meeting--September 6, 1989, 4:00 p.m., Situation Room; redaction. [50 USC §403(g) Section 6 of the CIA Act of 1949] (1 pp.)	09/06/89	(b)(3)	
09a. Memo	Robert Gates to Members of the Deputies Committee, Re: Recommendations of the DC on Additional Assistance to Poland. (3 pp.)	n.d.	(b)(1)	S
09b. Paper	Poland: Additional Support. (5 pp.)	n.d.	(b)(1)	C
09c. Memo	Robert Gates to Members of the Deputies Committee, Re: Recommendations of the DC on Additional Assistance to Poland. (3 pp.)	n.d.	(b)(1)	S
09d. Paper	Poland: Additional Support. (5 pp.)	n.d.	(b)(1)	C

Page 2 of 2

Collection:

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NATIONAL SECURITY COUNCIL DISTRIBUTION RECORD

Log Number 21080
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DC050

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RECORD ID: 8921080
RECEIVED: 05 SEP 89 20

TO: SCOWCROFT

FROM: RICE
BLACKWILL

DOC DATE: 07 SEP 89
SOURCE REF:

KEYWORDS: POLAND
DC

FOOD

PERSONS:

SUBJECT: PRES MTG W/ REPUBLICAN LEADERSHIP

ACTION: DUE DATE: 08 SEP 89 STATUS: C

STAFF OFFICER: RICE

LOGREF: 8921085

FILES: IFM O

NSCP: DC050

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RECORD ID: 8921080

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X 89090610 FOR RECORD PURPOSES
Z 89091112 ADD-ON / FOR SIGNATURE
X 89091112 SITTMANN SGD MEMO TO AGENCIES

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Bob Gates	<u>3</u>		
Brent Scowcroft	<u>4</u>		
Philip Hughes			
Situation Room			
West Wing Desk	<u>5</u>	<u>27.9/7</u>	<u>DN</u>
NSC Secretariat	<u>6</u>	<u>LMS 7/15</u>	<u>NR</u>

89 SEP 7
All: 30

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cc: VP Sununu Other _____

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COMMENTS

Pres mtg w/ Repurban
Leadership 9/7

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CARD 1 OF 2

POINTS TO BE MADE FOR REPUBLICAN
LEADERSHIP MEETING ON LEGISLATION ON
POLAND AND HUNGARY

PRESIDENT HAS SEEN

- TODAY I SUBMITTED A LEGISLATIVE PROPOSAL TO CONGRESS IN SUPPORT OF DEMOCRATIC POLITICAL AND ECONOMIC REFORM IN POLAND AND HUNGARY.
- THE LEGISLATION WOULD AUTHORIZE \$100 MILLION FOR A POLISH-AMERICAN ENTERPRISE FUND AND \$25 MILLION FOR A HUNGARIAN-AMERICAN ENTERPRISE FUND; LABOR INITIATIVES FOR THE TWO COUNTRIES; AND AN ENVIRONMENTAL INITIATIVE FOR FIGHTING AIR AND WATER POLLUTION IN KRAKOW AND ESTABLISHING AN ENVIRONMENTAL CENTER IN BUDAPEST.

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PER E.O. 13526

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2010-2011-MR

mm 3/28/2016

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CARD 2 OF 2

- DRAMATIC EVENTS ARE UNFOLDING ALMOST DAILY IN POLAND AND HUNGARY IS NOT FAR BEHIND. IT IS IMPORTANT THAT WE DELIVER ON THE PROMISES THAT WE HAVE ALREADY MADE.
- I HOPE THAT YOU WILL SUPPORT RAPID PASSAGE OF THE LEGISLATION SO THAT WE CAN SHOW THE POLES AND THE HUNGARIANS THAT THE U.S. IS BEHIND THEM.

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Page 1 of ____ Pages

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21080
Add-On

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

89 SEP 7 PI2: 39

September 7, 1989

THE PRESIDENT HAS SEEN

MEMORANDUM FOR JIM CICCONI

FROM:

G. PHILIP HUGHES *W*

SUBJECT:

Points to be Made on the Administration's
Legislation on Poland and Hungary

The Administration's Legislation on Poland and Hungary will be submitted to the Hill today. The Points to be Made at Tab A concerning that legislation are for the President's use in his meeting with the Republican Leadership today.

Attachment

Tab A Points to be Made

1986

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

By *PM* NARA, Date *09/14/09*

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POINTS TO BE MADE FOR REPUBLICAN LEADERSHIP MEETING ON
LEGISLATION ON POLAND AND HUNGARY

- Today I submitted a legislative proposal to Congress in support of democratic political and economic reform in Poland and Hungary.
- The legislation would authorize \$100 million for a Polish-American Enterprise Fund and \$25 million for a Hungarian-American Enterprise Fund; labor initiatives for the two countries; and an environmental initiative for fighting air and water pollution in Krakow and establishing an Environmental Center in Budapest.
- Dramatic events are unfolding almost daily in Poland and Hungary is not far behind. It is important that we deliver on the promises that we have already made.
- I hope that you will support rapid passage of the legislation so that we can show the Poles and the Hungarians that the U.S. is behind them.

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21080
Add-On

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 7, 1989

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: ROBERT BLACKWILL *RB*

FROM: CONDOLEEZZA RICE

SUBJECT: The President's Meeting with the Republican
Leadership

The President will meet with the Republican leadership today. We think that it is appropriate for the President to inform the Republican leadership that the Administration's legislation on Poland and Hungary will be submitted to the Hill today. Points to be Made are attached at Tab A.

Concurrences by: Tim Deal, Bret Coulson *BL*

RECOMMENDATION

That you authorize Philip Hughes to sign the memorandum at Tab I, forwarding the Points to be Made on the legislation to Jim Cicconi.

Approve *B*

Disapprove _____

Attachments

Tab I Memorandum to Cicconi
Tab A Points to be Made

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By *RM* NARA, Date *09/14/09*

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RECORD ID: 8921080
RECEIVED: 05 SEP 89 20

TO: AGENCIES

FROM: HUGHES

DOC DATE: 11 SEP 89
SOURCE REF:

KEYWORDS: POLAND
DC

FOOD

PERSONS:

SUBJECT: RECOMMENDATIONS FOR ASSISTANCE TO POLAND RE DC MTG ON 6 SEP

ACTION: SITTMANN SGD MEMO TO AGENCIES DUE DATE: 08 SEP 89 STATUS: C

STAFF OFFICER: RICE

LOGREF: 8921085

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*Deputy Nat Sec Advisor
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810 Vermont Avenue, NW, Room 1000 S

PRESIDENT, EXPORT-IMPORT BANK
811 Vermont Avenue, NW, Room 1215

ADMINISTRATOR, EPA
401 M Street, SW, Room 1200

POSTMASTER GENERAL
475 L'Enfant Plaza West, SW, Room 10022

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1023 31ST Street, NW, 5th Floor

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1201 Conn. Avenue, NW, Room 400

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20th & Constitution Avenue, NW, Room B-2046

CHAIRMAN, FCC
1919 M. Street, NW, Room 814

DIRECTOR, OFFICE OF PERSONNEL MGMT.
1900 E Street, NW, Room 5518

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Page 1 of 2 Pages

NATIONAL SECURITY COUNCIL DISTRIBUTION RECORD

Log Number 21080 A/0 3

Date 11 SEP 89

Subject: RECOMS FOR ASSISTANCE TO POLAND

DOCUMENT CLASSIFICATION:

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Page 1 of 2 Pages

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MESSAGE NO. _____ CLASSIFICATION _____ PAGES 4

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

MESSAGE DESCRIPTION RECOMS FOR ASSISTANCE TO POLAND

LOG # 21080 A/O 3

<u>TO (AGENCY)</u>	<u>DELIVER TO:</u>	<u>DEPT/ROOM NO.</u>	<u>EXTENSION</u>
STATE	MR. J. STAPLETON ROY	EXEC SEC	
TREASURY	MS. EMILY L. WALKER	EXEC SEC	
DEFENSE	COL GEORGE P. COLE, JR.	EXEC SEC	
COMMERCE	MR. CRAIG R. HELSING	EXEC SEC	
CIA	MR. H. LAWRENCE SANDALL	EXEC SEC	
JCS	CAPT ANTHONY MANESS	EXEC ASST TO CHAIRMAN	

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MESSAGE NO. 2175 CLASSIFICATION SECRET PAGES 4

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

MESSAGE DESCRIPTION RECOMS FOR ASSISTANCE TO POLAND

LOG # 21080 A/O 3

<u>TO (AGENCY)</u>	<u>DELIVER TO:</u>	<u>DEPT/ROOM NO.</u>	<u>EXTENSION</u>
	MR. J. STAPLETON ROY	EXEC SEC	
	MS. EMILY L. WALKER	EXEC SEC	
	COL GEORGE P. COLE, JR.	EXEC SEC	
	MR. CRAIG R. HELSING	EXEC SEC	
	MR. H. LAWRENCE SANDALL	EXEC SEC	
	CAPT ANTHONY MANESS	EXEC ASST TO CHAIRMAN	

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9/11/87

MESSAGE NO.

2175

CLASSIFICATION

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PAGES

4

G. PHILIP HUGHES

(NAME)

(EXTENSION)

(ROOM NUMBER)

MESSAGE DESCRIPTION

RECOMS FOR ASSISTANCE TO POLAND

LOG # 21080 A/O 3

(AGENCY)

DELIVER TO:

MR. J. STAPLETON ROY

DEPT/ROOM NO.

EXEC SEC

EXTENSION

MS. EMILY L. WALKER

EXEC SEC

COL. GEORGE L. COLE, JR.

EXEC SEC

MR. CRAIG R. HELSING

EXEC SEC

MR. H. LAWRENCE SANDALL

EXEC SEC

CAPT ANTHONY MANESS

EXEC ASST TO CHAIRMAN

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MESSAGE NO. 2175 CLASSIFICATION SECRET PAGES 4

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

MESSAGE DESCRIPTION REQUEST FOR ASSISTANCE TO POLAND

LOG # 21080 A/D 1

TO (AGENCY)	DELIVER TO:	DEPT/ROOM NO.	EXTENSION
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DEFENSE	COL. GEORGE P. COLE, JR.	EXEC SEC	
COMMERCE	MR. CRAIG H. HEISING	EXEC SEC	
NAVY	MR. H. LAWRENCE SANDALL	EXEC SEC	
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MESSAGE DESCRIPTION RECOMS FOR ASSISTANCE TO POLAND

LOG # 21080 A/O 3

TO (AGENCY)	DELIVER TO:	DEPT/ROOM NO.	EXTENSION
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TREASURY	MS. EMILY L. WALKER	EXEC SEC	
DEFENSE	COL. GEORGE P. COLE, JR.	EXEC SEC	
COMMERCE	MR. CRAIG R. HELSING	EXEC SEC	
CIA	MR. H. LAWRENCE SANDALL	EXEC SEC	
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MESSAGE NO.

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PAGES 4

FROM G. PHILIP HUGHES

(NAME)

(EXTENSION)

(ROOM NUMBER)

MESSAGE DESCRIPTION

RECOMS FOR ASSISTANCE TO POLAND

LOG # 21080 A/O 3

TO (AGENCY)

DELIVER TO:

DEPT/ROOM NO.

EXTENSION

STATE

MR. J. STAPLETON ROY

EXEC SEC

TREASURY

MS. EMILY L. WALKER

EXEC SEC

DEFENSE

COL GEORGE P. COLE, JR.

EXEC SEC

COMMERCE

MR. CRAIG R. HELSING

EXEC SEC

CIA

MR. H. LAWRENCE SANDALL

EXEC SEC

JCS

CAPT ANTHONY MANESS

EXEC ASST TO CHAIRMAN

REMARKS

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NATIONAL SECURITY COUNCIL DISTRIBUTION RECORD

Log Number 21080 A/0 3

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Subject: RECOMS FOR ASSISTANCE TO POLAND

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THE ATTORNEY GENERAL Dept. of Justice, Room 5119				
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Page 1 of 2 Pages

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

21080 Add-on 3

September 11, 1989

MEMORANDUM FOR

MR. CARNES LORD
Assistant to the Vice
President for National
Security Affairs

MR. FRANK HODSOLL
Executive Associate Director
Office of Management and
Budget

MR. J. STAPLETON ROY
Executive Secretary
Department of State

MR. GARY EDSON
Chief of Staff
U.S. Trade Representative

MS. EMILY L. WALKER
Executive Secretary
Department of the Treasury

MR. H. LAWRENCE SANDALL
Executive Secretary
Central Intelligence Agency

COLONEL GEORGE P. COLE, JR.
Executive Secretary
Department of Defense

CAPTAIN ANTHONY MANESS, USN
Executive Assistant to the
Chairman
Joint Chiefs of Staff

MS. SUSAN NELSON
Assistant to the Secretary
Department of Agriculture

MS. MOLLY HAGEBOECK
Chief of Staff
Agency for International
Development

MR. CRAIG R. HELSING
Chief of Staff
Department of Commerce

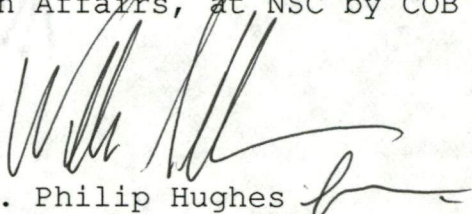
MR. ARTHUR GREEN
Executive Secretary
U.S. Information Agency

MR. ROD DE ARMANT
Deputy Secretary
Department of Labor

SUBJECT: Recommendations for Assistance to Poland

Please distribute the following draft paper entitled "Options for Additional Assistance to Poland" to addressees listed above. Telephone comments should be directed to Dr. Condoleezza Rice, Director for Soviet and East European Affairs, at NSC by COB Monday.

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Paul NARA, Date 09/14/09


G. Philip Hughes
Executive Secretary

Attachment
Tab A PCC Paper

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21080 Add-On 3

THE WHITE HOUSE
WASHINGTON

SUBJECT: Recommendations of the DC on Additional Assistance
to Poland

The Deputies Committee met to discuss options for additional assistance to Poland on Wednesday, September 6. The DC prepared the following recommendations for consideration by NSC principals.

Food Assistance

The Departments of Agriculture and State have formulated a proposal for a second tranche of \$50 million in food aid for Poland. Meat is a significant component of the package which includes:

\$10 million in pork (probably porkbellies);

\$10 million of cotton seed oil;

\$10 million of butter/butter oil;

\$10 million in corn; and,

\$10 million in rice or cotton under the concessional loan program which requires Poland to reach agreement with the Paris Club prior to the grant.

Concern was expressed that the food assistance package might not address the actual needs of the Poles and that an ill-conceived package might depress prices and damage agricultural production.

The DC agreed that Ambassador John Davis should be instructed to initiate discussions with the Poles on their food requirements. The Department of Agriculture will have a delegation in Poland on September 12 and that group will report back, as well, on the state of Polish agriculture and an appropriate mix of U.S. commodities. The DC also noted that the food assistance might be more valuable in December or January when food supplies will be even more depleted.

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PER E.O. 13526

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Issue: Whether to grant an additional \$50 million in food assistance to Poland.

Airlift of Food Assistance

The DC was unenthusiastic about airlifting food to Poland. Though the Defense Department could absorb the cost through funds already earmarked, the DC was concerned that an airlift would unnecessarily increase the general sense of urgency about the situation in Poland and thus the pressure for the U.S. to do more. There is no food emergency in Poland and the USG has not used airlifted food in the past to those areas (like the Sudan) where a state of emergency has actually existed.

The DC recognized that there may be overriding political pressures for a high visibility initiative and noted that an airlift would be a significant political gesture.

Issue: Whether to arrange an airlift of food supplies to Poland.

World Bank Loans

In his July 10 speech to the Polish Parliament, the President encouraged the World Bank to move ahead with an industrial development loan, and an agricultural export development loan. The Bank now values these loans at \$250 million. Bank officials have informed the USG that they do not plan to present these loans to the Bank for a decision until Poland has a "viable macroeconomic program."

In light of Bank resistance to de-linking an IMF stand-by for Poland from the World Bank loans, the DC recommended against increased U.S. pressure on the Bank to authorize the loans.

Issue: Whether to pressure the World Bank to immediately begin authorizing loans to Poland.

Additional Bilateral Assistance

The DC discussed the possibility of augmenting the Enterprise Fund by \$100 million. There is no economic reason to do so since the initial outlays from the Fund are expected to be no more than \$10 million in FY90. The Fund must be established and commercial experts estimate that the very small Polish private sector will be unable to absorb more than \$10 million in the first year. The increase in the allocation for the Enterprise Fund could be announced as a political gesture of support and to answer Congressional critics who think the Administration package is too modest.

Issue: Whether to increase by \$100 million the authorized amount for the Poland Enterprise Fund

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High Level Visits

The DC recommended that President Jaruzelski be invited to visit the United States in the first half of 1990 and that Prime Minister Mazowiecki be invited in principle.

Issue: Whether to issue invitations to President Jaruzelski and Prime Minister Mazowiecki.

Debt Relief

The President declared U.S. intention to support an early and generous rescheduling of the Polish debt through the Paris Club. At the meeting on August 30, the DC decided that the United States should make no change in its policy on the Polish debt.

Issue. Whether to change the U.S. position on the Polish debt.

Other Bilateral Initiatives

The DC recommended exploratory discussions with the OECD on the establishment of an analytic capability in the OECD which could be used to analyze the Polish (and other East European) economies. The U.S. contribution would be less than \$2.5 million annually.

The DC also recommended that the U.S. propose a G-24 Fact Finding Mission to Poland and Hungary prior to the September 26 G-24 meeting; accelerated negotiations for the FY90 food aid program; and expanded exchanges. All are no-cost initiatives.

There is no need for Presidential decision.

Private Sector Involvement

The DC agreed that the USG should take an active role in stimulating private investment in Poland. Secretary Mosbacher's trip to Poland should be given greater visibility and we might consider a White House Conference aimed at the business community when he returns. The U.S. could make an effort to establish and announce a target figure for private investment as a part of a multilateral assistance package for Poland to which U.S. allies would also be asked to contribute.

There is no need for Presidential decision.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

21080 Add-on 3

September 7, 1989

SIGNED

*Condi
Sec
Rice
F.*

ACTION

MEMORANDUM FOR ROBERT GATES

THROUGH: ROBERT BLACKWILL *RB*

FROM: CONDOLEEZZA RICE *CR*

SUBJECT: Options Paper from the September 6 DC Meeting

The options paper at Tab I describes the recommendations of the DC and outlines issues for decision by NSC principals. Upon your approval, the paper will be dispatched for interagency clearance. We can then prepare a decision memorandum for the President.

