

~~SECRET~~

2820

MEMORANDUM

~~SECRET~~

SYSTEM II  
90923

NATIONAL SECURITY COUNCIL

National Security Council Meeting  
Tuesday, August 28, 1984, 11:00 a.m. - 11:50 a.m.  
The Cabinet Room

SUBJECT: IMF Membership for Poland (C)

PARTICIPANTS:

The President

The Vice President

The Vice President's Office  
Admiral Daniel J. Murphy

State

Secretary George P. Shultz  
Mr. Richard R. Burt, Assistant Secretary for European and  
Canadian Affairs

Treasury

Mr. Beryl W. Sprinkel, Under Secretary for Monetary Affairs  
Mr. Charles Dallara, Acting Assistant Secretary for Inter-  
national Affairs

Defense

Secretary Caspar W. Weinberger  
Mr. Ronald S. Lauder, Deputy Assistant Secretary for  
European and NATO Affairs

Commerce

Mr. Clarence J. Brown, Deputy Secretary  
Mr. Joseph Dennin, Assistant Secretary for International  
Economic Policy

OMB

Dr. Alton Keel, Associate Director for National Security and  
International Affairs

CIA

Director William J. Casey  
Mr. George Kolt, NIO for Europe

USTR

Ambassador William E. Brock  
Mr. John Ray

JCS

General John W. Vessey, Chairman  
Admiral Arthur S. Moreau

White House

Mr. Edwin Meese, III  
Mr. Michael K. Deaver  
Mr. Robert C. McFarlane  
Mr. Craig Fuller

NSC

Commander Paul B. Thompson  
Ms. Paula Dobriansky,  
Notetaker  
Mr. David G. Wigg

~~SECRET~~

Declassify on: OADR

~~SECRET~~

DECLASSIFIED 108-232-709  
Authority N65 Declass Review 10/3/11  
BY RW NARA DATE 1/4/13

~~SECRET~~

~~SECRET~~

-2-

Minutes

Robert McFarlane opened the meeting by stating that the topic of discussion would be the U.S. position on Polish IMF membership as well as the extent and impact of Poland's recent amnesty. He reaffirmed that in response to Poland's amnesty and consistent with our step-by-step approach, the President lifted two sanctions: restored LOT's landing rights in the United States pending resolution of differences on this issue and reestablished scientific exchanges. In addition, the President decided that we would closely monitor the amnesty implementation and examine our position on IMF membership within a month, with a view that only full and adequate implementation of the amnesty would create a favorable climate to consider Polish membership in the IMF. (C)

Mr. McFarlane indicated that there would be three issues for decision. First, has the amnesty been completely and reasonably implemented? Second, if so, what steps should be taken on Poland's request for IMF membership? And third, should we undertake a review at this time of our overall policy toward Poland and, specifically, develop guidelines on how to manage the remaining sanctions? Mr. McFarlane pointed out that presently there are 22 political prisoners who have not been released under the current amnesty. He then asked Director Casey to provide an intelligence assessment of Poland's political/financial situation. (S)

Director Casey began by stating that since the imposition of martial law in December 1981, political control has remained General Jaruzelski's top priority. At the same time, Jaruzelski wants to be seen as moving toward the restoration of a dialogue with society so that the West will remove the sanctions it imposed in 1981. Casey pointed out that to meet these goals, General Jaruzelski has created the trappings of public participation in decision-making, while concurrently enacting legislation and taking repressive action to prevent a genuine national dialogue from developing. Thus, while formally lifting martial law in July 1983, Warsaw enacted many of its features into legislation so that its tools of repression would remain available. (S)

Director Casey also asserted that some of these new laws could be used to arrest the people whom Jaruzelski is now freeing and would provide the basis for possible new imprisonments on political charges. Thus, anyone organizing or conducting an illegal protest action or actively participating in an organization refused legal status would be subject to three years imprisonment; anyone posting anti-State handbills, posters or drawings would be subject to fines or imprisonment. (S)

Director Casey went on to say that Jaruzelski's most recent release of prisoners has been carried out in a manner reminiscent of the amnesty proclaimed in July 1983. At that time, the number of political prisoners went down to about 50, but quickly climbed