RECOMMENDATION

That you authorize Philip Hughes to sign the memorandum to the Executive Secretaries of the Departments forwarding the options paper to the Deputies Committee principals.

Approve _____

Disapprove _____

Attachment

Tab I Options Paper

Tab II Memorandum to Executive Secretaries

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White House Guidelines

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

By *AM* NARA, Date *09/14/09*

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

21080 Add-on 3

MEMORANDUM FOR

MR. CARNES LORD
Assistant to the Vice
President for National
Security Affairs

MR. J. STAPLETON ROY
Executive Secretary
Department of State

MS. EMILY L. WALKER
Executive Secretary
Department of the Treasury

COLONEL GEORGE P. COLE, JR.
Executive Secretary
Department of Defense

MS. SUSAN NELSON
Assistant to the Secretary
Department of Agriculture

MR. CRAIG R. HELSING
Chief of Staff
Department of Commerce

MR. ROD DE ARMANT
Deputy Secretary
Department of Labor

MR. FRANK HODSOLL
Executive Associate Director
Office of Management and
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MR. GARY EDSON
Chief of Staff
U.S. Trade Representative

MR. H. LAWRENCE SANDALL
Executive Secretary
Central Intelligence Agency

CAPTAIN ANTHONY MANESS, USN
Executive Assistant to the
Chairman
Joint Chiefs of Staff

MS. MOLLY HAGEBOECK
Chief of Staff
Agency for International
Development

MR. ARTHUR GREEN
~~Acting~~ Executive Secretary
U.S. Information Agency

SUBJECT: Recommendations for Assistance to Poland

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White House Guidelines

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

By *[signature]* NARA, Date 03/14/09

G. Philip Hughes
Executive Secretary

Attachment
Tab A PCC Paper

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THE WHITE HOUSE
WASHINGTON

21080 Add-on 3

MEMORANDUM FOR MEMBERS OF THE DEPUTIES COMMITTEE

FROM: ROBERT GATES

SUBJECT: Recommendations of the DC on Additional Assistance
to Poland

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RECORD ID: 8921125
RECEIVED: 13 SEP 89 20

TO: GATES

FROM: BASORA

DOC DATE: 13 SEP 89
SOURCE REF:

KEYWORDS: POLAND

DC

PERSONS:

SUBJECT: GATES SEP 14 MTG ON AID TO POLAND

ACTION: ORIGINALS RETURNED TO NSC/S DUE DATE: 28 APR 90 STATUS: C

STAFF OFFICER: BASORA

LOGREF: 8921080 8921085

FILES: IFM O

NSCP: DC050

CODES:

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FOR ACTION

FOR CONCURRENCE

FOR INFO
NSC CHRON

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White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By DMC NARA, Date 09/14/09

COMMENTS: MTG RESCHEDULED TO 6 SEP

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: GD

CLOSED BY: AC

DOC 1 OF 1

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RECORD ID: 8921125

ACTION DATA SUMMARY REPORT

DOC ACTION OFFICER

CAO ASSIGNED ACTION REQUIRED

001 GATES

Z 89091320 FWD TO PRES FOR DECISION

001

X 90042614 OBE / STATUS ORIGINAL UNKNOWN

001

X 90082409 NOTED BY GATES

001

X 90082409 ORIGINALS RETURNED TO NSC/S

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

By *RAL* NARA, Date *09/14/09*

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National Security Council The White House



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	SEQUENCE TO	HAS SEEN	DISPOSITION
Dep Exec	<u>1</u>	<u>[Signature]</u>	<u>A</u>
Philip Hughes	<u>[Signature]</u>	<u>APB</u>	_____
Bob Gates	<u>3</u>	<u>Deputy Natl Sec Advisor</u> <u>has seen</u>	_____
Brent Scowcroft	_____	_____	_____
Philip Hughes	_____	_____	_____
Situation Room	_____	_____	_____
West Wing Desk	<u>4</u>	_____	<u>N/OBE</u>
NSC Secretariat	<u>5</u>	<u>LMS 9/10/90</u>	<u>R</u>
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A = Action	I = Information	D = Dispatch	R = Retain	N = No further Action
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cc: VP Sununu Other _____

Should be seen by: _____
(Date/Time)

COMMENTS

Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
03a. Memo	Adrian Basora to Bob Gates, Re: Your September 14 Meeting on Aid to Poland. (3 pp.)	09/13/89	(b)(1)	S

Collection:

Record Group: Bush Presidential Records

Office: National Security Council

Series: H-Files

Subseries: NSC/DC Meetings Files

WHORM Cat.:

File Location: NSC/DC 050 - September 06, 1989 - NSC/DC Meeting on Additional Assistance to Poland, Keywords: Poland, Food

Date Closed:	9/14/2009	OA/ID Number:	90011-003
FOIA/SYS Case #:	2004-0967-F	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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21080 Add-on

DECLASSIFIED
PER E.O. 13526

2011-1421-MR
ES 4/25/13

THE WHITE HOUSE
WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: Decisions Needed on Additional Assistance to
Poland

Purpose

To decide upon new economic assistance measures in response to the formation of a Solidarity-led government in Poland.

Background

Events in Poland have moved much farther and faster than anyone anticipated during your July visit, but the step-by-step approach begun at Hamtramck remains a sound framework for responding to the latest dramatic changes. The economic assistance measures announced during your visit, including creation of the G-24 "concerted action" mechanism, are also ones on which we can build.

The political imperative for further assistance is clear. We need to help -- and be seen as helping -- the new Mazowiecki government address the enormous challenges it faces, without relieving it of the essential need to implement fundamental economic reform. We also need to stay ahead of pressures in Congress and the public at large for a more generous U.S. response.

The Deputies Committee met August 30 and again September 6 to examine our economic assistance to Poland in light of the selection of Tadeusz Mazowiecki as Prime Minister. There was broad interagency consensus on the range of measures to be considered. These include a combination of additional food aid, a doubling of the \$100 million already requested for the Polish-American Enterprise Fund, and a stronger push for a prompt and generous rescheduling of the Polish debt. On the political side, the DC recommends that you invite President Jaruzelski and Prime Minister Mazowiecki to pay separate visits to the U.S.

These options, taken together, would roughly double the assistance already offered. With the additional help now being considered by other members of the G-24, this would amount to

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substantial new support for Poland. Our contribution would also be consistent with our graduated approach toward Poland and with our conviction that outside assistance must be conditioned on real progress toward economic reform in Poland.

This package, of course, falls well short of the massive assistance package Walesa and some within Congress are calling for, and we can anticipate criticism that we are not doing enough to seize the historic moment. Discussions within the DC on a more substantial assistance package foundered on two concerns: the question of funding (with State strongly opposed to further reprogramming of foreign assistance funds) and the absence of a viable economic reform strategy in Poland. You may wish to commission further study of this matter now, for possible implementation as the Polish government moves toward the promised economic reforms.

Meanwhile, it will be important to keep the spotlight on steps the Poles must take toward reaching agreement with the IMF, which in turn will free World Bank loans and facilitate debt rescheduling. We will recommend that the G-24 send a fact-finding mission to Poland to discuss the Mazowiecki government's economic plans, and we will work with the British, French, and German governments to develop a consensus on our approaches in the G-24. Prime Minister Thatcher's recent letter to you (attached at Tab A) shows that she is thinking along the same lines. We are preparing a reply.

RECOMMENDATION

That you take decisions on the following additional assistance measures for Poland:

- (1) Authorize an additional \$50 million food assistance package. The DC agreed that we should prepare a second tranche of food assistance for delivery this winter, when food supplies are likely to be more depleted. The package would include meat and other high-value items and could be funded under existing Agriculture Department programs. The package would be confirmed only after discussions with the Polish government, so as to ensure that it would meet actual needs and would assist, rather than stifle, economic reform and agricultural development.

Approve _____ Disapprove _____

- (2) Resist calls for an airlift of emergency food aid. Although the Defense Department could absorb the cost through funds already earmarked, the DC concluded that airlifting food supplies would needlessly increase the sense of urgency and thus the pressure for the U.S. to do more. The political impact of such a dramatic

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gesture could also backfire, as the costs of the undertaking and the absence of a true food emergency in Poland became apparent.

Approve _____ Disapprove _____

- (3) Defer any new pressure on the World Bank to begin lending to Poland. In light of strong reluctance by World Bank management and by other major shareholders to delink lending from an IMF program, the DC recommended against additional U.S. pressure on the Bank to begin lending. Once the Mazowiecki government is further along in developing its economic program and negotiating with the IMF, it will be easier to seek a change in Bank policy.

Approve _____ Disapprove _____

- (4) Augment the Polish-American Enterprise Fund by \$100 million and instruct OMB to reprogram funds from sources other than State's foreign assistance account. The DC considered augmenting and front-loading the Enterprise Fund with an additional \$100 million, which could be made available in FY90 and FY91. These additional funds would help meet Poland's urgent need for fresh capital while awaiting World Bank lending. The DC agreed that this measure would serve to answer Congressional critics who think the current Administration package is too modest. Funding must be found from sources other than State's foreign assistance account, which is already stretched to the limit.

Approve _____ Disapprove _____

- (5) Move quickly to implement your call for prompt and generous debt rescheduling. The DC recommended that we continue with your stated policy on rescheduling the Polish debt. Since our Paris Club partners hold the great majority of Poland's official debt, implementation of your policy demands beginning discussions quickly with the French, West Germans, British, and other major creditors. Should they be reluctant to move in the absence of an IMF agreement, it might be necessary to escalate to the ministerial level.

Approve _____ Disapprove _____

- (6) Issue invitations to President Jaruzelski and Prime Minister Mazowiecki to visit the U.S. In light of Lech Walesa's forthcoming visit in November and the desirability of an early meeting with Prime Minister

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Mazowiecki, it will be important to balance our relations with the Polish leadership. The DC recommended that President Jaruzelski be invited to visit the U.S. in the first half of 1990 and that Prime Minister Mazowiecki be invited in principle.

Approve _____ Disapprove _____

Attachment

Tab A Letter from Prime Minister Thatcher

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PARTICIPANTS

Robert Zoellick, Counselor, Department of State
Richard T. Crowder, Under Secretary, Department of Agriculture
Thomas J. Murrin, Deputy Secretary, Department of Commerce
Ambassador Fred M. Zeder, Chairman, OPIC
Adrian A. Basora, NSC (Notetaker)

11:20 AM

Bob -

Participants list at TAB II
revised - Josh Haines
will attend; not
Eric Garfinkel.

Will

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NSC/S PROFILE

RECORD ID: 8921080
RECEIVED: 05 SEP 89 20

TO: SCOWCROFT

FROM: ROY, J

DOC DATE: 06 SEP 89
SOURCE REF: 8920354

KEYWORDS: POLAND
DC

FOOD

PERSONS:

SUBJECT: DISCUSSION PAPER FOR DC MTG ON 6 SEP RE ADDITIONAL AID TO POLAND

ACTION: FOR RECORD PURPOSES

DUE DATE: 08 SEP 89

STATUS: C

STAFF OFFICER: RICE

LOGREF: 8921085

FILES: IFM O

NSCP: DC050

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

DECLASSIFIED

White House Guidelines

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

By *RAC* NARA, Date *09/14/09*

COMMENTS: _____

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DOC 3 OF 6

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RECORD ID: 8921080

ACTION DATA SUMMARY REPORT

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005 HUGHES
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X 89090610 SITTMANN SGD MEMO TO AGENCIES
X 89090610 FOR RECORD PURPOSES
Z 89091112 ADD-ON / FOR SIGNATURE
X 89091112 SITTMANN SGD MEMO TO AGENCIES

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White House Guidelines

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

By *Pam* NARA, Date *03/14/09*

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United States Department of State

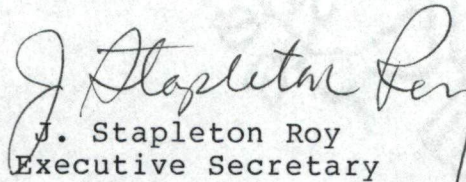
Washington, D.C. 20520

September 6, 1989

~~CONFIDENTIAL~~MEMORANDUM FOR BRENT SCOWCROFT
THE WHITE HOUSE

Subject: Poland: Paper for the Deputies Committee

Attached is a paper for use at the September 6 Deputies meeting on Poland.


J. Stapleton Roy
Executive SecretaryAttachment:

Discussion paper: Poland: Additional Support

DECLASSIFIED
Department of State Guidelines
E.O. 12958, SEC 3.4 (B), July 21, 1997
By Rum NARA, Date 09/14/09~~CONFIDENTIAL~~

(DECL:OADR)

(DECT:OVDB)

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89 SEP 6 P 2: 48

FOR THE DIRECTOR
OF THE FBI
FROM THE
ATTORNEY GENERAL
RE: [illegible]

Discussion Paper: [illegible] subject

Attachment:

Executive Secretary
Director

meeting on [illegible]

attached is a paper for the [illegible] committee

subject: [illegible] paper for the [illegible] committee

THE WHITE HOUSE
WASHINGTON FOR MR. T. SCOTT

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UNITED STATES DEPARTMENT OF JUSTICE

1060

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POLAND: Additional Support

1. Food Assistance

USDA and State have formulated a proposal for a second tranche of \$50 million in food aid for Poland. The proposed aid is not all gratis, but entails highly concessional terms. A major component of this second tranche would respond to the shortage of meat products in Poland. The second tranche would include:

- o \$10 million of pork (probably porkbellies) under the Section 1110 grant program;
- o \$10 million of cotton seed oil under the SCOAP subsidized sale (up to 80% subsidy) program;
- o \$10 million of butter/butter oil under Section 32 subsidized sale program.
- o \$10 million in corn under the Section 416 grant program; and,
- o \$10 million in rice or cotton (needed for Poland's industries) in PL-480, Title I, concessional loan program. This program is contingent on Poland reaching a new Paris Club agreement.

Airlift

The PCC concluded that an airlift of food to Poland is uneconomic and that a food emergency does not exist, but it would be a significant political and psychological gesture, especially if pork were to be included, in support of the new government. DOD believes that it has legal authority to airlift donated or USG foodstuffs under the McCollum Act (Denton Act covers only donated foodstuffs). DOD would use C-141 transport planes which carry 55,000 pounds (27 tons) of foodstuffs. Four planeloads would only hold about 1% of the donated pork. The roundtrip cost for a C-141 would be \$60,000. This would be absorbed in DOD budget (McCollum amendment funds) provided that 21-day advance notice can be given to Congress. Otherwise, funding would have to come out of the Air Force budget. DOD would prefer to use McCollum amendment funds. In addition to pork provided by the USG, we understand that the Polish-American Congress has arranged for donations of baby food and fruit juices which could be airlifted to Poland. The recipient of the food assistance

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-2-

would most likely be private, charitable organizations (possibly the Charity Commission of the Catholic Church). The recipient would have to work with state-owned firms to process the donated pork.

The DC should decide whether to recommend to the President that the USG airlift a portion of the food supplies, including pork, as a political/psychological gesture. If the DC recommends an airlift, the DC should decide whether only USG food items, privately-donated food items, or a combination of the two should be airlifted. (Routine shipping requires approximately 10 days from the East Coast to Gdansk.)

Discussions with the Mazowiecki Government

The second tranche of the U.S. food aid program has been prepared without consultation with the Polish Government. Ambassador Davis reports that Prime Minister Mazowiecki has not requested the additional food assistance, although he assumes Mazowiecki would welcome such assistance. Some of the agricultural items under discussion by the USG may not be items generally demanded by Polish consumers (e.g., cotton seed oil). We recommend that the DC authorize Ambassador Davis to discuss the proposed U.S. program with Prime Minister Mazowiecki as soon as possible.

2. World Bank Loans

In his July 10 speech to the Polish Parliament, President Bush encouraged the World Bank to move ahead with an industrial export development loan and an agricultural export development loan. The World Bank estimates the value of these loans at \$250 million (down from an earlier estimate of \$325 million). Each loan has been carefully selected for its viability and self-containment. However, World Bank officials have informed us that they do not plan to present these loans to the Bank board for a decision until Poland has a "viable macroeconomic program" and other institutions (i.e., the IMF) are active in Poland. There is also considerable resistance from other major World Bank members to approving the World Bank loans before an IMF program has been agreed. U.S. policy in recent years has been to encourage the IMF and World Bank to act in concert in cases such as Poland's. Although there are precedents of the World Bank going into a country with macroeconomic difficulties alone, proceeding without the IMF could send the wrong signal on the need for dramatic economic reform.

The DC should decide whether to recommend that the President step up the pressure on the World Bank, and the other major shareholders of the Bank, to get board authorization for

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these two project loans prior to negotiation of an IMF stand-by agreement.

3. Additional Bilateral Programs

The PCC concluded that an appropriate and timely means to provide additional support for the Mazowiecki government would be to double the USG commitment to the enterprise fund. Enterprise fund legislation will be sent to Congress this week and, in connection with a Presidential announcement, we could request that Congress increase the amount of the total authorization from \$100 million to \$200 million for Poland. (Senator Simon is quoted as proposing tripling the amount of the authorization.)

However, there was discussion in the PCC over whether we should propose increasing the authorization at this time or defer action, and husband our scarce resources, until the Mazowiecki government has devised a viable economic reform program, and has presented it to the IMF.

We should be aware that the international affairs budget (function 150) is shrinking and we are already falling short on significant commitments. Further, we must absorb an additional \$1.4 billion for the Andean countries as part of the national drug strategy over the next five years. If we are to propose an additional \$100 million now for Poland, it should come as a conscious decision that we must increase the 150 function or face the prospect of sharp cuts to key countries and programs.

The DC should consider whether to recommend to the President an immediate increase in the authorized amount for the enterprise fund, or to defer action in the expectation that such an increase should be linked to a reform program. An even greater effort on a multilateral basis may be called for once the dimensions of the reform effort are determined.

4. High-level Visits

We should consider inviting President Jaruzelski or Prime Minister Mazowiecki to the United States for a state/official visit. President Jaruzelski recently hosted President Bush and a return invitation would be appropriate, if the current political process stays on track, perhaps during the first half of 1990. The State Department has recommended issuing an invitation for a state visit during that timeframe. Prime Minister Mazowiecki could be received at a later date. Solidarity leader Lech Walesa will be in the United States in November. The State Department has recommended that he be received by the President during that visit.

5. Other Bilateral Initiatives

The PCC reached consensus on moving forward on the following low-cost, no-cost initiatives:

- Prominent business leaders should be encouraged to participate in Secretary Mosbacher's September visit to Warsaw (and Budapest).
- G-24 Fact-Finding Mission to Poland and Hungary prior to the September 26 G-24 meeting.
- Speed up negotiations for the FY-90 food aid program in order that the U.S. program can begin as soon as possible in the new fiscal year. Such negotiations will require agreement on the use of the counterpart funds generated from the sale of U.S.-donated foodstuffs.
- OECD Transitional Economies Center - We could support establishing an OECD center to draw on existing OECD capabilities to provide apolitical analysis of the Polish (and other Eastern European) economies. The OECD center could help to develop Western analytical tools needed for a market economy. One estimate sets the cost of such a program at around \$4 million annually with roughly \$1 million coming from the U.S. While we have entered into a number of arrangements with non-members, the U.S. has generally resisted special relationships. To avoid the appearance of a double standard, the center would have to be set up in a way that filtered its contact with the OECD proper.
- Expand exchanges - Promote people-to-people programs to train Poles in critical, non-strategic technical skills. This could include Peace Corps programs; USIA programs; worker exchange programs; and agricultural extension services.
- White House Conference. We could resurrect the idea of a White House Conference on Trade and Investment in Eastern Europe. Such a conference could serve as the catalyst for the formation of a U.S./Eastern Europe Business Council made up of the chief executive officers of major U.S. businesses.

6. Briefing the Allies

The President has committed the U.S. to close consultations with our major allies on Poland. We recommend that we consult with our Summit Seven partners and the European Commission before publicly announcing additional steps for Poland.

7. Note on Hungary

The urgency that prompts the increase of food aid to Poland is not present with Hungary. However, an increase in the enterprise fund for Poland would change the previous decision to give the two countries equal treatment on a per capita basis. Poland has changed its government, but Hungary appears to have taken a courageous stand on the question of East German emigres. We may find it necessary to increase aid to Hungary at a later stage.

8. Major Funding Assistance

The DC should consider -- and an option should be maintained for the President -- whether the U.S. stake in the success of the Polish economic and political reforms merits substantial new U.S. resources. Our previous reservation concerning assistance to a communist-dominated regime has fallen away with the formation of a Solidarity-led government. However, the magnitude of our interests in Poland and the fragility of the reform movement there and in Eastern Europe is at odds with our present budgetary constraints. There is a real risk that this Administration, faced with historic opportunities, would be blamed for a failure of the Eastern Europe reform process, if in the end it is perceived as lacking the political will to reorder its budgetary priorities.

All agencies agree that the Poles must not be relieved of the responsibility for economic reforms. Western assistance will be crucial on the margins, however, and Poland's needs are unquestionable. U.S. nonfood assistance for FY '90, despite the President's visit, is small-scale -- about \$30 million. A shift in budget priorities could make possible such major responses as:

- A Philippine-like Multilateral Assistance Initiative
- Significant Increase in the Funding of the Enterprise Fund -- Current FY '90 funding is only \$10 million. A substantial increase in the funding level should include the "up-front" appropriation of as much as one-third of the total allocation.
- Capitalization of a Development Bank.

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NATIONAL SECURITY COUNCIL

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89 SEP 6 P 2: 47

SYSTEM LOG NUMBER: 21080 A/O 2

ACTION OFFICER: FOR RECORD PURPOSES

DUE: _____

☐ Prepare Memo For Scowcroft/Gates

☐ Appropriate Action

☐ Prepare Memo For Cicconi

☐ Prepare Memo for Hughes

☐ Prepare Memo _____ to _____

CONCURRENCES/COMMENTS*

PHONE* to action officer at ext. _____

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☐ Basora
☐ Beers
☒ Blackwill
☐ Briggs
☐ Brooks
☐ Charles
☐ Coulson
☐ Deal
☐ Donley
☐ Dyke
☐ Ebner
☐ Grant
☐ Haass
☐ Hoffmann
☐ Hutchings
☐ Jackson
☐ LaMagna
☐ Kanter

FYI

☐ Lampley
☐ Leach
☐ Levin
☐ Lewis
☐ Mahley
☐ Mandel
☐ McCue
☐ Melby
☐ Menan
☐ Miller
☐ Miskel
☐ Needels
☐ Paal
☐ Pacelli
☐ Passage
☐ Popadiuk
☐ Porter
☐ Pryce

FYI

☐ Rademaker
☐ Reiss
☒ Rice
☒ Rodman
☐ Rostow
☐ Salvetti
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☐ Tobey
☐ Welch
☐ Whitley
☒ Working
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INFORMATION ☒ Hughes
☒ Scowcroft (advance)

☒ Gates (advance)
☒ Secretariat

☐ Exec. Sec. Desk
☒ SITTMAAN

COMMENTS

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White House Guidelines

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

By *PLM* NARA, Date 09/14/09

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NSC/S PROFILE

RECORD ID: 8921080
RECEIVED: 05 SEP 89 20

TO: AGENCIES

FROM: HUGHES

DOC DATE: 06 SEP 89
SOURCE REF:

KEYWORDS: POLAND
DC

FOOD

PERSONS:

SUBJECT: NOTIFICATION OF DC MTG ON 6 SEP RE ASSISTANCE TO POLAND

ACTION: SITTMANN SGD MEMO TO AGENCIES DUE DATE: 08 SEP 89 STATUS: C

STAFF OFFICER: RICE

LOGREF: 8921085

FILES: IFM O

NSCP: DC050

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

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White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By RAK NARA, Date 09/14/09

COMMENTS: _____

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DOC 2 OF 6

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RECORD ID: 8921080

ACTION DATA SUMMARY REPORT

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CAO ASSIGNED ACTION REQUIRED

001 HUGHES
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006

Z 89090520 FOR SIGNATURE
X 89090610 SITTMANN SGD MEMO TO AGENCIES
X 89090610 FOR RECORD PURPOSES
Z 89091112 ADD-ON / FOR SIGNATURE
X 89091112 SITTMANN SGD MEMO TO AGENCIES

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White House Guidelines

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

By DM NARA, Date 09/14/09

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National Security Council The White House

PROOFED BY: 27 LOG # 21080
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	SEQUENCE TO	HAS SEEN	DISPOSITION
Dep Exec	<u>1</u>	<u>M</u>	<u>A</u>
Philip Hughes	<u>2</u>		
Bob Gates			
Brent Scowcroft			
Philip Hughes			
Situation Room			
West Wing Desk	<u>3</u>	<u>27.9/16</u>	<u>X</u>
NSC Secretariat	<u>4</u>	<u>LMS 7/15</u>	<u>R</u>

89 SEP 6 P12:48

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

cc: VP Sununu Other _____

Should be seen by: _____
 (Date/Time)

COMMENTS

NATIONAL SECURITY COUNCIL DISTRIBUTION RECORD

Log Number 21080 ADD-ON 1

Date _____

Subject: PCC PAPER FOR DC MTG ON ADDL ASSISTANCE TO POLAND

DOCUMENT CLASSIFICATION:

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EXTERNAL DISTRIBUTION:

	#CYS	Date	Time	Received/Signed for By:
THE VICE PRESIDENT	1	9/6	1355	<i>[Signature]</i>
THE SECRETARY OF STATE Exec. sec/Room 7241	1	9/6/89	1436	<i>U. V. Walker</i>
THE SECRETARY OF THE TREASURY Main Bldg/Room 3422	1	9/6	1352	<i>[Signature]</i>
THE SECRETARY OF DEFENSE The Pentagon				
DIRECTOR, ACDA Room 5933/Dept. of State				
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CHAIRMAN, JCS The Pentagon				
DIRECTOR, OMB Room 252 OEOB	1	9/6/89	150	<i>Ann Johnston</i>
U.S. REPRESENTATIVE TO UNITED NATIONS Room 6333, State Dept.				
THE SECRETARY OF COMMERCE 14th & Const. Ave. NW, Room 5851				
THE SECRETARY OF ENERGY GA257, Forrestal Bldg.				
DIRECTOR, AID Room 5942, Dept. of State	1	9/6/89	1405	<i>Robinson</i>
THE ATTORNEY GENERAL Dept. of Justice, Room 5119				
DIRECTOR, OSTP Room 360, OEOB				
DIRECTOR, USIA 400 C Street, S.W., Room 800	1	9/6/89	14:04	<i>Alice Pauling</i>
THE SECRETARY OF THE INTERIOR 18th & E. Street N.W., Room 6151				
THE SECRETARY OF AGRICULTURE Independence & 14th S.W., Room 200A	1	9/6/89	13:38	<i>Melvin Wiggins</i>
UNITED STATES TRADE REPRESENTATIVE Room 209 Winder Bldg. 17 & F St. NW	1	9/6/89	14:02	<i>Robert A. Thomas</i>
THE DIRECTOR, FEMA 1500 C Street, Room 828				
DIRECTOR, DMSPA Room 3E813, Pentagon				
THE SECRETARY OF TRANSPORTATION 400 7th Street S.W.				
MANAGER, NATL COMMUNICATIONS SYSTEM (NCS), Room 4125 8th & SO Courthouse Rd., Arlington, VA				
THE SECRETARY OF HHS 200 Independence Avenue, NW, Room 615F				
THE SECRETARY OF HUD 451 7th Street SW, Room 10000				
THE SECRETARY OF EDUCATION 400 Maryland Avenue, SW, Room 4181				

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NATIONAL SECURITY COUNCIL DISTRIBUTION RECORD

Log Number 21080 ADD-ON 1

Date _____

Subject: PCC PAPER FOR DC MTG ON ADDL ASSISTANCE TO POLAND

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200 Constitution Avenue, NW, Room 5 2018

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9/16/89

2:00

Wesley B. Hoar

DIRECTOR, FBI
8th & Penn. Avenue, NW

DIRECTOR, NSA
Ft. George Meade, MD

DIRECTOR, DIA
Pentagon, Room 3E258

DIRECTOR, US SECRET SERVICE
1800 G. Street, NW, Room 800

DIRECTOR OF PEACE CORPS
806 Conn. Avenue, NW

DIRECTOR OF ACTION
806 Conn. Avenue, NW

CHAIRMAN, CEA
Room 314, OEOB

CHAIRMAN, CEQ
722 Jackson Place, NW

ADMINISTRATOR, GSA
GSA Bldg., 18th & F Street, NW, Room 6137

ADMINISTRATOR, NASA
400 Maryland Avenue, SW, Room 7137

CHAIRMAN, PFIAB,
OEOB, Room 340

DIRECTOR, IDCA
Dept. of State, Room 3941

CHAIRMAN NUCLEAR REGULATORY
COMMISSION, Room 1114
1717 H. Street, NW

ADMINISTRATOR OF VETERANS AFFAIRS
810 Vermont Avenue, NW, Room 1000 S

PRESIDENT, EXPORT-IMPORT BANK
811 Vermont Avenue, NW, Room 1215

ADMINISTRATOR, EPA
401 M Street, SW, Room 1200

POSTMASTER GENERAL
475 L'Enfant Plaza West, SW, Room 10022

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1900 E Street, NW, Room 5518

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FROM

G. PHILIP HUGHES

(NAME)

(EXTENSION)

ROOM NUMBER

MESSAGE DESCRIPTION

PCC PAPER FOR DC MTG ON ADDL ASSISTANCE TO F.R.A.

LOC 21080

AGENCY)

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EXEC SEC

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MR. CRAIG R. HELSING

EXEC SEC

MR. H. LAWRENCE SANDALL

EXEC SEC

CAPT ANTHONY MANESS

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-6 P122

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TO **G. PHILIP HUGHES** (NAME) (EXTENSION) (ROOM NUMBER)

AGE DESCRIPTION **PCC TAPER FOR DC MTG ON ADDL ASSISTANCE TO POLAND**

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<u>REASURY</u>	<u>MS. EMILY L. WALKER</u>	<u>EXEC SEC</u>	<u> </u>
<u>DEFENSE</u>	<u>COL GEORGE P. COLE, JR.</u>	<u>EXEC SEC</u>	<u> </u>
<u>COMMERCE</u>	<u>MR. CRAIG R. HELSING</u>	<u>EXEC SEC</u>	<u> </u>
<u> </u>	<u>MR. H. LAWRENCE SANDALL</u>	<u>EXEC SEC</u>	<u> </u>
<u> </u>	<u>CAPT ANTHONY MANESS</u>	<u>EXEC ASST TO CHAIRMAN</u>	<u> </u>
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PAGES 6

FROM

G. PHILIP HUGHES

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MESSAGE DESCRIPTION

PCC PAPER FOR DC MTG ON ADDL ASSISTANCE TO POLAND

6 SEP

LOG # 21080 A/O 1

TO (AGENCY)

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EXEC SEC

COMMERCE

MR. CRAIG R. HELSING

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MESSAGE NO. 2147 CLASSIFICATION **SECRET** PAGES 6
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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

21080 Add-on

September 6, 1989

MEMORANDUM FOR

MR. CARNES LORD
Assistant to the Vice
President for National
Security Affairs

MR. FRANK HODSOLL
Executive Associate Director
Office of Management and
Budget

MR. J. STAPLETON ROY
Executive Secretary
Department of State

MR. GARY EDSON
Chief of Staff
U.S. Trade Representative

MS. EMILY L. WALKER
Executive Secretary
Department of the Treasury

MR. H. LAWRENCE SANDALL
Executive Secretary
Central Intelligence Agency

COLONEL GEORGE P. COLE, JR.
Executive Secretary
Department of Defense

CAPTAIN ANTHONY MANESS, USN
Executive Assistant to the
Chairman
Joint Chiefs of Staff

MS. SUSAN NELSON
Assistant to the Secretary
Department of Agriculture

MS. MOLLY HAGEBOECK
Chief of Staff
Agency for International
Development

MR. CRAIG R. HELSING
Chief of Staff
Department of Commerce

MR. ARTHUR GREEN
Acting Executive Secretary
U.S. Information Agency

MR. ROD DE ARMANT
Deputy Secretary
Department of Labor

SUBJECT: PCC Paper for Deputies Committee Meeting on
Additional Assistance to Poland, September 6 (S)

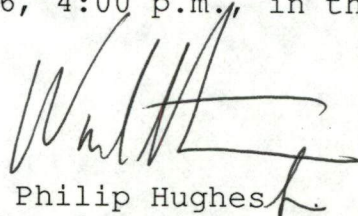
Please transmit the PCC paper for the Deputies Committee Meeting
this afternoon, Wednesday, September 6, 4:00 p.m. in the
Situation Room. (S)

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White House Guidelines

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

By PAN NARA, Date 09/14/09


G. Philip Hughes
Executive Secretary

Attachment
Tab A PCC Paper

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POLAND: Additional Support

1. Food Assistance

USDA and State have formulated a proposal for a second tranche of \$50 million in food aid for Poland. The proposed aid is not all gratis, but entails highly concessional terms. A major component of this second tranche would respond to the shortage of meat products in Poland. The second tranche would include:

- o \$10 million of pork (probably porkbellies) under the Section 1110 grant program;
- o \$10 million of cotton seed oil under the SCOAP subsidized sale (up to 80% subsidy) program;
- o \$10 million of butter/butter oil under Section 32 subsidized sale program.
- o \$10 million in corn under the Section 416 grant program; and,
- o \$10 million in rice or cotton (needed for Poland's industries) in PL-480, Title I, concessional loan program. This program is contingent on Poland reaching a new Paris Club agreement.

Airlift

The PCC concluded that an airlift of food to Poland is uneconomic and that a food emergency does not exist, but it would be a significant political and psychological gesture, especially if pork were to be included, in support of the new government. DOD believes that it has legal authority to airlift donated or USG foodstuffs under the McCollum Act (Denton Act covers only donated foodstuffs). DOD would use C-141 transport planes which carry 55,000 pounds (27 tons) of foodstuffs. Four plane loads would only hold about 1% of the donated pork. The roundtrip cost for a C-141 would be \$60,000. This would be absorbed in DOD budget (McCollum amendment funds) provided that 21-day advance notice can be given to Congress. Otherwise, funding would have to come out of the Air Force budget. DOD would prefer to use McCollum amendment funds. In addition to pork provided by the USG, we understand that the Polish-American Congress has arranged for donations of baby food and fruit juices which could be airlifted to Poland. The recipient of the food assistance

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would most likely be private, charitable organizations (possibly the Charity Commission of the Catholic Church). The recipient would have to work with state-owned firms to process the donated pork.

The DC should decide whether to recommend to the President that the USG airlift a portion of the food supplies, including pork, as a political/psychological gesture. If the DC recommends an airlift, the DC should decide whether only USG food items, privately-donated food items, or a combination of the two should be airlifted. (Routine shipping requires approximately 10 days from the East Coast to Gdansk.)

Discussions with the Mazowiecki Government

The second tranche of the U.S. food aid program has been prepared without consultation with the Polish Government. Ambassador Davis reports that Prime Minister Mazowiecki has not requested the additional food assistance, although he assumes Mazowiecki would welcome such assistance. Some of the agricultural items under discussion by the USG may not be items generally demanded by Polish consumers (e.g., cotton seed oil). We recommend that the DC authorize Ambassador Davis to discuss the proposed U.S. program with Prime Minister Mazowiecki as soon as possible.

World Bank Loans

In his July 10 speech to the Polish Parliament, President Bush encouraged the World Bank to move ahead with an industrial export development loan and an agricultural export development loan. The World Bank estimates the value of these loans at \$250 million (down from an earlier estimate of \$325 million). Each loan has been carefully selected for its viability and self-containment. However, World Bank officials have informed us that they do not plan to present these loans to the Bank board for a decision until Poland has a "viable macroeconomic program" and other institutions (i.e., the IMF) are active in Poland. There is also considerable resistance from other major World Bank members to approving the World Bank loans before an IMF program has been agreed. U.S. policy in recent years has been to encourage the IMF and World Bank to act in concert in cases such as Poland's. Although there are precedents of the World Bank going into a country with macroeconomic difficulties alone, proceeding without the IMF could send the wrong signal on the need for dramatic economic reform.

The DC should decide whether to recommend that the President step up the pressure on the World Bank, and the other major shareholders of the Bank, to get board authorization for

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these two project loans prior to negotiation of an IMF stand-by agreement.

3. Additional Bilateral Programs

The PCC concluded that an appropriate and timely means to provide additional support for the Mazowiecki government would be to double the USG commitment to the enterprise fund. Enterprise fund legislation will be sent to Congress this week and, in connection with a Presidential announcement, we could request that Congress increase the amount of the total authorization from \$100 million to \$200 million for Poland. (Senator Simon is quoted as proposing tripling the amount of the authorization.)