~~SECRET~~

~~SECRET~~

~~SECRET~~

~~SECRET~~

again to over 500 because of the new laws and the conditions which accompanied the amnesty. According to Polish Government figures, the number of political prisoners in July 1984 stood at 652. Over last weekend, the government announced that it had freed 630, but that 22 were still being held on charges not covered by the amnesty. (S)

Although Cardinal Glemp has restated publicly that 630 have been freed, so far we have no Church or other independent assessment of the exact numbers remaining in jails. Director Casey restated that as far as the conditions accompanying the amnesty, they specify that any freed prisoner engaging in so-called "illegal" political activity between now and December 1986 can be rearrested and tried on both the old charges against them and new ones. Under these conditions, rearrests and new arrests are likely. The Director concluded that General Jaruzelski has eased repression somewhat. However, the Polish Government has shown no intention of initiating a genuine dialogue with Polish society. (S)

Director Casey then commented on the financial situation in Poland. Specifically, he asserted that Poland has made little progress on developing a feasible plan to manage its debt problem since its first request for debt relief in 1981. Its total debt has grown from \$25 billion to \$27 billion, and total payments still to be covered in 1984 amount to \$15 billion, including the more than \$10 billion of arrears which had accumulated by the end of 1983. A small trade surplus and minimal private new credits give Warsaw a repayment capacity of perhaps \$2 billion this year. (S)

If Poland's IMF application is revived, it could take up to a year to complete negotiations. CIA estimates that once a member, Poland could draw around \$300 to \$350 million by late 1985 and may find it easier to get new private credits. It would also seek a three-year stand-by credit line of \$3 billion to \$3.5 billion, but its prospects for success are uncertain. (S)

To get the maximum amount from IMF, Poland would have to accept tougher austerity measures than it has considered thus far. Most importantly, IMF negotiators can encourage, but not compel, Warsaw to impose economic reforms. Casey mentioned that the IMF has had scant success in fostering economic reform in Romania, but has been able to work smoothly with Hungary, where the initiative for change has come from within. (S)

In sum, Director Casey stated that Poland's overall financial prospects are poor, and its debt burden will remain unmanageable for many years. Export prospects are dim because of the Polish economy's general lack of competitiveness. Furthermore, its inability to pay all interest means that its debt will grow beyond the current \$27 billion. Only a comprehensive financial reform package that embraces much more than IMF credits presents any hope for leading Poland out of its economic morass. The prospects of Jaruzelski accepting such a package are poor. (S)

~~SECRET~~

~~SECRET~~

~~SECRET~~

~~SECRET~~

At this time, Mr. McFarlane asked Secretary Shultz to discuss U.S. policy toward Poland with respect to the current situation and next steps. (C)

Secretary Shultz began by asserting that since we presently do not know the extent of the amnesty's implementation, the President's step-by-step policy remains the best approach. Specifically, he stated that through the step-by-step approach, we have been able to generate some positive Polish actions. The Secretary cited the Pope's visit to Poland in June 1983 as a dramatic event and mentioned that we responded with concrete steps. (S)

Secretary Shultz went on to say that the President's decision to lift two sanctions has been implemented. Specifically, he pointed out that we lifted the sanctions dealing with LOT's landing rights in the U.S. and bilateral scientific exchanges. The Secretary expressed optimism about the prospects for negotiation on scientific exchanges. However, with regard to the resumption of LOT flights, he indicated that we have told the Poles that they must drop their arbitration claim against the United States under the now-expired U.S.-Poland Aviation Agreement before we will sign a new agreement. It is unlikely that Warsaw will readily agree to do this. Extensive negotiation will ensue on this matter before the flights will actually recommence. (S)