However, there was discussion in the PCC over whether we should propose increasing the authorization at this time or defer action, and husband our scarce resources, until the Mazowiecki government has devised a viable economic reform program, and has presented it to the IMF.

We should be aware that the international affairs budget (function 150) is shrinking and we are already falling short on significant commitments. Further, we must absorb an additional \$1.4 billion for the Andean countries as part of the national drug strategy over the next five years. If we are to propose an additional \$100 million now for Poland, it should come as a conscious decision that we must increase the 150 function or face the prospect of sharp cuts to key countries and programs.

The DC should consider whether to recommend to the President an immediate increase in the authorized amount for the enterprise fund, or to defer action in the expectation that such an increase should be linked to a reform program. An even greater effort on a multilateral basis may be called for once the dimensions of the reform effort are determined.

4. High-level Visits

We should consider inviting President Jaruzelski or Prime Minister Mazowiecki to the United States for a state/official visit. President Jaruzelski recently hosted President Bush and a return invitation would be appropriate, if the current political process stays on track, perhaps during the first half of 1990. The State Department has recommended issuing an invitation for a state visit during that timeframe. Prime Minister Mazowiecki could be received at a later date. Solidarity leader Lech Walesa will be in the United States in November. The State Department has recommended that he be received by the President during that visit.

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5. Other Bilateral Initiatives

The PCC reached consensus on moving forward on the following low-cost, no-cost initiatives:

- Prominent business leaders should be encouraged to participate in Secretary Mosbacher's September visit to Warsaw (and Budapest).
- G-24 Fact-Finding Mission to Poland and Hungary prior to the September 26 G-24 meeting.
- Speed up negotiations for the FY-90 food aid program in order that the U.S. program can begin as soon as possible in the new fiscal year. Such negotiations will require agreement on the use of the counterpart funds generated from the sale of U.S.-donated foodstuffs.
- OECD Transitional Economies Center - We could support establishing an OECD center to draw on existing OECD capabilities to provide apolitical analysis of the Polish (and other Eastern European) economies. The OECD center could help to develop Western analytical tools needed for a market economy. One estimate sets the cost of such a program at around \$4 million annually with roughly \$1 million coming from the U.S. While we have entered into a number of arrangements with non-members, the U.S. has generally resisted special relationships. To avoid the appearance of a double standard, the center would have to be set up in a way that filtered its contact with the OECD proper.
- Expand exchanges - Promote people-to-people programs to train Poles in critical, non-strategic technical skills. This could include Peace Corps programs; USIA programs; worker exchange programs; and agricultural extension services.
- White House Conference. We could resurrect the idea of a White House Conference on Trade and Investment in Eastern Europe. Such a conference could serve as the catalyst for the formation of a U.S./Eastern Europe Business Council made up of the chief executive officers of major U.S. businesses.

6. Briefing the Allies

The President has committed the U.S. to close consultations with our major allies on Poland. We recommend that we consult with our Summit Seven partners and the European Commission before publicly announcing additional steps for Poland.

7. Note on Hungary

The urgency that prompts the increase of food aid to Poland is not present with Hungary. However, an increase in the enterprise fund for Poland would change the previous decision to give the two countries equal treatment on a per capita basis. Poland has changed its government, but Hungary appears to have taken a courageous stand on the question of East German emigres. We may find it necessary to increase aid to Hungary at a later stage.

A. Major Funding Assistance

The DC should consider -- and an option should be maintained for the President -- whether the U.S. stake in the success of the Polish economic and political reforms merits substantial new U.S. resources. Our previous reservation concerning assistance to a communist-dominated regime has fallen away with the formation of a Solidarity-led government. However, the magnitude of our interests in Poland and the fragility of the reform movement there and in Eastern Europe is at odds with our present budgetary constraints. There is a real risk that this Administration, faced with historic opportunities, would be blamed for a failure of the Eastern Europe reform process, if in the end it is perceived as lacking the political will to reorder its budgetary priorities.

All agencies agree that the Poles must not be relieved of the responsibility for economic reforms. Western assistance will be crucial on the margins, however, and Poland's needs are unquestionable. U.S. nonfood assistance for FY '90, despite the President's visit, is small-scale -- about \$30 million. A shift in budget priorities could make possible such major responses as:

- A Philippine-like Multilateral Assistance Initiative
- Significant Increase in the Funding of the Enterprise Fund -- Current FY '90 funding is only \$10 million. A substantial increase in the funding level should include the "up-front" appropriation of as much as one-third of the total allocation.
- Capitalisation of a Development Bank.

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TO HUGHES FROM RICE

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White House Guidelines

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

By Ran NARA, Date 09/14/09

KEYWORDS: POLAND

FOOD

DC

SUBJECT: DC MTG ON ADDITIONAL ASSISTANCE TO POLAND SEP 6

ACTION: FOR SIGNATURE

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

21080 Add-on

September 6, 1989

MEMORANDUM FOR G. PHILIP HUGHES

FROM: CONDOLEEZZA RICE *CR*

SUBJECT: Deputies Committee Meeting on Additional
Assistance to Poland

At Tab I is a cover memorandum for your signature forwarding the paper (Tab A) for the Deputies Committee Meeting, September 6, on options for additional assistance to Poland.

Robert *RB* Blackwill and Tim Deal *CR for TD* concur.

RECOMMENDATION:

That you sign the memorandum at Tab I.

Attachment:

Tab I Memorandum to Agency Counterparts
Tab A PCC Paper

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White House Guidelines

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

By *RM* NARA, Date *09/14/09*

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DIRECTOR, OMB Room 252 OEOB	1	9/6/89	10:09	<i>Ann Shole...</i>
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THE SECRETARY OF COMMERCE 14th & Const. Ave. NW, Room 5851	1	9/6/89	12:00	<i>Jennifer Alder</i>
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DIRECTOR, AID Room 5942, Dept. of State	1	9/106	0926	<i>Dr. S. Robinson</i>
THE ATTORNEY GENERAL Dept. of Justice, Room 5119				
DIRECTOR, OSTP Room 360, OEOB				
DIRECTOR, USIA 400 C Street, S.W., Room 800	1	9/5/89	0805	<i>Yvette Thomas</i>
THE SECRETARY OF THE INTERIOR 18th & E Street N.W., Room 6151				
THE SECRETARY OF AGRICULTURE Independence & 14th S.W., Room 200A	1	9/6/89	10:05	<i>Malvin Wiggins</i>
UNITED STATES TRADE REPRESENTATIVE Room 209 Winder Bldg. 17 & F St. NW	1	9/6/89	9:06	<i>Paul Booth</i>
THE DIRECTOR, FEMA 1500 C Street, Room 828				
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JCS	CAPT ANTHONY MANESS	EXEC ASST TO CHAIRMAN	

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cc: VP Sununu Other _____

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

21080

September 5, 1989

MEMORANDUM FOR

MR. CARNES LORD
Assistant to the Vice
President for National
Security Affairs

MR. FRANK HODSOLL
Executive Associate Director
Office of Management and
Budget

MR. J. STAPLETON ROY
Executive Secretary
Department of State

MR. GARY EDSON
Chief of Staff
U.S. Trade Representative

MS. EMILY L. WALKER
Executive Secretary
Department of the Treasury

MR. H. LAWRENCE SANDALL
Executive Secretary
Central Intelligence Agency

COLONEL GEORGE P. COLE, JR.
Executive Secretary
Department of Defense

CAPTAIN ANTHONY MANESS, USN
Executive Assistant to the
Chairman
Joint Chiefs of Staff

MS. SUSAN NELSON
Assistant to the Secretary
Department of Agriculture

MS. MOLLY HAGEBOECK
Chief of Staff
Agency for International
Development

MR. CRAIG R. HELSING
Chief of Staff
Department of Commerce

MR. ARTHUR GREEN
Acting Executive Secretary
U.S. Information Agency

MR. ROD DEARMONT
Deputy Secretary
Department of Labor

SUBJECT: Deputies Committee Meeting on Additional
Assistance to Poland, September 6 ~~18~~

A meeting of the Deputies Committee will be held on Wednesday, September 6, 4:00 p.m., in the Situation Room, to consider options for additional assistance to Poland. This is a follow-up to the August 30 meeting. Attendance will be principals plus one. Please call the Executive Secretary, 456-2224, with names and dates of birth of attendees. A paper will be circulated on Wednesday. ~~(S)~~

DECLASSIFIED

White House Guidelines

E.O. 12958, SEC 3.4 (B) September 11, 2008

By *Ran* NARA, Date *09/14/09*

G. Philip Hughes
G. Philip Hughes
Executive Secretary

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Declassify on: OADR

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

21080

September 5, 1989

MEMORANDUM FOR G. PHILIP HUGHES

FROM: CONDOLEEZZA RICE *CR*

SUBJECT: Deputies Committee Meeting on Additional
Assistance to Poland

A meeting notice is attached at Tab I announcing a Deputies Committee Meeting, September 6, on options for additional assistance to Poland.

Robert *MB* Blackwill and Tim *D* Deal concur.

RECOMMENDATION:

That you sign the memorandum at Tab I.

Approve *APK*

Disapprove _____

Attachment:

Tab I Memorandum to Agency Counterparts

DECLASSIFIED

White House Guidelines

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

By *PM* NARA, Date *08/14/09*

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Declassify on: OADR

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NSC/S PROFILE

RECORD ID: 8921085
RECEIVED: 05 SEP 89 21

TO: GATES

FROM: BLACKWILL
RICE

DOC DATE: 05 SEP 89
SOURCE REF:

KEYWORDS: POLAND
FOOD
IMF

HUNGARY
ECONOMICS
DC

PERSONS:

SUBJECT: FOLLOW UP DC MTG TO CONSIDER ADDITIONAL AID TO POLAND

ACTION: NOTED BY GATES

DUE DATE: 09 FEB 90

STATUS: C

STAFF OFFICER: RICE

LOGREF: 8921080

FILES: IFM O

NSCP: DC050

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
BLACKWILL
RICE

DECLASSIFIED

White House Guidelines

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

By PM NARA, Date 09/14/09

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: GD

CLOSED BY: AC

DOC 1 OF 1

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~~SECRET~~

RECORD ID: 8921085

ACTION DATA SUMMARY REPORT

DOC ACTION OFFICER

CAO ASSIGNED ACTION REQUIRED

001 GATES
001

Z 89090521 FOR INFORMATION
X 89110712 NOTED BY GATES

DECLASSIFIED

White House Guidelines

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

By RWC NARA, Date 08/14/09

~~SECRET~~

Bob,

2020/Sep 5

I've still not received the
final PCC Paper - the
enclosed is a draft from
State that was circulated
interagency today.

I don't think that there will
be many changes - but I should
have the final for you tomorrow
A.M.

Cindi

Document Originally
Attached to
Following Page

**National Security Council
The White House**

PROOFED BY: _____

LOG # 21085

URGENT NOT PROOFED: _____

SYSTEM PRS (NSC) INT

BYPASSED WW DESK: _____

DOCLOG _____ A/O _____

	SEQUENCE TO	HAS SEEN	DISPOSITION
Dep Exec	<u>1</u>	<u>W</u>	<u>A</u>
Philip Hughes	<u>2</u>	<u>APB</u>	
Bob Gates	<u>3</u>		
Brent Scowcroft			
Philip Hughes			
Situation Room			
West Wing Desk	<u>4</u>		<u>N</u>
NSC Secretariat	<u>5</u>	<u>LMS 7/15</u>	<u>R</u>

89 SEP 5 P 8: 21

A = Action	I = Information	D = Dispatch	R = Retain	N = No further Action
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cc: VP Sununu Other _____

Should be seen by: _____
(Date/Time)

COMMENTS

DC mtg on Sept. 6 at 2:00 (Poland)

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~~SECRET~~

21085

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506



September 5, 1989

Deputy Natl Sec Advisor
has seen

INFORMATION

MEMORANDUM FOR ROBERT GATES

THROUGH: ROBERT BLACKWILL *RB*

FROM: CONDOLEEZZA RICE *CR*

SUBJECT: Follow-up DC Meeting to Consider Additional Aid to Poland

The Deputies Committee will meet to review the PCC paper, attached at Tab I. Five options have been put forth for DC consideration.

Pressure continues to grow for a more generous response to the new Mazowiecki government. Senator Simon was recently in Poland and told Solidarity leader Geremek that he intends to propose legislation for further assistance to Poland on September 6 or 7. Simon's package would include: a moratorium on interest payments due the U.S. for a three-year period, converting that amount to principal and in effect capitalizing it; a \$300 million a year for three years fund for the development of private enterprise (described as a joint U.S.-Polish quasi-governmental entity); encouraging at least one U.S. commercial bank to operate in Poland; a one-time grant of \$25 million from the U.S. government to improve the Polish telephone system; asking the American Council on Education to work out sister university programs between Poland and the U.S.; and dispatch of a group of Illinois steel experts to examine options for cleaner and more efficient steel production at Nowa Huta. Geremek is said to have called the package "just what Poland needs." (Cable on Simon CODEL attached at Tab II). Clearly, this is the kind of activity that concerned Senator Dole who thought that the Administration might lose the reins of U.S. policy toward Eastern Europe.

We are also beginning to hear from the Allies. Mrs. Thatcher recently wrote to the President saying that the West cannot allow the Polish experiment to fail. Her suggestions are quite in line with the U.S. policy approach, focusing heavily on the need for Poland to reach agreement with the IMF; rescheduling the Paris Club debt; coordinated food assistance; and technical assistance in training of managers for a more market-oriented economy. (Thatcher letter attached at Tab III.)

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Declassify on: OADR

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DECLASSIFIED
PER E.O. 13526
2011-1421-MR
ES 4/25/13

In light of the activity of the Allies and more importantly, the Congress, decisions about further assistance need to be made soon. You may want to walk the DC through the five options to see if you can reach consensus on some combination of them.

(1) Food Assistance. The U.S. could develop an additional food assistance package of \$50 million, bringing the total to \$108 million. The major issue for decision is whether to airlift the food to Poland; a step that the PCC deemed high profile if economically inefficient. We believe that the airlift could be viewed as a grandstanding substitute for a significant aid package and thus subject to ridicule. The food can be delivered more economically through normal means of distribution.

A second issue raised by the PCC paper concerns the attitude of the Mazowiecki government on food assistance. Ambassador Davis reports that Prime Minister Mazowiecki has not requested the additional assistance. This is curious since Jaruzelski raised food assistance with the G-7 and with the President -- as did Walesa. The PCC recommends that Ambassador Davis be asked to discuss a food assistance program directly with Mazowiecki.

(2) World Bank Project Loans. In his July 10 speech in Poland, the President encouraged the World Bank to move ahead with industrial export development project loans. The Bank now estimates these loans to be worth \$250 million. World Bank officials have informed the U.S. that they do not plan to move ahead until Poland has a viable macroeconomic reform program in place. The other members of the G-7, with the possible exception of the British, have the same view. This is, nonetheless, a big-ticket item that would augment our package at no direct budgetary cost. The DC needs to decide whether the U.S. should step up pressure on the Bank to get board authorization for the two project loans in advance of an IMF agreement.

(3) Additional Bilateral Programs. The PCC concluded that an additional \$100 million increment to the Enterprise Fund is the best option for additional support. The DC should consider whether to recommend that the President increase the authorized amount for the Enterprise Fund. The alternative is to defer action until a reform program is in place. A discussion of where this extra \$100 million might come from should produce blood on floor.

(4) High-level visits. The DC should determine whether it recommends invitations to Jaruzelski and Mazowiecki for the first half of 1990. The State Department is recommending that Jaruzelski be invited first with an invitation in principle to Mazowiecki.

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(5) The PCC recommended that several low or no-cost initiatives go forward: giving visibility to Secretary Mosbacher's trip to Warsaw and Budapest; a G-24 fact finding mission to Poland and Hungary prior to the September 26 G-24 meeting; accelerated negotiations for the FY-90 food aid program; establishment of an OECD transnational economies center to establish an analytical capability to be used to analyze East European economies; expanded exchanges; and a White House Conference on trade and investment in Eastern Europe.

The challenge is to put together a credible next incremental policy step in response to Mazowiecki's selection. Our policy preference would be to double the President's commitment for food assistance (to \$100 million) and to augment the Enterprise Fund by \$100 million.

in draft *CR*
Ginny Lampley and Tim Deal concur.

Attachments:

Tab I PCC Paper
Tab II Cable on Simon CODEL
Tab III Thatcher Letter

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~~SECRET~~

Condi Rice

DRAFT
~~CONFIDENTIAL~~

POLAND: Additional Support

1. Food Assistance

USDA has formulated a proposal for a second tranche of \$50 million in food aid for Poland. The proposed aid is not all gratis, but entails highly concessional terms. A major component of this second tranche would respond to the shortage of meat products in Poland. The second tranche would include:

- o \$10 million of pork (probably porkbellies) under the Section 1110 grant program;
- o \$10 million of cotton seed oil under the SCOAP subsidized sale (80% subsidy) program;
- o \$10 million of butter/butter oil under Section 32 subsidized sale program.
- o \$10 million in corn under the Section 416 grant program; and,
- o \$10 million in rice or cotton (needed for Poland's export industries) in PL-480, Title I, concessional loan program. This program is contingent on Poland reaching a new Paris Club agreement.

Airlift

The PCC concluded that an airlift of food to Poland is uneconomic, but would be a significant political and psychological gesture. DOD believes that it has legal authority to airlift donated or USG foodstuffs under the McCollum Act (Denton Act covers only donated foodstuffs). DOD would use C-141 transport planes which carry 55,000 pounds (27 tons) of foodstuffs. Four planeloads would only hold about 1% of the donated pork. The roundtrip cost for a C-141 would be \$60,000. This would be absorbed in DOD budget as part of normal airlift mission. In addition to pork provided by the USG, we understand that the Polish-American Congress has arranged for donations of baby food and fruit juices which could be airlifted to Poland. The recipient of the food assistance would have to be private, charitable organizations (possibly the Charity Commission of the Catholic Church). The recipient would have to work with state-owned firms to process the donated pork.

The DC should decide whether to recommend to the President that the USG airlift food supplies. If the DC recommends an airlift, the DC should decide whether only USG food items, privately-donated food items, or a combination of the two should be airlifted.

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2011-1421-MR
ES 4/25/13

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-2-

Discussions with the Mazowiecki Government

The second tranche of the U.S. food aid program has been prepared without consultation with the Polish Government. Ambassador Davis reports that Prime Minister Mazowiecki has not requested the additional food assistance, although he assumes Mazowiecki would welcome such assistance. Some of the other items under discussion by the USG may not be items generally demanded by Polish consumers (e.g., cotton seed oil). We recommend that the DC authorize Ambassador Davis to discuss the proposed U.S. program with Prime Minister Mazowiecki prior to a final decision.