The Secretary pointed out that overall, the amnesty has gone rather smoothly. In particular, the 11 KOR/Solidarity activists have been released. However, there are 22 political prisoners who remain imprisoned. The Secretary stated that we anticipate a complete and reasonable implementation of the amnesty. Specifically, we expect that all 652 political prisoners will, in fact, be released. He indicated, however, that there is a need for some flexibility because some cases entail pending "criminal" charges. Yet, the rearrests of political prisoners would not be deemed "reasonable" actions. The Secretary pointed out that the fourth anniversary of the Gdansk Accords will occur at the end of this week, and we should examine what developments transpire. By early next week, we should be able to assess to what extent the Polish government has implemented the amnesty. (S)

The Secretary of State confirmed that both State and Treasury are in agreement on next steps once the amnesty has been reasonably and completely implemented. The Secretary pointed out that it would take up to a year for the application review process within the IMF, and that IMF membership should spotlight the economic reforms needed in Poland. He questioned whether Poland would submit the required data to satisfy its IMF membership obligations. (S)

The Secretary reiterated that the President's step-by-step strategy is working and asserted that we have "a handle" on our remaining economic leverage -- Most-Favored-Nation status and credits. He stated that U.S. credits are potentially more

~~SECRET~~

~~SECRET~~

~~SECRET~~

~~SECRET~~

valuable than IMF membership for Poland. He also mentioned that we have been encouraging work through the Church, and that the President had indicated at his August 17 luncheon with Polish-Americans that we would render assistance to the Polish Church's private agricultural sector program. (S)

Secretary Shultz concluded by stating that while we will continue to closely monitor the implementation of the amnesty, we cannot, at this time, make a determination that the amnesty has been fully implemented. Once determined, the State Department would brief our Allies and the Vatican on our support of Poland's IMF membership. The Secretary noted that the Vatican is pleased that this Administration has been forthcoming in its policies vis-a-vis Poland, and yet, has maintained significant leverage. (S)

Mr. McFarlane then asked Under Secretary Sprinkel to comment on the implementation of Poland's IMF membership. (C)

Under Secretary Sprinkel remarked that the IMF process could take up to a year. Specifically, the IMF has established a series of procedural steps in considering all applications for membership. These steps would include: submission of a written request for membership and formation of an IMF technical team to collect the necessary economic data (i.e., national income, official reserves, balance of payments), review Poland's economic policies, and calculate a quota and the terms of payment of the quota subscription. (C)

A membership committee, composed of five-to-eight Executive Directors, would be formed within the Executive Board to consider the application and make a recommendation to the full Executive Board. The preparation of a membership recommendation for the Executive Board would contain the terms and conditions which the country has agreed to accept. Then a membership resolution would be submitted to the IMF Board of Governors, which must be approved by a 50 percent majority vote, of which the United States has about 20 percent of the total IMF voting power. (C)

Under Secretary Sprinkel also mentioned that Treasury is in agreement with State on what next steps should be taken once the amnesty has been fully implemented. In particular, State and Treasury would coordinate the preparation of a public statement on the implementation of the Polish amnesty to be released following consultations. The Secretary of State would inform our Allies, the Vatican and the Polish Government of our decision that the conditions for reactivation of Poland's application for IMF membership have been met. The Secretary of the Treasury would then inform the IMF that: (1) the U.S. considers that the conditions for reactivating the Polish membership have been met; (2) we would expect the IMF to follow the normal application procedures that apply to any country seeking membership; and (3) the United States would consider the final application on its merits, including Poland's ability and willingness to fulfill the

~~SECRET~~

~~SECRET~~

~~SECRET~~

~~SECRET~~

-6-

obligations of membership. Finally, the Under Secretary cautioned against any politicization of the IMF. (S)

At this point, The President commented that the policies we have endorsed are not a reflection of a weakening of our resolve vis-a-vis Poland. He remarked that by imposing the sanctions, there was no way of avoiding hurting the Polish people. Recently, in a conversation with Cardinal Krol, they discussed the impact of the sanctions on Poland. (S)

Cardinal Krol stated that Jaruzelski took considerable chances with Moscow by announcing the amnesty and the U.S. failure to lift some sanctions would leave him exposed. Consequently, he might be forced to impose more severe austerity measures on the Polish people. The President mentioned that this interpretation was also reaffirmed by the Papal Nuncio Pio Laghi. Finally, the President said that to his knowledge Lech Walesa has also supported our policy of easing some sanctions so as not to hurt the Polish people. (S)