2. World Bank Project Loans

In his July 10 speech to the Polish Parliament, President Bush encouraged the World Bank to move ahead with an industrial export development project loan and an agricultural export development project loan. The World Bank estimates the value of these loans at \$250 million (down from an earlier estimate of \$325 million). World Bank officials have informed us that they do not plan to present these project loans to the Bank board for a decision until Poland has a "viable macroeconomic program and other institutions (i.e., the IMF) are active in Poland. There is also considerable resistance from the other major World Bank members -- except possibly the British -- to approving the World Bank project loans before an IMF program has been agreed. U.S. policy in recent years has been to encourage the IMF and World Bank to act in concert in cases such as Poland's. Although there are precedents of the World Bank going into a country with macroeconomic difficulties alone, the World Bank's involvement has usually been unsuccessful.

The DC should decide whether to recommend that the President step up the pressure on the World Bank, and the other major shareholders of the Bank, to get board authorization for these two project loans.

3. Additional Bilateral Programs

The PCC concluded that the most appropriate and timely means to provide additional support for the Mazowiecki government would be to double the USG commitment to the enterprise fund. Enterprise fund legislation will be sent to Congress next week and, in connection with a Presidential announcement, we could request that Congress increase the amount of the total authorization from \$100 million to \$200 million for Poland. (Senator Simon is quoted as proposing tripling the amount of the authorization.)

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-3-

However, there was discussion in the PCC over whether we should propose increasing the authorization at this time or defer action, and husband our scarce resources, -until the Mazowiecki government has devised a viable economic reform program, and has presented it to the IMF.

We believe it is important that all participants in the DC realize that the 150 account cannot be called upon to fund any of these additional programs for Poland without raising the ceiling of the 150 account and reprogramming funds from other parts of the national security budget.

The DC should consider whether to recommend to the President an immediate increase in the authorized amount for the enterprise fund, or to defer action in the expectation that such an increase should be linked to a reform program. An even greater effort on a multilateral basis may be called for once the dimensions of the reform effort are determined.

4. High-level Visits

We should consider inviting President Jaruzelski or Prime Minister Mazowiecki to the United States for a state/official visit. President Jaruzelski recently hosted President Bush and a return invitation would be appropriate, in the current political process stays on track, perhaps during the first half of 1990. Prime Minister Mazowiecki could be received at a later date. Solidarity leader Lech Walesa will be in the United States in November. The State Department has recommended that he be received by the President during that visit.

The DC should determine whether it recommend to the President that he extend an invitation to President Jaruzelski for a visit during the first half of 1990, with simultaneous announcement of an invitation in principle to Mazowiecki.

5. Other Bilateral Initiatives

The PCC reached consensus on moving forward on the following low-cost, no-cost initiatives:

- Prominent business leaders should be encouraged to participate in Secretary Mosbacher's September visit to Warsaw (and Budapest).
- G-24 Fact-Finding Mission to Poland and Hungary prior to the September 26 G-24 meeting.

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-4-

- Speed up negotiations for the FY-90 food aid program in order that the U.S. program can begin as soon as possible in the new fiscal year. Such negotiations will require agreement on the U.S. of the counterpart funds generated from the sale of U.S.-donated foodstuffs.
- OECD Transitional Economies Center - We could establish an analytical capability in the OECD which could be used to analyze the Polish (and other Eastern European) economy. The OECD center would provide technical assistance and apolitical analysis of Poland's economic policies. We anticipate that such a program would cost the U.S. less than \$2.5 million annually with additional contributions from Japan and other OECD countries.
- Expand exchanges - Promote people-to-people programs to train Poles in critical, non-strategic technical skills. This could include Peace Corps programs; USIA programs; and agricultural extension services.
- White House Conference. We could resurrect the idea of a White House Conference on Trade and Investment in Eastern Europe. Such a conference could serve as the catalyst for the formation of a U.S./Eastern Europe Business Council made up of the chief executive officers of major U.S. businesses.

6. Briefing the Allies

The President has committed the U.S. to close consultations with our major allies on Poland. We recommend that we consult with our Summit Seven partners and the European Commission before publicly announcing additional steps for Poland.

7. Note on Hungary

The urgency that prompts the increase of food aid to Poland is not present with Hungary. However, an increase in the enterprise fund for Poland would change the previous decision to give the two countries equal treatment on a per capita basis. Poland has changed its government, but Hungary appears to have taken a courageous stand on the question of German emigres. We may find it necessary to increase aid to Hungary at a later stage.

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<DIST>

SIT: BENKO LAMPLEY BLACKWILL RICE VAX

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SIT: BENKO BLACKWILL RICE VAX

<PREC> IMMEDIATE <CLAS> ~~CONFIDENTIAL~~ <OSRI> RUEHWR <DTG> 051429Z SEP 89

<ORIG>FM AMEMBASSY WARSAW

<TO>TO RUEHC/SECSTATE WASHDC IMMEDIATE 8390

INFO RUEHXE/EASTERN EUROPEAN POSTS

RUFHFR/AMEMBASSY PARIS 8787

RUEHBS/AMEMBASSY BRUSSELS 5286

RUFHVI/AMEMBASSY VIENNA 6647

RUEHGV/USMISSION GENEVA 6638

<SUBJ>SUBJECT: CODEL SIMON MEETS WITH BRONISLAW GEREMEK;
- SIMON PROPOSALS "JUST WHAT WE NEEDED."

<TEXT>BT

~~CONFIDENTIAL~~ SECTION 01 OF 06 WARSAW 12000
BRUSSELS FOR USEC

E.O. 12356: DECL: OADR

TAGS: PGOV, ECON, PREL, OREP, PL

SUBJECT: CODEL SIMON MEETS WITH BRONISLAW GEREMEK;
- SIMON PROPOSALS "JUST WHAT WE NEEDED."

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT

~BEGIN SUMMARY~

2. SUMMARY: CODEL SIMON MET WITH BRONISLAW GEREMEK ON SEPTEMBER 1 TO DISCUSS SENATOR SIMON'S PROPOSALS FOR US ASSISTANCE TO POLAND. GEREMEK DECLARED THAT THE PROPOSALS, WHICH INCLUDED A MORATORIUM ON INTEREST PAYMENTS AND A 300 MILLION DOLLAR FUND TO ENCOURAGE GROWTH OF THE PRIVATE SECTOR, WERE "JUST WHAT WE NEEDED." HE EXPLAINED THAT THE NEW GOVERNMENT'S IMMEDIATE NEED WAS TO SOLVE THE "PSYCHOLOGICAL" RATHER THAN ECONOMIC PROBLEM; THE PEOPLE MUST BE CONVINCED THAT THINGS WOULD GET BETTER. GEREMEK ALSO DISCUSSED OTHER PROBLEMS FACING THE NEW GOVERNMENT, ONE OF WHICH WAS THE DEVELOPMENT OF A "RADICAL COALITION" OF THE EXTREME RIGHT AND LEFT, UNITED BY THEIR OPPOSITION TO COMPROMISE. DURING THE NEXT FEW WEEKS IT WAS "VERY POSSIBLE" THAT A "SOCIAL EXPLOSION AND MASSIVE STRIKES" COULD ERUPT. IN THE MEANTIME, EFFORTS WERE CONTINUING TO FORM A NEW GOVERNMENT, THE COMPOSITION OF WHICH WOULD BE KNOWN BY SEPTEMBER 10. THE NEW GOVERNMENT WOULD PRESENT A "PROGRAM FOR 100 DAYS," ON WHICH THE FIRST ITEM WOULD BE THE DEMONOPOLIZATION OF THE FOOD TRADE. THE GOVERNMENT WOULD ALSO SEEK TO REDUCE EXPORTS OF CONSUMER GOODS AND CREATE A "RATIONAL RELATIONSHIP" BETWEEN THE PRICE OF FOOD AND THE COSTS OF ITS PRODUCTION. THE GOVERNMENT'S LONGER TERM PROGRAM WOULD BE AIMED AT "PLURALIZING OWNERSHIP" OF POLISH INDUSTRY. THE CURRENCY PROBLEM WAS ALSO CRITICAL, GEREMEK ACKNOWLEDGED. THE NEW GOVERNMENT HOPED TO FIX A RATIONAL EXCHANGE RATE WITHOUT INTRODUCING A NEW CURRENCY. GEREMEK CLAIMED THAT SUCH A SOLUTION WAS POSSIBLE, AS LONG AS A MORATORIUM ON DEBT SERVICING COULD BE OBTAINED. END SUMMARY.

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PER E.O. 13526

2010-2011-MF

MM 3/28/2016

~END SUMMARY~

3. DURING HIS SEPTEMBER 1 MEETING WITH BRONISLAW GEREMEK, SENATOR PAUL SIMON EXPLAINED HIS RECENT PUBLIC STATEMENT ISSUED IN WARSAW CONCERNING PROPOSED NEW U.S. ASSISTANCE TO POLAND. THE SENATOR GAVE PROFESSOR GEREMEK A COPY OF THE STATEMENT, WHICH THE SOLIDARITY LEADER THEN EXAMINED IN DETAIL. GEREMEK RESPONDED THAT HE "LIKED IT VERY MUCH." HE DECLARED ENTHUSIASTICALLY THAT THE ASSISTANCE PROJECTS LISTED WERE "JUST WHAT WE NEEDED." (SEE PARA 15 BELOW FOR FULL TEXT OF THE SENATOR'S STATEMENT.) SENATOR SIMON TOLD GEREMEK THAT HE INTENDED TO INTRODUCE LEGISLATION TO IMPLEMENT THE PROPOSALS ON SEPTEMBER 6 OR 7. REFERRING TO POLAND'S DEMOCRATIZATION PROCESS, THE SENATOR SAID THAT, "IT IS VITAL FOR POLAND AND FOR HUMANITY ITSELF THAT WE SUCCEED HERE."

4. PROFESSOR GEREMEK AGREED THAT THE STAKES IN THE POLISH EXPERIMENT WERE HUGE, AND SAID THAT SUCCESS DEPENDED ON SIGNIFICANT WESTERN SUPPORT "IMMEDIATELY." THE PROBLEM FOR THE NEW GOVERNMENT, HE EXPLAINED, WAS MORE PSYCHOLOGICAL THAN PURELY ECONOMIC. THE POLISH PEOPLE HAD HOPE FOR POSITIVE POLITICAL EVOLUTION, BUT HAD NO HOPE FOR SUCCESSFUL ECONOMIC REFORM. ALSO, GEREMEK EMPHASIZED, THE POLISH NATION HAD "NO HOPE AT ALL THAT WESTERN FRIENDS WILL HELP." "HOW CAN WE PROVE THAT NOW, AFTER 45 YEARS OF PROMISES WITHOUT RESULTS, THE PROCESS OF REFORM WILL AT LAST BRING BENEFITS?" GEREMEK SAID THAT POLAND NEEDED "AT THIS VERY MOMENT" A "PSYCHOLOGICAL SHOCK" TO CONVINCE PEOPLE THAT PROSPECTS WERE NOT AS THEY HAD BEEN.

5. SENATOR SIMON SUGGESTED THAT POLAND WOULD HAVE TO SOLVE ITS MONETARY PROBLEMS IF THE COUNTRY WERE TO ATTRACT SIGNIFICANT WESTERN INVESTMENT. AT THE SAME TIME, HE SAID, THE U.S. COULD NOT WAIT FOR SUCH SOLUTIONS AND AN IMF AGREEMENT BEFORE

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~~CONFIDENTIAL~~ SECTION 02 OF 06 WARSAW 12000
BRUSSELS FOR USEC

E.O. 12356: DECL: OADR

TAGS: PGOV, ECON, PREL, OREP, PL

SUBJECT: CODEL SIMON MEETS WITH BRONISLAW GEREMEK;
PROVIDING ASSISTANCE. "WE MUST MOVE IMMEDIATELY",
HE SAID.

6. GEREMEK CONFIRMED THAT THERE WERE ONGOING PROBLEMS IN SEARCHING FOR SOLUTIONS WITH THE IMF. SOLIDARITY'S CITIZENS' PARLIAMENTARY CLUB (OKP) KNEW THAT THE IMF WAS UNHAPPY WITH THE DOCUMENTS PRESENTED BY THE RAKOWSKI GOVERNMENT LARGELY BECAUSE THE SUBMISSIONS WERE "NOT CONCRETE" ENOUGH. GEREMEK SAID THE NEW GOVERNMENT HOPED TO SEND A GROUP OF YOUNG ECONOMISTS TO WASHINGTON TO "LEARN THE SPECIAL LANGUAGE" USED BY THE IMF

IN ORDER TO ASSIST THE NEW GOVERNMENT IN PREPARATION OF NEW, MORE ACCEPTABLE SUBMISSIONS. THE NEW GOVERNMENT HOPED TO BE ABLE TO MAKE A FULL PRESENTATION TO THE IMF IN OCTOBER OR NOVEMBER. ABOUT THIS SAME TIME, GEREMEK OBSERVED, LECH WALESA'S VISIT TO THE U.S. SHOULD HELP TO "FIND SYMPATHY AND INTEREST" THERE.

-.

7. GEREMEK, AND VICE MARSHAL OF THE SENATE ANDRZEJ WIELOWIEYSKI WHO WAS ALSO PRESENT DURING THE CONVERSATION, ALSO DISCUSSED OTHER PROBLEMS FACING THE NEW PRIME MINISTER AS HE SEEKS TO PUT TOGETHER A NEW GOVERNMENT. GEREMEK DESCRIBED THE CURRENT EVOLUTION OF "RADICAL COALITIONS" THAT THREATEN THE DELICATE COMPROMISE NOW BEING WORKED OUT. THE CONFEDERATION FOR AN INDEPENDENT POLAND (KPN), HE POINTED OUT, WAS BECOMING INCREASINGLY ACTIVE, PARTICULARLY IN SILESIA. THIS ACTIVITY, AIMED AT DISTURBING THE COMPROMISE, IS COMPLEMENTED BY THREATENING ACTIVITY OF THE OFFICIAL LABOR UNIONS (OPZZ) AS WELL. THIS "COALITION" OF RADICAL OPPOSITES, WIELOWIEYSKI POINTED OUT, WOULD CREATE A "VERY DIFFICULT SITUATION" FOR THE NEW GOVERNMENT ESPECIALLY DURING THE NEXT TWO OR THREE WEEKS. THE PEOPLE ARE INCREASINGLY UNABLE TO ACCEPT THE IDEA OF COMPROMISE, GEREMEK EXPLAINED. THEY DO NOT UNDERSTAND WHY THE SITUATION HAS NOT IMMEDIATELY CHANGED FOR THE BETTER SINCE SOLIDARITY HAS OBTAINED SO MUCH POWER IN THE PARLIAMENT AND GOVERNMENT. ON THE CONTRARY, THE SITUATION IS DETERIORATING. AT THE SAME TIME, THE OPZZ HAS DECIDED TO WAIT QUIETLY FOR A TIME, AND THEN WILL USE THE WORSENING SITUATION TO ATTACK THE NEW GOVERNMENT FOR ITS INABILITY TO PRODUCE IMMEDIATE POSITIVE RESULTS.

-.

8. BOTH SOLIDARITY LEADERS ACUTELY FELT THE VULNERABILITY OF THE NEW GOVERNMENT TO THESE ATTACKS. WIELOWIEYSKI DECLARED THAT A "SOCIAL EXPLOSION AND MASSIVE STRIKES" WERE "VERY POSSIBLE IN THE NEAR FUTURE." HE ARGUED THAT THE NEW GOVERNMENT, WITH WESTERN ASSISTANCE, MUST "CHANGE THE SOCIAL MOOD." THE MOST IMPORTANT AND IMMEDIATE NEED WAS TO STOP THE RAPID RISE IN PRICES. THE DIFFICULTY, IF NOT IMPOSSIBILITY, OF DOING SO, CREATED "GREAT DANGERS FOR POLAND."

-.

9. TURNING TO SOME OF THE SPECIFICS OF SENATOR SIMON'S PLAN FOR U.S. ASSISTANCE, GEREMEK SAID THAT THE PROPOSAL TO CREATE A 300 MILLION DOLLAR REVOLVING FUND TO ENCOURAGE THE PRIVATE SECTOR DEVELOPMENT COULD BE VERY VALUABLE; "THE QUESTION IS HOW TO USE IT." GEREMEK CITED AS AN EXAMPLE THE NEED FOR FOOD PROCESSING EQUIPMENT. THE ABILITY TO PROCESS AND THEN MARKET POLISH AGRICULTURAL PRODUCE BY USING "WELL-DIRECTED INVESTMENTS" COULD "DYNAMIZE REGIONAL ECONOMIES" HE SAID, AND COULD PRODUCE MAJOR BENEFITS WITHIN ONE YEAR. GEREMEK ALSO EMPHASIZED THE NEED

FOR A WESTERN BANK IN POLAND, ALSO ONE OF THE
SENATOR'S PROPOSALS AND ONE THAT HAS BEEN
HEAVILY BACKED BY LECH WALESZA. GEREMEK REPEATED

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~~CONFIDENTIAL~~ SECTION 03 OF 06 WARSAW 12000

BRUSSELS FOR USEC

E.O. 12356: DECL: OADR

TAGS: PGOV, ECON, PREL, OREP, PL

SUBJECT: CODEL SIMON MEETS WITH BRONISLAW GEREMEK;
WALESZA'S ARGUMENT THAT A WESTERN BANK IN POLAND
COULD DRAW OUT THE "4-6 BILLION DOLLARS" NOW
HIDDEN IN PRIVATE HOMES, AND "MOBILIZE" THAT
MONEY FOR POLAND'S ECONOMIC DEVELOPMENT.

10. GEREMEK TOLD THE SENATOR THAT THE COMPOSITION
OF THE NEW GOVERNMENT WOULD BE KNOWN WITHIN TEN
DAYS. THE NEW GOVERNMENT WOULD THEN PRESENT A
"PROGRAM FOR 100 DAYS." THE FIRST ITEM ON THIS
PROGRAM WILL BE THE DEMONOPOLIZATION OF THE FOOD
TRADE. THE RESPONSE OF FARMERS TO THE RECENT
MARKETIZATION OPERATION HAS BEEN LARGELY NEGATIVE
BECAUSE MARKET MONOPOLIES HAVE ASSURED MUCH
LARGER PROFITS FOR THE MIDDLEMEN THAN FOR THE
FARMERS; EACH DAY THE VALUE OF MONEY OBTAINED
THROUGH SALE OF AGRICULTURAL PRODUCE FALLS; AND
THERE IS NOTHING FOR THE FARMERS TO PURCHASE
WITH THEIR EARNINGS. THESE OBJECTIVE COMPLAINTS
MUST BE ANSWERED IN ORDER TO "LIBERATE ACTIVITY
IN THE COUNTRYSIDE." IN THE MEANTIME, THE GOVERN-
MENT HOPES TO OBTAIN FOOD ASSISTANCE FROM THE
U.S. AND THE EC COUNTRIES.

11. THE SECOND ITEM ON THE "PROGRAM OF 100 DAYS"
IS TO REDUCE EXPORT OF CERTAIN CONSUMER GOODS;
GEREMEK SPECIFIED SHOES AND TEXTILES. IT IS
NECESSARY TO PROVIDE THE MARKET WITH SOMETHING
THE FARMERS WILL WANT TO BUY WITH THEIR EARNINGS,
OTHERWISE THEY WILL CONTINUE TO HAVE NO INCENTIVE
TO SELL THEIR PRODUCE; THEY NEED INCENTIVE "TO
SELL IN ORDER TO BUY."

12. THIRD, THE GOVERNMENT WANTS TO CREATE A
"RATIONAL RELATIONSHIP BETWEEN THE PRICE OF FOOD
AND THE PRICE OF MACHINERY AND OTHER NEEDS OF
AGRICULTURAL PRODUCTION."

13. THE NEW GOVERNMENT WILL ALSO PRESENT A MORE
LONG-TERM PROGRAM WITH OBJECTIVES BEYOND THE FIRST
100 DAYS. GEREMEK SAID THAT THE BASIC NATURE OF
POLAND'S ECONOMIC CRISIS IS NOT AGRICULTURAL --
ALTHOUGH THAT MUST BE THE FOCUS FOR THE MOMENT --
BUT INDUSTRIAL. HE CLAIMED THAT 1983 LEVELS OF
PRODUCTION COULD BE OBTAINED AGAIN "WITHIN 8-12
MONTHS." THE PROBLEM WAS ONE OF OWNERSHIP. THE
STATE-OWNED INDUSTRY "MUST BE PLURALIZED." THE
ENTIRE PROCESS WILL TAKE THREE OR FOUR YEARS, BUT
THE NEW GOVERNMENT HOPES TO CREATE PERIODIC
BENCHMARKS, A STRATEGY TO GIVE THE PEOPLE "GOOD
SIGNALS EACH YEAR." THE NEW GOVERNMENT WILL
PROPOSE "DETAILED EXPECTATIONS" FOR 3-MONTH
PERIODS, 12-MONTH PERIODS, AND ULTIMATE
OBJECTIVES.

14. GEREMEK ACKNOWLEDGED THAT THE CRUCIAL ISSUE WAS WHAT TO DO ABOUT THE CURRENCY PROBLEM. HE SAID THAT SOME WERE PROPOSING A "LUDWIG ERHARDT SOLUTION" (I.E., INTRODUCTION OF A NEW CURRENCY) BUT HE WAS NOT SURE THAT "POLISH SOCIETY COULD SURVIVE SUCH A SHOCK." SOLIDARITY WAS ASKING EXPERTS IF POLAND COULD FIX A RATIONAL EXCHANGE RATE WITHOUT CHANGING THE MONEY. DESPITE THE "TRILLIONS OF EMPTY ZLOTIES" FLOATING ABOUT, GEREMEK SAID, "OUR EXPERTS THINK IT IS POSSIBLE." A CRITICAL ELEMENT IN THIS PROCESS, HE SAID, WAS A MORATORIUM ON DEBT SERVICING. IF THIS COULD BE OBTAINED, AS SENATOR SIMON WAS SUGGESTING, THE "SITUATION WOULD BE ABSOLUTELY DIFFERENT." GEREMEK SAID SUCH A MORATORIUM WOULD ENABLE THE NEW GOVERNMENT TO "DESTROY THE EMPTY MONEY WITHOUT CHANGING THE CURRENCY. THE REMAINING QUESTION WOULD BE, "WHAT KIND OF STRATEGY SHOULD WE USE? STEP-BY-STEP OR BIG BANG?"

15. THE FULL TEXT OF SENATOR SIMON'S STATEMENT

BT

#2000

BT

~~CONFIDENTIAL~~ SECTION 04 OF 06 WARSAW 12000
BRUSSELS FOR USEC

E.O. 12356: DECL: OADR

TAGS: PGOV, ECON, PREL, OREP, PL

SUBJECT: CODEL SIMON MEETS WITH BRONISLAW GEREMEK;
FOLLOWS:

BEGIN TEXT:

STATEMENT BY U.S. SENATOR PAUL SIMON
PRESS CONFERENCE, WARSAW, SEPTEMBER 1, 198
I SPEAK AS ONE MEMBER OF THE UNITED STATES
SENATE WHO HAS SPECIAL RESPONSIBILITIES IN THE FIELD
OF FOREIGN RELATIONS AND ON THE BUDGET, BUT I DO
NOT PRETEND TO SPEAK FOR THE ENTIRE CONGRESS NOR
FOR THE ADMINISTRATION. I DO NOT LOOK FOR POLAND
TO BECOME A CARBON COPY OF THE UNITED STATES.
POLAND HAS ITS OWN TRADITIONS WHICH WE SHOULD
RESPECT, BUT WE WANT A FREE POLAND TO DEVELOP
WITHIN THOSE TRADITIONS.
BUT I AM A SENATOR DEEPLY CONCERNED ABOUT THE
FATE OF POLAND, AND I BELIEVE THAT MY COLLEAGUES
IN CONGRESS AND THE CITIZENS OF THE UNITED
STATES SHARE THAT CONCERN. THE TIME IS HERE
TO ACT SWIFTLY IN CONCERT WITH THE NEW GOVERNMENT
OF POLAND.

WHEN I RETURN TO THE UNITED STATES I SHALL
PROPOSE:

- 1) THAT THE UNITED STATES GOVERNMENT POSTPONE
COLLECTING INTEREST DUE OUR COUNTRY FROM POLAND
FOR A THREE-YEAR PERIOD, CONVERTING THAT AMOUNT
TO PRINCIPAL. THIS IN EFFECT CAPITALIZES THE
INTEREST. AND FOR THE TWO YEARS FOLLOWING THE
INITIAL THREE-YEAR PERIOD I SHALL ASK THAT ONE-HALF
THE INTEREST PAYMENTS BE MADE AND THE REMAINDER
CAPITALIZED. AFTER THIS FIVE-YEAR PERIOD,
INTEREST PAYMENTS SHOULD BE MADE IN FULL. WE SHOULD
ASK OTHER GOVERNMENTS TO DO THE SAME. POLAND
OWES THE UNITED STATES APPROXIMATELY US DOLS 2.8

BILLION, OR ABOUT 8 PERCENT OF ITS TOTAL INDEBTEDNESS. I HAVE SPOKEN WITH TWO DIPLOMATS FROM OTHER LENDER COUNTRIES WHO SHOW SYMPATHY FOR SUCH A PROGRAM. THE UNITED STATES SHOULD LEAD THE OTHER PARIS CLUB MEMBERS IN THIS DEBT RESCHEDULING. EVEN IF THE UNITED STATES WERE TO DO IT ALONE, THAT WOULD BE A SUBSTANTIAL ASSIST TO POLAND, BUT OUR AIM SHOULD BE TO ASK THE COMMUNITY OF NATIONS, INCLUDING THE SOVIET UNION, TO JOIN IN THIS.

- 2) THE IDEA PRESENTED BY PRESIDENT GEORGE BUSH FOR A REVOLVING FUND TO STIMULATE INVESTMENT BY U.S. BUSINESSES IN POLAND SHOULD BE SUPPORTED AND EXPANDED. INSURANCE OF INVESTMENT IS ONE ASPECT OF THIS. I SHALL ALSO PROPOSE THAT US DOLS 300 MILLION A YEAR BE AUTHORIZED FOR EACH OF THREE YEARS FOR A JOINT U.S.-POLISH QUASI-GOVERNMENT ENTITY, TO HELP MATCH PRIVATE INVESTMENT FROM BOTH AMERICANS AND POLES, TO STIMULATE PRIVATE SECTOR GROWTH, ESSENTIAL FOR THE ECONOMY OF POLAND. THE QUASI-GOVERNMENTAL UNIT CREATED SHOULD HAVE FULL PARTICIPATION BY POLAND BUT WITH FINAL APPROVAL REQUIRED BY THE AMERICAN OFFICIALS OF THAT CORPORATION APPOINTED BY THE PRESIDENT. AND AS THE FUNDS AND INTEREST ARE REPAID TO THIS REVOLVING FUND, THEY WOULD IMMEDIATELY BE AVAILABLE FOR ADDITIONAL LOANS AND GROWTH. LET ME CAUTION, HOWEVER, THAT NO SUBSTANTIAL INVESTMENT FROM OTHER NATIONS IS LIKELY TO OCCUR UNLESS AND UNTIL THE NEW POLISH GOVERNMENT TACKLES THE DIFFICULT MONETARY AND INFLATION PROBLEMS POLAND NOW FACES. IT IS EASY FOR PUBLIC OFFICIALS FROM ANOTHER NATION TO SAY THIS, MUCH MORE DIFFICULT TO ACCOMPLISH. OFFICIALS FROM OTHER NATIONS TELL US IN THE UNITED STATES THAT WE SHOULD FACE OUR BUDGET DEFICIT SITUATION, AND THEY ARE RIGHT, BUT WE HAVE NOT HAD ENOUGH POLITICAL LEADERSHIP WITH COURAGE TO BE WILLING TO DO IT IN THE UNITED STATES. MY HOPE IS THAT THE MORE URGENT PROBLEMS WHICH POLAND FACES WILL BE TACKLED WITH

BT

#2000

BT

~~CONFIDENTIAL~~ SECTION 05 OF 06 WARSAW 12000
BRUSSELS FOR USEC

E.O. 12356: DECL: OADR

TAGS: PGOV, ECON, PREL, OREP, PL

SUBJECT: CODEL SIMON MEETS WITH BRONISLAW GEREMEK;
GREATER COURAGE THAN WE HAVE SHOWN. UNLESS THIS
IS DONE, IT IS UNLIKELY POLAND WILL ACHIEVE ITS
GREAT POTENTIAL.

-
AND TO INVESTORS LET ME ADD THAT THE CHANCE FOR PROFIT HERE IS SUBSTANTIAL. A HARD-WORKING FORCE, IN A NATION WITH SIGNIFICANT RESOURCES, CLOSE TO BOTH THE WESTERN EUROPEAN AND EASTERN EUROPEAN MARKETS SHOULD NOT BE PASSED UP LIGHTLY. GOVERNMENT LEADERS HERE ARE EAGER TO COOPERATE WITH SUCH NEW VENTURES.

- 3) THE PRESENCE OF AT LEAST ONE COMMERCIAL

U.S. BANK WOULD BE SIGNIFICANT, AN AID TO THE ECONOMY BUT ALSO A SYMBOL TO THE POLES OF CONFIDENCE IN POLAND'S FUTURE. I HAVE HAD SOME CONVERSATION WITH U.S. BANKERS ON THIS SUBJECT SINCE ARRIVING IN POLAND AND I AM HOPEFUL THAT WITHIN THE NEXT TWO TO THREE MONTHS THIS CAN BECOME A REALITY.

- 4) THE TELEPHONE SYSTEM IS ONE OF THOSE MINOR BARRIERS TO AN EFFECTIVE BUSINESS OPERATION IN POLAND. I SHALL REQUEST A ONE-TIME GRANT OF US DOTS 25 MILLION BY OUR GOVERNMENT FOR INITIATING AN IMPROVEMENT OF THE TELEPHONE SYSTEM IN POLAND, TO BE AWARDED BY THE GOVERNMENT OF POLAND ON A COMPETITIVE BID BASIS TO AN AMERICAN FIRM. POLAND WILL SOON PAY THE UNITED STATES APPROXIMATELY US DOLS 20 MILLION IN COUNTERPART FUNDS OWED OUR COUNTRY. I SUGGEST THAT ALL OF THAT, PLUS APPROXIMATELY US DOLS 5 MILLION BE USED TO IMPROVE THE TELEPHONE SYSTEM OF POLAND. I HAD THE EXPERIENCE WHILE IN GDANSK OF ATTEMPTING TO PLACE A PHONE CALL TO THE UNITED STATES. I WAS TOLD THERE WOULD BE A THIRTY-HOUR WAIT TO MAKE THE PHONE CALL. IN A COMMUNICATIONS AGE IT IS ESSENTIAL FOR POLAND TO BRING ITS PHONE SYSTEM UP TO DATE IN ORDER TO EFFECTIVELY ATTRACT INTERNATIONAL BUSINESS.

- 5) SINCE ARRIVING HERE I HAVE SPOKEN WITH DR. ROBERT ATWELL, PRESIDENT OF THE AMERICAN COUNCIL ON EDUCATION, AN ORGANIZATION THAT INCLUDES ALL PUBLIC AND NON-PUBLIC AMERICAN COLLEGES AND UNIVERSITIES, TO SEE IF A SISTER INSTITUTION PROGRAM CAN BE WORKED OUT BETWEEN KEY AMERICAN COLLEGES AND UNIVERSITIES, AND THE APPROXIMATELY 100 POLISH COLLEGES, UNIVERSITIES AND INSTITUTES. SOME ALREADY HAVE SUCH TIES WHICH I HOPE WILL BE STRENGTHENED. DR. ATWELL SAID HE IS EAGER TO WORK WITH THE AUTHORITIES IN POLAND TO EFFECT SUCH AN ARRANGEMENT. PARTICULARLY NEEDED WILL BE ACADEMIC STRESS ON MANAGEMENT, BOTH IN THE BUSINESS FIELD GENERALLY AND IN AGRICULTURAL MARKETING. POLAND HAS TWELVE MEDICAL COLLEGES AND IF THERE ARE ANY OF THESE WITHOUT SUCH TIES, THAT COULD BE HELPFUL. BUSINESS INTERNSHIPS FOR PROMISING POLISH STUDENTS OR BUSINESS LEADERS COULD BE WORKED OUT WITH KEY AMERICAN COMPANIES AS PART OF SUCH A PROGRAM, BENEFITTING BOTH THE UNITED STATES AND POLAND.

- 6) THE ENVIRONMENTAL PROBLEMS, WHICH PRESIDENT GEORGE BUSH PROPERLY ADDRESSED, ARE PARTICULARLY SEVERE IN THE KRAKOW AREA, A CITY WHOSE BEAUTY AND MAJESTY SHOULD BE PRESERVED, ALONG WITH THE HEALTH OF ITS CITIZENS. ILLINOIS HAS BEEN A MAJOR STEEL PRODUCING STATE AND I WILL ASK A TEAM OF STEEL EXPERTS FROM THE UNITED STATES TO JOIN A GROUP DESIGNATED BY THE POLISH GOVERNMENT TO EXAMINE OPTIONS FOR THE NOWA HUTA PLANT. THERE ARE SERIOUS ENVIRONMENTAL PROBLEMS BESIDES THE STEEL PLANT, AND AN AMERICAN GROUP LIKE THE SIERRA CLUB MIGHT MAKE A SIGNIFICANT CONTRIBUTION, WORKING AS VOLUNTEERS TOGETHER WITH

THEIR POLISH COUNTERPARTS. ANYONE WHO DOES NOT
BELIEVE THAT THE ENVIRONMENTAL PROBLEMS IN
KRAKOW ARE SEVERE SHOULD HAVE JOINED ME THURSDAY
BT

#2000

BT

~~C O N F I D E N T I A L~~ SECTION 06 OF 06 WARSAW 12000

BRUSSELS FOR USEC

E.O. 12356: DECL: OADR

TAGS: PGOV, ECON, PREL, OREP, PL

SUBJECT: CODEL SIMON MEETS WITH BRONISLAW GEREMEK;
IN A VISIT TO TWO CHILDREN'S HOSPITALS IN THAT
FINE CITY.

ON FUNDING I PROPOSE FOR ANY OF THESE PROGRAMS, I
SHALL ASK FOR A PROVISION IN THE LAW AUTHORIZING
THE PRESIDENT TO SUSPEND PAYMENTS AT ANY TIME. I
HOPE AND BELIEVE THAT WILL NOT BE NECESSARY, BUT
IF POLAND SHOULD EXPERIENCE A REVERSAL IN ITS
RECENT PROGRESS TO GREATER FREEDOM, OBVIOUSLY THE
UNITED STATES WOULD BE FORCED TO RECONSIDER FUNDING.
THERE ARE OTHER STEPS I SHALL TAKE, INCLUDING ASKING
A FEW U.S. BUSINESS LEADERS TO VISIT POLAND, BOTH
TO LEARN OF THE POTENTIAL HERE AND TO SHARE THEIR
KNOWLEDGE OF BUSINESS SKILLS. I WILL ASK THE
AMERICAN HOSPITAL ASSOCIATION TO ESTABLISH SISTER
INSTITUTION ARRANGEMENTS WITH HOSPITALS IN POLAND.
AND I WILL ASK THE NATIONAL ENDOWMENT FOR
DEMOCRACY TO HAVE AT LEAST ONE SEMINAR HERE IN
POLAND ON LOCAL GOVERNMENT, FOR A NATION THAT
SOON WILL EXPERIENCE AN EXPLOSION OF LOCAL
OFFICIALS. SENATOR JERZY REGULSKI, ONE OF YOUR
EXPERTS ON LOCAL GOVERNMENT, ESTIMATES THAT NEXT
YEAR AT LEAST 110,000 LOCAL OFFICIALS WILL BE
ELECTED.

AMERICAN CRITICS MAY SAY THAT, WITH OUR BUDGET
PROBLEMS WE CANNOT AFFORD THE PROGRAMS I HAVE
OUTLINED. I SUGGEST THAT WE CAN ILL AFFORD (BEGIN
UNDERLINE) NOT (END UNDERLINE) TO HAVE THEM.
WHAT I AM ASKING IS A PROGRAM THAT WILL COST LESS
THAN ONE B-2 BOMBER. IS IT WORTH THE PRICE OF
ONE B-2 BOMBER TO STRENGTHEN THE POSSIBILITY THAT
POLAND CAN BECOME SOLIDLY FREE? TO ASK THE
QUESTION IS TO ANSWER IT.