Mr. McFarlane then indicated that the rest of the meeting would be devoted to general discussion. (C)

Secretary Weinberger remarked that the steps to be pursued by State are basically sound. However, he indicated, that he did not agree on the issue of timing, because there are still 22 political prisoners in jail and the amnesty is really less than a full release. The Polish Government has imposed conditions on all of the political prisoners by requiring them to abstain from any political activity during a two-year period. For these reasons, the Secretary of Defense cautioned against a premature response so as not to give up valuable leverage. That is, we should try to get as much leverage as possible out of Poland's pending application for IMF membership. Since the release is less than a full release, we should not lift our total opposition to IMF membership at this time. Furthermore, Secretary Weinberger suggested that we should consider sending a team over to Poland to monitor the implementation of the amnesty. (S)

The President commented that it is necessary to let the Polish Government know that if there is any further deterioration in their overall human rights and political situation, then the U.S. would respond with further sanctions. (S)

Secretary Shultz stated that even with the current amnesty the situation in Poland is clearly not satisfactory. We still have, however, several sanctions which could be used effectively to spawn political and economic changes within Poland. Specifically, the Secretary cited Most-Favored-Nation status and U.S. official credits. (S)

Mr. Meese asked whether the current conditions in Poland could modify the AFL/CIO's opposition to the lifting of sanctions. (S)

~~SECRET~~

~~SECRET~~

~~SECRET~~

~~SECRET~~

-7-

Secretary Shultz answered affirmatively, stating that the AFL/CIO's opposition could be assuaged. (S)

At this point, Ambassador Brock asserted that the AFL/CIO is particularly concerned that Poland's Most-Favor-Nation status not be reinstated without the reestablishment of Solidarity. (S)

Secretary Shultz reiterated that we still have a firm hold on the situation and that we have enough leverage through our commercial credits. (S)

Under Secretary Sprinkel commented that Secretary Regan asked him to raise an issue that is expected to come up at the IMF/World Bank meeting at the end of September. That is, whether the Poles should be granted special visitor status and be allowed to attend the IMF/World Bank meeting. If the scope of the amnesty is still in question, it is Treasury's position that the Poles should not be granted special status. However, if the amnesty has been fully implemented, Treasury believes that some consideration should be given to Poland's attendance at this meeting. (S)

Mr. McFarlane asserted that the amnesty cannot be evaluated, at this time, as having been reasonably and completely implemented. He queried whether anyone was opposed to Poland's acquiring such special status in the event that the amnesty is completed prior to the IMF/World Bank meetings. (S)

Secretary Weinberger asked when the IMF/World Bank meeting will take place. (C)

Under Secretary Sprinkel responded that the meeting is to be held on September 24 - 27. (C)

Secretary Shultz remarked that if we lift our opposition to Poland's IMF application then we should also grant them guest status at the IMF/World Bank meeting. (S)

The President asked Secretary Shultz whether the Poles are aware of the U.S. position that they have not satisfactorily improved their overall political/financial situation. (S)

Secretary Shultz replied that the Polish Government has been apprised that we are not pleased with their slow movement toward national reconciliation. The fact that we do not have an ambassador to Poland is one indication of this. The Secretary also pointed out that German Foreign Minister Genscher will visit Poland shortly, and it will be the first high-level visit there in some time. (S)

At this time, the President mentioned that he had been informed that Polish-Americans have urged a lifting of some of our sanctions, so as not to hurt the Polish people. (C)

~~SECRET~~

~~SECRET~~

~~SECRET~~

~~SECRET~~  
-8-

Mr. McFarlane summarized the discussion by remarking that even though the amnesty had been declared, overall conditions have not improved in Poland. He pointed out that there is a good chance of some backsliding on the amnesty by Warsaw. Thus, there is a need to assess the potential for future negative developments, and to devise a contingency plan and a strategy as to how to manage our remaining sanctions. He concluded by stating that no one, at present, could argue that the amnesty has been completely and reasonably implemented. (S)