I MAY NOT GET ALL THAT I ASK FOR, BUT THE REQUEST
IS A MODEST ONE IN VIEW OF THE OPPORTUNITIES.
POLAND CAN BECOME A BRIDGE BETWEEN EAST AND WEST,
REDUCING WORLD TENSIONS AND PERHAPS ULTIMATELY
HELPING THE SUPER-POWERS REDUCE THEIR MILITARY
BUDGETS, AND IN THE PROCESS REDUCE THE POSSIBILITY
OF A MAJOR INTERNATIONAL CONFLICT.

POLISH LEADERS HELPED THE UNITED STATES IN OUR
FIRST QUEST FOR FREEDOM.

NOW IT IS OUR TURN TO RECIPROCATATE. I WANT TO
SEIZE THIS UNPARALLELED OPPORTUNITY TO STAND FIRMLY,
PROUDLY WITH POLAND FOR FREEDOM.

END TEXT.

DAVIS

BT

#2000

<SECT>SECTION: 01 OF 06 <SSN> 2000 <TOR> 890905104802 MSG000242304482

<SECT>SECTION: 02 OF 06 <SSN> 2000 <TOR> 890905104958 MSG000242304598
<SECT>SECTION: 03 OF 06 <SSN> 2000 <TOR> 890905105110 MSG000242304670
<SECT>SECTION: 04 OF 06 <SSN> 2000 <TOR> 890905105154 MSG000242304714
<SECT>SECTION: 05 OF 06 <SSN> 2000 <TOR> 890905105234 MSG000242304754
<SECT>SECTION: 06 OF 06 <SSN> 2000 <TOR> 890905105253 MSG000242304773



~~UK CONFIDENTIAL~~

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TEXT OF A MESSAGE DATED 4 SEPTEMBER 1989
FROM THE PRIME MINISTER TO THE PRESIDENT

Begins

Dear George,

You will, I am sure, have been as moved as I was at the election of Tadeusz Mazowiecki as Prime Minister of Poland. I want to share with you some ideas of what our policy should now be as regards international help for Poland.

The choice of a leader of Solidarity, so recently an outlawed organisation, to head a Polish government is an astonishing development of historic significance. But there are of course many uncertainties ahead. Mazowiecki's position is immensely difficult. Even if he can form a reasonably cohesive Administration, the forces opposing change in Poland will remain strong. Some will certainly be hoping - and perhaps working - for the experiment to fail.

I believe it is in our strong interests that it should not fail. A successful Poland would be an irresistible example to other countries in the region and there would be a real chance for a peaceful change to a new and better order in Europe. Failure would set back the process of reform throughout Eastern Europe and probably in the Soviet Union as well. There are limits to what the West can do in these conditions. But we should give such support to the new Polish government as we can; they expect no less. Future generations would condemn us, and rightly, if we miss or fumble this historic opportunity.

DECLASSIFIED
PER E.O. 13526

2012-0264-MR
MM 5/31/2016

/ The

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The first priority is for the Polish authorities to reach an effective agreement with the IMF. It is very helpful that Mazowiecki has accepted this. The depressed state of the Polish economy, as well as some of Solidarity's avowed policies, eg, on wage indexation, will make the negotiation of an IMF programme very hard. But a programme that is weak, or which does not last, would be self-defeating. We need to encourage the Poles to seek an agreement with the IMF which - as I told Jaruzelski - will be exacting but not unbearable, and having reached an agreement to stick to it. This argues for medium term involvement with the Fund, although the Poles will initially need to take firm action within the context of an IMF standby arrangement, with Fund resources becoming increasingly available as the Poles establish a track record.

I believe we in the West should now make more explicit the advantages which Poland would gain by sticking to a strong IMF programme. These would include funds from the World Bank - and we should consider their magnitude - in the context of an agreed macro-economic programme. Poland is also looking for help in easing the burden of government guaranteed debt through the Paris Club. It is only realistic to accept that Poland's ability to service its debt is very limited. We should advocate a far-reaching medium term agreement to reschedule outstanding principal and interest in accordance with Poland's needs. As the Polish economy recovers, the Poles should be able to pay more.

About 25% of Poland's debt is owed to commercial banks. We cannot tell the banks what to do. But we should want our forthcoming treatment of debt in the Paris Club to benefit the Poles, not the banks. They (the banks) should be equally forthcoming; and we would like to see both the Poles and the banks agree to convert bank debt into equity. IMF and IBRD funds to facilitate the reduction of Poland's bank debt and debt service would also be appropriate, if the agreed IMF programme is sustained.



This information has been communicated in confidence to the United States Government and should not be released without the agreement of the British Government

An IMF programme and debt relief will only give the Poles a breathing space. Their fundamental task is to transform a rigidly controlled and inefficient economy into one which responds to market forces and rewards enterprise. Much will depend on the Poles' own efforts. But the West can help them, building on what we have offered already.

Agriculture is a key sector, as food supplies strongly influence popular feeling. Both the European Community and the United States have provided emergency aid. The Poles have asked for more food supplies, not only to satisfy consumer demand but to reduce commercial import needs. I believe the West should be ready to respond, to the extent that surplus food is available. But assistance in this form must be linked to a restructuring of Polish agriculture, notably food distribution channels, which discourage production and work against the consumer.

Poland will need help to create and train a new generation of managers to run a more market-oriented economy. The United States has already committed \$100 million for this purpose: the United Kingdom has offered \$40 million in the form of our 'know-how fund'. I suggest that we should be ready to increase these amounts, and particularly to encourage others to follow suit. We could back up training and consultancy services with offers of relevant equipment.

Much of this training, I believe, should be devoted to creating effective institutions. Poland needs an efficient private banking system; a capital market; an effective commercial accounting system. These are all skills which the private sector can provide. We must encourage private sector links between Poland and the West wherever possible.

/ Poland



This information has been communicated in confidence to the United States Government and should not be released without the agreement of the British Government

Poland needs equity investment from the West. The Poles should be encouraged to complete and implement their domestic legislation which will promote this and to ratify the convention to join the World Bank's Multilateral Investment Guarantee Agency (MIGA). Western equity capital must come mainly from the private sector. But we should consider ways in which governments could stimulate flows of private money, through the support of official investment insurance agencies. I note with interest in this context your own intention to set up your enterprise fund.

In general, I believe that equity investment and funds for training provided in grant form are preferable to additional credit, which would only add to Poland's debt burden while Poland cannot service its existing debt. But if Poland adheres to an agreement with the IMF and meets its obligations to the Paris Club that will change the situation. In that context one of the issues Western countries will need to look at is the restoration of official credit cover, and we shall be examining this question ourselves.

In the field of trade liberalisation we are encouraging our EC partners to move forward on market access for Polish exports.

I should be very glad to know your reactions to these ideas and your thoughts on how to take matters forward. I am writing in similar terms to President Mitterrand and Chancellor Kohl, and informing M. Delors of these messages in view of the European Commission's role in the follow-up to the Paris

/ Summit

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Summit. This subject is bound to come up in the margins of the meetings of the IMF and World Bank at the end of September. There will also be a good occasion to move matters forward internationally at the next meeting of the Coordinating Group chaired by the Commission. It is for consideration whether we should then call for a meeting of that Group at Ministerial level, as a sign of our commitment to helping Poland to build a new life.

Warm regards,

Yours Ever,

Margaret

Ends

~~UK CONFIDENTIAL~~

REQUEST FOR APPOINTMENTS

To: Officer-in-charge
Appointments Center
Room 060, OEOB

Please admit the following appointments on Wednesday, September 6, 19 89
for Robert M. Gates of White House:
(NAME OF PERSON TO BE VISITED) (AGENCY)

SEE ATTACHED LIST

MEETING LOCATION

Building West Wing
Room No. Sit Room
Time of Meeting 4:00 p.m.

Requested by Cathy Millison
Room No. Gdflr Telephone 6534
Date of request September 6, 1989

Additions and/or changes made by telephone should be limited to five (5) names or less.

APPOINTMENTS CENTER: SIG/OEOB - 395-6046 or WHITE HOUSE - 456-6742

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
08. List	Re: DC [Deputies Committee] Meeting--September 6, 1989, 4:00 p.m., Situation Room; redaction. [50 USC §403(g) Section 6 of the CIA Act of 1949] (1 pp.)	09/06/89	(b)(3)	

Collection:

Record Group: Bush Presidential Records

Office: National Security Council

Series: H-Files

Subseries: NSC/DC Meetings Files

WHORM Cat.:

File Location: NSC/DC 050 - September 06, 1989 - NSC/DC Meeting on Additional Assistance to Poland, Keywords: Poland, Food

Date Closed:	9/14/2009	OA/ID Number:	90011-003
FOIA/SYS Case #:	2004-0967-F	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

DC Meeting - September 6, 1989
4:00 p.m. Situation Room

VP

(No attendees)

STATE

Robert Zoellick	7-25-53
Curtis Kamman	1-15-39

TREASURY

William E. Barreda	8-8-41
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DOD

John A. Woodworth	7-5-41
-------------------	--------

COMMERCE

Thomas Duesterberg	2-15-50
Jay Burgess	2-26-44

JCS

Howard Graves	8-15-39
Richard C. Edwards	11-6-37

CIA

[REDACTED]

[REDACTED]

(b)(3)
[50 U.S.C. 403g, Sec.6]

OMB

William Diefenderfer
Frank Hodsoll

AGRICULTURE

Richard Crowder	8-3-39
Chris Goldthwait	6-11-49

USTR

Julius L. Katz	3-9-25
Peter F. Allgeier	4-17-47

USIA

Eugene P. Kopp	11-20-34
Dell Pendergrast	11-23-41

AID

Carol Adelman	9-16-46
John Blackton	6-19-44

LABOR

Rod DeArment	
Leonard Bierman	2-24-54

WHITE HOUSE

Robert M. Gates

NSC

Condi Rice

~~SECRET~~
NSC/S PROFILE

RECORD ID: 8921080
RECEIVED: 05 SEP 89 20

TO: GATES

FROM: RICE
BLACKWILL

DOC DATE: 07 SEP 89
SOURCE REF:

KEYWORDS: POLAND
DC

FOOD

PERSONS:

SUBJECT: OPTIONS PAPER FOR DC MTG ON 6 SEP RE POLAND

ACTION: NOTED BY GATES

DUE DATE: 08 SEP 89

STATUS: C

STAFF OFFICER: RICE

LOGREF: 8921085

FILES: IFM O

NSCP: DC050

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
NSC CHRON

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By *RAK* NARA, Date *09/14/09*

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: GD

CLOSED BY: LF

DOC 5 OF 6

~~SECRET~~

~~SECRET~~

RECORD ID: 8921080

ACTION DATA SUMMARY REPORT

DOC ACTION OFFICER

CAO ASSIGNED ACTION REQUIRED

001 HUGHES
002
003
005 HUGHES
005
006

Z 89090520 FOR SIGNATURE
X 89090610 SITTMANN SGD MEMO TO AGENCIES
X 89090610 FOR RECORD PURPOSES
Z 89091112 ADD-ON / FOR SIGNATURE
X 90082409 NOTED BY GATES
X 89091112 SITTMANN SGD MEMO TO AGENCIES

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Rac NARA, Date 03/14/09

~~SECRET~~

~~SECRET~~

~~SECRET~~
NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

21080 Add-on 2

September 7, 1989

ACTION

MEMORANDUM FOR ROBERT GATES

THROUGH: ROBERT BLACKWILL *RB*

FROM: CONDOLEEZZA RICE *CR*

SUBJECT: Options Paper from the September 6 DC Meeting

The options paper at Tab I describes the recommendations of the DC and outlines issues for decision by NSC principals. Upon your approval, the paper will be dispatched for interagency clearance. We can then prepare a decision memorandum for the President.

RECOMMENDATION

That you authorize Philip Hughes to sign the memorandum to the Executive Secretaries of the Departments forwarding the options paper to the Deputies Committee principals.

Approve _____

Disapprove _____

Attachment

Tab I Options Paper

~~SECRET~~

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White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By *[Signature]* NARA, Date *09/14/09*

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Deputy Natl Sec Advisor
has seen

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THE WHITE HOUSE
WASHINGTON

21080 Add-on 2

MEMORANDUM FOR MEMBERS OF THE DEPUTIES COMMITTEE

FROM: ROBERT GATES

SUBJECT: Recommendations of the DC on Additional Assistance
to Poland

The Deputies Committee met to discuss options for additional assistance to Poland on Wednesday, September 6. The DC prepared the following recommendations for consideration by NSC principals:

Food Assistance

The Departments of Agriculture and State have formulated a proposal for a second tranche of \$50 million in food aid for Poland. Meat is a significant component of the package which includes:

\$10 million of pork (probably porkbellies);

\$10 million of cotton seed oil;

\$10 million of butter/butter oil;

\$10 million in corn; and,

\$10 million in rice or cotton under the concessional loan program which requires Poland to reach agreement with the Paris Club prior to the grant.

Concern was expressed that the food assistance package might not address the actual needs of the Poles and that an ill-conceived package might depress prices and damage agricultural production.

The DC agreed that Ambassador John Davis should be instructed to initiate discussions with the Poles on their food requirements. The Department of Agriculture will have a delegation in Poland on September 12 and that group will report back, as well, on the state of Polish agriculture and an appropriate mix of U.S. commodities. The DC also noted that the food assistance might be more valuable in December or January when food supplies will be even more depleted.

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Issue: Whether to grant an additional \$50 million in food assistance to Poland.

Airlift of Food Assistance

The DC was unenthusiastic about airlifting food to Poland. Though the Defense Department could absorb the cost through funds already earmarked, the DC was concerned that an airlift would unnecessarily increase the general sense of urgency about the situation in Poland and thus the pressure for the U.S. to do more. There is no food emergency in Poland and the USG has not used airlifted food in the past to those areas (like the Sudan) where a state of emergency has actually existed.

The DC recognized that there may be overriding political pressures for a high visibility initiative and noted that an airlift would be a significant political gesture.

Issue: Whether to arrange an airlift of food supplies to Poland.

World Bank Loans

In his July 10 speech to the Polish Parliament, the President encouraged the World Bank to move ahead with an industrial development loan, and an agricultural export development loan. The Bank now values these loans at \$250 million. Bank officials have informed the USG that they do not plan to present these loans to the Bank for a decision until Poland has a "viable macroeconomic program."

In light of Bank resistance to de-linking an IMF stand-by for Poland from the World Bank loans, the DC recommended against increased U.S. pressure on the Bank to authorize the loans.

Issue: Whether to pressure the World Bank to immediately begin authorizing loans to Poland.

Additional Bilateral Assistance

It was asserted that

The DC discussed the possibility of augmenting the Enterprise Fund by \$100 million. ~~There is no economic reason to do so since the initial outlays from the Fund are expected to be no more than \$10 million in FY90.~~ The Fund must be established and commercial experts estimate that the very small Polish private sector will be unable to absorb more than \$10 million in the first year. The increase in the allocation for the Enterprise Fund could be announced as a political gesture of support and to answer Congressional critics who think the Administration package is too modest.

Issue: Whether to increase by \$100 million the authorized amount for the Poland Enterprise Fund

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High Level Visits

The DC recommended that President Jaruzelski be invited to visit the United States in the second half of 1990 and that Prime Minister Mazowiecki be invited in principle.

Issue: Whether to issue invitations to President Jaruzelski and Prime Minister Mazowiecki.

Debt Relief

The President declared U.S. intention to support an early and generous rescheduling of the Polish debt through the Paris Club. At the meeting on August 30, the DC decided that the United States should make no change in its policy on the Polish debt.

Issue: Whether to change the U.S. position on the Polish debt.

✓ But how much of it? Hopper?

Other Bilateral Initiatives

The DC recommended exploratory discussions with the OECD on the establishment of an analytic capability in the OECD which could be used to analyze the Polish (and other East European) economies. The U.S. contribution would be less than \$2.5 million annually.

The DC also recommended that the U.S. propose a G-24 Fact Finding Mission to Poland and Hungary prior to the September 26 G-24 meeting; accelerated negotiations for the FY90 food aid program; and expanded exchanges. All are no-cost initiatives.

There is no need for Presidential decision.

Indirect?

Private Sector Involvement

The DC agreed that the USG should take an active role in stimulating private investment in Poland. Secretary Mosbacher's trip to Poland should be given greater visibility and we might consider a White House Conference aimed at the business community when he returns. The U.S. could make an effort to establish and announce a target figure for private investment as a part of a multilateral assistance package for Poland to which U.S. allies would also be asked to contribute.

There is no need for Presidential decision.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

21080 Add-on

September 6, 1989

MEMORANDUM FOR G. PHILIP HUGHES

FROM: CONDOLEEZZA RICE

SUBJECT: Deputies Committee Meeting on Additional
Assistance to Poland

At Tab I is a cover memorandum for your signature forwarding the paper (Tab A) for the Deputies Committee Meeting, September 6, on options for additional assistance to Poland.

Robert *RB*ackwill and Tim Deal *CR* concur.

RECOMMENDATION:

That you sign the memorandum at Tab I.

Attachment:

Tab I Memorandum to Agency Counterparts
Tab A PCC Paper

DECLASSIFIED

White House Guidelines

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

By *Rum* NARA, Date *09/14/04*

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Declassify on: OADR

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20508

21080 Add-on

MEMORANDUM FOR

MR. CARNES LORD
Assistant to the Vice
President for National
Security Affairs

MR. FRANK HODSOLL
Executive Associate Director
Office of Management and
Budget

MR. J. STAPLETON ROY
Executive Secretary
Department of State

MR. GARY EDSON
Chief of Staff
U.S. Trade Representative

MS. EMILY L. WALKER
Executive Secretary
Department of the Treasury

MR. H. LAWRENCE SANDALL
Executive Secretary
Central Intelligence Agency

COLONEL GEORGE P. COLE, JR.
Executive Secretary
Department of Defense

CAPTAIN ANTHONY MANESS, USN
Executive Assistant to the
Chairman
Joint Chiefs of Staff

MS. SUSAN NELSON
Assistant to the Secretary
Department of Agriculture

MS. MOLLY HAGEBOECK
Chief of Staff
Agency for International
Development

MR. CRAIG R. HELSING
Chief of Staff
Department of Commerce

MR. ARTHUR GREEN
Acting Executive Secretary
U.S. Information Agency

MR. ROD DE ARMANT
Deputy Secretary
Department of Labor

SUBJECT: PCC Paper for Deputies Committee Meeting on
Additional Assistance to Poland, September 6 (S)

Please transmit the PCC paper for the Deputies Committee Meeting
this afternoon, Wednesday, September 6, 4:00 p.m., in the
Situation Room. (S)

DECLASSIFIED

White House Guidelines

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

By PA NARA, Date 09/04/09

G. Philip Hughes
Executive Secretary

Attachment
Tab A PCC Paper

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Declassify on: OADR

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POLAND: Additional Support

1. Food Assistance

USDA and State have formulated a proposal for a second tranche of \$50 million in food aid for Poland. The proposed aid is not all gratis, but entails highly concessional terms. A major component of this second tranche would respond to the shortage of meat products in Poland. The second tranche would include:

- o \$10 million of pork (probably porkbellies) under the Section 1110 grant program;
- o \$10 million of cotton seed oil under the SCOAP subsidized sale (up to 80% subsidy) program;
- o \$10 million of butter/butter oil under Section 32 subsidized sale program.
- o \$10 million in corn under the Section 416 grant program; and,
- o \$10 million in rice or cotton (needed for Poland's industries) in PL-480, Title I, concessional loan program. This program is contingent on Poland reaching a new Paris Club agreement.

Airlift

The PCC concluded that an airlift of food to Poland is uneconomic and that a food emergency does not exist, but it would be a significant political and psychological gesture, especially if pork were to be included, in support of the new government. DOD believes that it has legal authority to airlift donated or USG foodstuffs under the McCollum Act (Denton Act covers only donated foodstuffs). DOD would use C-141 transport planes which carry 55,000 pounds (27 tons) of foodstuffs. Four plane loads would only hold about 13 of the donated pork. The roundtrip cost for a C-141 would be \$40,000. This would be absorbed in DOD budget (McCollum amendment funds) provided that 21-day advance notice can be given to Congress. Otherwise, funding would have to come out of the Air Force budget. DOD would prefer to use McCollum amendment funds. In addition to pork provided by the USG, we understand that the Polish-American Congress has arranged for donations of baby food and fruit juices which could be airlifted to Poland. The recipient of the food assistance

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-2-

would most likely be private, charitable organizations (possibly the Charity Commission of the Catholic Church). The recipient would have to work with state-owned firms to process the donated pork.

The DC should decide whether to recommend to the President that the USG airlift a portion of the food supplies, including pork, as a political/psychological gesture. If the DC recommends an airlift, the DC should decide whether only USG food items, privately-donated food items, or a combination of the two should be airlifted. (Routine shipping requires approximately 10 days from the East Coast to Gdansk.)

Discussions with the Mazowiecki Government

The second tranche of the U.S. food aid program has been prepared without consultation with the Polish Government. Ambassador Davis reports that Prime Minister Mazowiecki has not requested the additional food assistance, although he assumes Mazowiecki would welcome such assistance. Some of the agricultural items under discussion by the USG may not be items generally demanded by Polish consumers (e.g., cotton seed oil). We recommend that the DC authorize Ambassador Davis to discuss the proposed U.S. program with Prime Minister Mazowiecki as soon as possible.

World Bank Loans

In his July 10 speech to the Polish Parliament, President Bush encouraged the World Bank to move ahead with an industrial export development loan and an agricultural export development loan. The World Bank estimates the value of these loans at \$250 million (down from an earlier estimate of \$325 million). Each loan has been carefully selected for its viability and self-containment. However, World Bank officials have informed us that they do not plan to present these loans to the Bank Board for a decision until Poland has a "viable macroeconomic program" and other institutions (i.e., the IMF) are active in Poland. There is also considerable resistance from other major World Bank members to approving the World Bank loans before an IMF program has been agreed. U.S. policy in recent years has been to encourage the IMF and World Bank to act in concert in cases such as Poland's. Although there are precedents of the World Bank going into a country with macroeconomic difficulties alone, proceeding without the IMF could send the wrong signal on the need for dramatic economic reform.

The DC should decide whether to recommend that the President step up the pressure on the World Bank, and the other major shareholders of the Bank, to get board authorization for

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these two project loans prior to negotiation of an IMF stand-by agreement.

3. Additional Bilateral Programs

The PCC concluded that an appropriate and timely means to provide additional support for the Mazowiecki government would be to double the USG commitment to the enterprise fund. Enterprise fund legislation will be sent to Congress this week and, in connection with a Presidential announcement, we could request that Congress increase the amount of the total authorization from \$100 million to \$200 million for Poland. (Senator Simon is quoted as proposing tripling the amount of the authorization.)

However, there was discussion in the PCC over whether we should propose increasing the authorization at this time or defer action, and husband our scarce resources, until the Mazowiecki government has devised a viable economic reform program, and has presented it to the IMF.

We should be aware that the international affairs budget (function 150) is shrinking and we are already falling short on significant commitments. Further, we must absorb an additional \$1.4 billion for the Andean countries as part of the national drug strategy over the next five years. If we are to propose an additional \$100 million now for Poland, it should come as a conscious decision that we must increase the 150 function or face the prospect of sharp cuts to key countries and programs.

The DC should consider whether to recommend to the President an immediate increase in the authorized amount for the enterprise fund, or to defer action in the expectation that such an increase should be linked to a reform program. An even greater effort on a multilateral basis may be called for once the dimensions of the reform effort are determined.

4. High-level Visits

We should consider inviting President Jaruzelski or Prime Minister Mazowiecki to the United States for a state/official visit. President Jaruzelski recently hosted President Bush and a return invitation would be appropriate, if the current political process stays on track, perhaps during the first half of 1990. The State Department has recommended issuing an invitation for a state visit during that timeframe. Prime Minister Mazowiecki could be received at a later date. Solidarity leader Lech Walesa will be in the United States in November. The State Department has recommended that he be received by the President during that visit.

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5. Other Bilateral Initiatives

The PCC reached consensus on moving forward on the following low-cost, no-cost initiatives:

- Prominent business leaders should be encouraged to participate in Secretary Moebacher's September visit to Warsaw (and Budapest).
- G-24 Fact-Finding Mission to Poland and Hungary prior to the September 26 G-24 meeting.
- Speed up negotiations for the FY-90 food aid program in order that the U.S. program can begin as soon as possible in the new fiscal year. Such negotiations will require agreement on the use of the counterpart funds generated from the sale of U.S.-donated foodstuffs.
- OECD Transitional Economies Center - We could support establishing an OECD center to draw on existing OECD capabilities to provide apolitical analysis of the Polish (and other Eastern European) economies. The OECD center could help to develop Western analytical tools needed for a market economy. One estimate sets the cost of such a program at around \$4 million annually with roughly \$1 million coming from the U.S. While we have entered into a number of arrangements with non-members, the U.S. has generally resisted special relationships. To avoid the appearance of a double standard, the center would have to be set up in a way that filtered its contact with the OECD proper.
- Expand exchanges - Promote people-to-people programs to train Poles in critical, non-strategic technical skills. This could include Peace Corps programs, USIA programs, worker exchange programs, and agricultural extension services.
- White House Conference. We could resurrect the idea of a White House Conference on Trade and Investment in Eastern Europe. Such a conference could serve as the catalyst for the formation of a U.S./Eastern Europe Business Council made up of the chief executive officers of major U.S. businesses.

6. Briefing the Allies

The President has committed the U.S. to close consultations with our major allies on Poland. We recommend that we consult with our Summit Seven partners and the European Commission before publicly announcing additional steps for Poland.

7. Note on Hungary

The urgency that prompts the increase of food aid to Poland is not present with Hungary. However, an increase in the enterprise fund for Poland would change the previous decision to give the two countries equal treatment on a per capita basis. Poland has changed its government, but Hungary appears to have taken a courageous stand on the question of East German emigres. We may find it necessary to increase aid to Hungary at a later stage.

A. Major Funding Assistance

The DC should consider -- and an option should be maintained for the President -- whether the U.S. stake in the success of the Polish economic and political reforms merits substantial new U.S. resources. Our previous reservation concerning assistance to a communist-dominated regime has fallen away with the formation of a Solidarity-led government. However, the magnitude of our interests in Poland and the fragility of the reform movement there and in Eastern Europe is at odds with our present budgetary constraints. There is a real risk that this Administration, faced with historic opportunities, would be blamed for a failure of the Eastern Europe reform process, if in the end it is perceived as lacking the political will to reorder its budgetary priorities.

All agencies agree that the Poles must not be relieved of the responsibility for economic reforms. Western assistance will be crucial on the margins, however, and Poland's needs are unquestionable. U.S. nonfood assistance for FY '90, despite the President's visit, is small-scale -- about \$30 million. A shift in budget priorities could make possible such major responses as:

- A Philippine-like Multilateral Assistance Initiative
- Significant Increase in the Funding of the Enterprise Fund -- Current FY '90 funding is only \$10 million. A substantial increase in the funding level should include the "up-front" appropriation of as much as one-third of the total allocation.
- Capitalisation of a Development Bank.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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21080 Add-on 2

September 7, 1989

ACTION

MEMORANDUM FOR ROBERT GATES

THROUGH: ROBERT BLACKWILL *RB*

FROM: CONDOLEEZZA RICE *CR*

SUBJECT: Options Paper from the September 6 DC Meeting

The options paper at Tab I describes the recommendations of the DC and outlines issues for decision by NSC principals. Upon your approval, the paper will be dispatched for interagency clearance. We can then prepare a decision memorandum for the President.

RECOMMENDATION

That you authorize Philip Hughes to sign the memorandum to the Executive Secretaries of the Departments forwarding the options paper to the Deputies Committee principals.

Approve _____

Disapprove _____

Attachment

Tab I Options Paper

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By *PLM* NARA, Date *09/14/07*

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Declassify on: OADR

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Deputy Natl Sec Advisor
has seen

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THE WHITE HOUSE
WASHINGTON

21080 Add-on 2

MEMORANDUM FOR MEMBERS OF THE DEPUTIES COMMITTEE

FROM: ROBERT GATES

SUBJECT: Recommendations of the DC on Additional Assistance
to Poland

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\$10 million in rice or cotton under the concessional loan program which requires Poland to reach agreement with the Paris Club prior to the grant.

Concern was expressed that the food assistance package might not address the actual needs of the Poles and that an ill-conceived package might depress prices and damage agricultural production.

The DC agreed that Ambassador John Davis should be instructed to initiate discussions with the Poles on their food requirements. The Department of Agriculture will have a delegation in Poland on September 12 and that group will report back, as well, on the state of Polish agriculture and an appropriate mix of U.S. commodities. The DC also noted that the food assistance might be more valuable in December or January when food supplies will be even more depleted.

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1998-0194-F
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Issue: Whether to grant an additional \$50 million in food assistance to Poland.

Airlift of Food Assistance

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The DC recognized that there may be overriding political pressures for a high visibility initiative and noted that an airlift would be a significant political gesture.

Issue: Whether to arrange an airlift of food supplies to Poland.

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Issue: Whether to pressure the World Bank to immediately begin authorizing loans to Poland.

Additional Bilateral Assistance

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Issue: Whether to issue invitations to President Jaruzelski and Prime Minister Mazowiecki.

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Issue: Whether to change the U.S. position on the Polish debt.

✓ Just how much at Prague

Other Bilateral Initiatives

The DC recommended exploratory discussions with the OECD on the establishment of an analytic capability in the OECD which could be used to analyze the Polish (and other East European) economies. The U.S. contribution would be less than \$2.5 million annually.

The DC also recommended that the U.S. propose a G-24 Fact Finding Mission to Poland and Hungary prior to the September 26 G-24 meeting; accelerated negotiations for the FY90 food aid program; and expanded exchanges. All are no-cost initiatives.

There is no need for Presidential decision.

Endorse?

Private Sector Involvement

The DC agreed that the USG should take an active role in stimulating private investment in Poland. Secretary Mosbacher's trip to Poland should be given greater visibility and we might consider a White House Conference aimed at the business community when he returns. The U.S. could make an effort to establish and announce a target figure for private investment as a part of a multilateral assistance package for Poland to which U.S. allies would also be asked to contribute.

There is no need for Presidential decision.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

21080 Add-on

September 6, 1989

MEMORANDUM FOR G. PHILIP HUGHES

FROM: CONDOLEEZZA RICE

SUBJECT: Deputies Committee Meeting on Additional
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Robert *FB*ackwill and Tim Deal *CR* concur.

RECOMMENDATION:

That you sign the memorandum at Tab I.

Attachment:

Tab I Memorandum to Agency Counterparts
Tab A PCC Paper

DECLASSIFIED

White House Guidelines

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

By *Pun* NARA, Date *09/14/09*

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Declassify on: OADR

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20508

21080 Add-on

MEMORANDUM FOR

MR. CARNES LORD
Assistant to the Vice
President for National
Security Affairs

MR. FRANK HODSOLL
Executive Associate Director
Office of Management and
Budget

MR. J. STAPLETON ROY
Executive Secretary
Department of State

MR. GARY EDSON
Chief of Staff
U.S. Trade Representative

MS. EMILY L. WALKER
Executive Secretary
Department of the Treasury

MR. H. LAWRENCE SANDALL
Executive Secretary
Central Intelligence Agency

COLONEL GEORGE P. COLE, JR.
Executive Secretary
Department of Defense

CAPTAIN ANTHONY MANESS, USN
Executive Assistant to the
Chairman
Joint Chiefs of Staff

MS. SUSAN NELSON
Assistant to the Secretary
Department of Agriculture

MS. MOLLY HAGEBOECK
Chief of Staff
Agency for International
Development

MR. CRAIG R. HELSING
Chief of Staff
Department of Commerce

MR. ARTHUR GREEN
Acting Executive Secretary
U.S. Information Agency

MR. ROD DE ARMANT
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Additional Assistance to Poland, September 6 (S)

Please transmit the PCC paper for the Deputies Committee Meeting
this afternoon, Wednesday, September 6, 4:00 p.m., in the
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DECLASSIFIED

White House Guidelines

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

By RM NARA, Date 09/14/09

G. Philip Hughes
Executive Secretary

Attachment
Tab A PCC Paper

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Declassify on: OADR

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POLAND: Additional Support

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The PCC concluded that an appropriate and timely means to provide additional support for the Mazowiecki government would be to double the USG commitment to the enterprise fund. Enterprise fund legislation will be sent to Congress this week and, in connection with a Presidential announcement, we could request that Congress increase the amount of the total authorization from \$100 million to \$200 million for Poland. (Senator Simon is quoted as proposing tripling the amount of the authorization.)

However, there was discussion in the PCC over whether we should propose increasing the authorization at this time or defer action, and husband our scarce resources, until the Mazowiecki government has devised a viable economic reform program, and has presented it to the IMF.

We should be aware that the international affairs budget (function 150) is shrinking and we are already falling short on significant commitments. Further, we must absorb an additional \$1.4 billion for the Andean countries as part of the national drug strategy over the next five years. If we are to propose an additional \$100 million now for Poland, it should come as a conscious decision that we must increase the 150 function or face the prospect of sharp cuts to key countries and programs.

The DC should consider whether to recommend to the President an immediate increase in the authorized amount for the enterprise fund, or to defer action in the expectation that such an increase should be linked to a reform program. An even greater effort on a multilateral basis may be called for once the dimensions of the reform effort are determined.

4. High-level Visits

We should consider inviting President Jaruzelski or Prime Minister Mazowiecki to the United States for a state/official visit. President Jaruzelski recently hosted President Bush and a return invitation would be appropriate, if the current political process stays on track, perhaps during the first half of 1990. The State Department has recommended issuing an invitation for a state visit during that timeframe. Prime Minister Mazowiecki could be received at a later date. Solidarity leader Lech Walesa will be in the United States in November. The State Department has recommended that he be received by the President during that visit.

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5. Other Bilateral Initiatives

The PCC reached consensus on moving forward on the following low-cost, no-cost initiatives:

- Prominent business leaders should be encouraged to participate in Secretary Mosbacher's September visit to Warsaw (and Budapest).
- G-24 Fact-Finding Mission to Poland and Hungary prior to the September 26 G-24 meeting.
- Speed up negotiations for the FY-90 food aid program in order that the U.S. program can begin as soon as possible in the new fiscal year. Such negotiations will require agreement on the use of the counterpart funds generated from the sale of U.S.-donated foodstuffs.
- OECD Transitional Economies Center - We could support establishing an OECD center to draw on existing OECD capabilities to provide apolitical analysis of the Polish (and other Eastern European) economies. The OECD center could help to develop Western analytical tools needed for a market economy. One estimate sets the cost of such a program at around \$4 million annually with roughly \$1 million coming from the U.S. While we have entered into a number of arrangements with non-members, the U.S. has generally resisted special relationships. To avoid the appearance of a double standard, the center would have to be set up in a way that filtered its contact with the OECD proper.
- Expand exchanges - Promote people-to-people programs to train Poles in critical, non-strategic technical skills. This could include Peace Corps programs, USIA programs, worker exchange programs, and agricultural extension services.
- White House Conference. We could resurrect the idea of a White House Conference on Trade and Investment in Eastern Europe. Such a conference could serve as the catalyst for the formation of a U.S./Eastern Europe Business Council made up of the chief executive officers of major U.S. businesses.

6. Briefing the Allies

The President has committed the U.S. to close consultations with our major allies on Poland. We recommend that we consult with our Summit Seven partners and the European Commission before publicly announcing additional steps for Poland.

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7. Note on Hungary

The urgency that prompts the increase of food aid to Poland is not present with Hungary. However, an increase in the enterprise fund for Poland would change the previous decision to give the two countries equal treatment on a per capita basis. Poland has changed its government, but Hungary appears to have taken a courageous stand on the question of East German emigres. We may find it necessary to increase aid to Hungary at a later stage.

A. Major Funding Assistance

The DC should consider -- and an option should be maintained for the President -- whether the U.S. stake in the success of the Polish economic and political reforms merits substantial new U.S. resources. Our previous reservation concerning assistance to a communist-dominated regime has fallen away with the formation of a Solidarity-led government. However, the magnitude of our interests in Poland and the fragility of the reform movement there and in Eastern Europe is at odds with our present budgetary constraints. There is a real risk that this Administration, faced with historic opportunities, would be blamed for a failure of the Eastern Europe reform process, if in the end it is perceived as lacking the political will to reorder its budgetary priorities.

All agencies agree that the Poles must not be relieved of the responsibility for economic reforms. Western assistance will be crucial on the margins, however, and Poland's needs are unquestionable. U.S. nonfood assistance for FY '90, despite the President's visit, is small-scale -- about \$30 million. A shift in budget priorities could make possible such major responses as:

- A Philippine-like Multilateral Assistance Initiative
- Significant Increase in the Funding of the Enterprise Fund -- Current FY '90 funding is only \$10 million. A substantial increase in the funding level should include the "up-front" appropriation of as much as one-third of the total allocation.
- Capitalisation of a Development Bank.