Mr. Wick commented that during the one year review of Poland's application for IMF membership, we should strive to exert pressure on Polish officials to improve their overall human rights/political situation. (S)

Under Secretary Sprinkel stated that it is counterproductive to negotiate on non-economic issues within the IMF. For that reason, we should not attempt to politicize the IMF process. (S)

Deputy Secretary Brown stated that once Poland has obtained IMF membership, it cannot be revoked. He queried Under Secretary Sprinkel on what steps would be taken during the IMF process to exert pressure on the Poles toward genuine national reconciliation. (S)

Under Secretary Sprinkel restated that U.S. political pressure through the IMF would be counterproductive, and that it would be difficult to withdraw our support for Poland's IMF membership. He asserted that once the U.S. Government has taken a position to endorse Poland's IMF membership, we should stick to that course regardless of developments in Poland. (S)

The NSC meeting ended at 11:50 a.m. (C)

###

~~SECRET~~

~~SECRET~~

MEMORANDUM

SYSTEM II  
90923

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~ with  
~~SECRET~~ Attachment

August 30, 1984

ACTION

MEMORANDUM FOR ROBERT C. McFARLANE

FROM: PAULA DOBRIANSKY <sup>PD</sup>  
DAVID G. WIGG <sup>DW</sup>

SUBJECT: Minutes of the NSC Meeting of August 28, 1984

Attached at Tab I for your approval are the minutes of the NSC meeting on IMF membership for Poland.

RECOMMENDATION

That you approve the minutes.

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

Excellent minutes!

Attachment:

Tab I Minutes of the NSC meeting

~~CONFIDENTIAL~~ with  
~~SECRET~~ Attachment  
Declassify on: OADR

DECLASSIFIED

White House Guidelines, August 28, 1997

015 NARA, Date 1/20/05

# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** EXECUTIVE SECRETARIAT, NSC: MEETING FILE

**Withdrawer**

**File Folder** NSC 00109 28 AUGUST 1984 (2/2) [POLAND]

CAS 1/20/2005

**Box Number** 91303

**FOIA**

2000-002

SKINNER

45

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
2809	MEMO	ROBERT MCFARLANE TO RR RE NSC MEETING <b>R 6/6/2006</b>	2	8/27/1984	B1
2810	AGENDA	FOR NSC MEETING (SAME TEXT AS 2801) <b>R 6/25/2008 NLRRF00-002</b>	1	8/28/1984	B1
2811	DECISION PAPER	RE POLAND <b>R 2/22/2008 F00-002</b>	1	8/28/1984	B1
2813	MEMO	KENNETH DAM, DONALD REGAN TO RR RE POLISH MEMBERSHIP IN IMF <b>R 6/6/2006</b>	2	8/24/1984	B1
2815	PAPER	RE POLAND (SAME TEXT AS 2806) (2 COPIES OF P. 4) <b>R 6/6/2006</b>	5	ND	B1
2817	PAPER	RE POLAND AND THE IMF (SAME TEXT AS 2807) <b>R 7/18/2008 NLRRF00-002</b>	6	ND	B1
2819	PAPER	RE IMF APPLICATION PROCESS <b>R 7/18/2008 NLRRF00-002</b>	1	ND	B1

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

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

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

# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** EXECUTIVE SECRETARIAT, NSC: MEETING FILE

**Withdrawer**

CAS 1/20/2005

**File Folder** NSC 00109 28 AUGUST 1984 (2/2) [POLAND]

**FOIA**

2000-002

**Box Number** 91303

SKINNER

45

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
2821	LIST	OF PARTICIPANTS <i>R 6/6/2006</i>	1	ND	B1 B3
2822	TALKING POINTS	FOR NSC MEETING	3	ND	B1
2824	MEMO	PAULA DOBRIANSKY TO MCFARLANE RE NSC MEETING	2	8/24/1984	B1
2826	TALKING POINTS	SAME TEXT AS 2822	3	ND	B1
2828	MINUTES	FOR NSC MEETING <i>R 1/4/2018 OPEN</i>	8	8/28/1984	B1

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

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

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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