

EXECUTIVE SECRETARIAT

ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	EXDIR		X		
4	D/ICS				
5	DDI		X		
6	DDA				
7	DDO		X		
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/Pers				
14	D/OLL				
15	D/PAO				
16	SA/IA				
17	AO/DCI				
18	C/IPD/OIS				
19	NIO/EUR		X		
20	NIO/ECON		X		
21	NIO/USSR		X		
22					
		SUSPENSE	Date		

Remarks

for Executive Secretary
 18 Oct 84
 Date

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THE WHITE HOUSE
WASHINGTON

SECRET/SENSITIVE

Executive Registry
84-9465

October 17, 1984

AH. NIC 84-04804

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

SUBJECT: Poland: IMF Membership (S)

The President has reviewed and concurs with your recommendation that Poland's application for IMF membership should not be reactivated until the two prominent Solidarity activists, Bogdan Lis and Piotr Mierzejewski, have been released and the Polish Government has been informed of our concern and hope for the release of the remaining political prisoners and of our expectation that Wladyslaw Frasnyniuk and Jozef Pinior will be freed shortly. If the Polish Government does not comply with these requests, we would not consider the amnesty to be completely and reasonably implemented and thus, would not reactivate Poland's application for IMF membership. (S)

However, once it has been determined that the Polish amnesty has been completely and reasonably implemented, the following steps should be taken:

- a) State and Treasury should coordinate the preparation and release of a public statement on the implementation of the Polish amnesty.
- b) State should inform our Allies, the Vatican, and the Polish Government of our decision to reactivate Poland's application for IMF membership.
- c) Treasury should inform the IMF that conditions for reactivating the membership application have been satisfied, normal procedures that apply to any country seeking membership should be followed, and the request would be considered by the U.S. on its merits, including Poland's ability and willingness to fulfill the obligations of membership. (S)

State and Treasury in consultation with other appropriate agencies should also undertake a review of Polish developments and devise both a contingency plan to respond to possible

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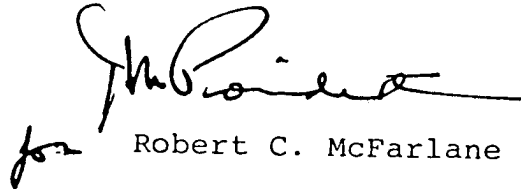
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significant deterioration in Polish internal developments and guidelines on how best to manage the remaining sanctions to achieve our policy goals. The interagency recommendations should be forwarded to the NSC by c.o.b. October 26. (S)

FOR THE PRESIDENT:


for Robert C. McFarlane

cc: The Vice President
The Secretary of the Treasury
The Secretary of Defense
✓ The Director, Central Intelligence Agency

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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC No. 04804-84
21 August 1984

MEMORANDUM FOR: Acting Director of Central Intelligence
FROM: George Kolt
National Intelligence Officer for Europe
SUBJECT: Poland and IMF Membership

1. In response to the Polish government's recent release of most political prisoners, the USG has agreed to lift two sanctions: the bans on scientific and cultural exchanges and on Polish airline flights to the US. The US has also suggested that it might be ready to drop its opposition to the renewal of Polish negotiations with the IMF over membership. I suggest that you discuss the IMF issue with the Secretary of State and with Mr. McFarlane. My personal belief is that it would be premature to support Poland-IMF negotiations now.

2. The Polish application to join the IMF has been in abeyance since December 1981 when the imposition of martial law forced an IMF delegation to leave Warsaw. Simultaneously the USG made the renewal of these negotiations (as well as the lifting of the other sanctions it imposed) contingent upon Jaruzelski meeting three basic conditions. The USG has gradually lifted its sanctions as Jaruzelski moved to satisfy the form although not the essence of these conditions. Thus, he

--lifted Martial Law . . . but in such a way as to keep most of its control features alive in new legislation.

--Freed the majority of political prisoners . . . but on conditions that seem to guarantee there will be new political prisoners before the year is out.

All paragraphs are
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--Has been fairly conciliatory towards the Church . . . but remained steadfastly opposed to any sort of dialogue which might put limits on his power.

3. Still, we are now at a stage where we are discussing measures that would again allow some Western credits to flow into Poland - in the IMF case about \$2 billion in the next 18 months. Those inside and outside government who argue that the US should drop its opposition to the renewal of IMF negotiations believe the Polish government needs new credits so badly it could be made to accept IMF conditions that would in effect bring about economic and political reform.

4. I agree that in some circumstances outside sources of financial support can influence an East European governments actions. Indeed, the USG sanctions probably have had an effect in mitigating and undoing some of the worse aspects of Jaruzelski's crime of 13 December 1981. But I do not think that IMF negotiators can now push the Jaruzelski regime into a positive direction:

- The regime's top priority remains political control. It is highly unlikely to agree to any economic reforms which could undermine that political control.
- As we wrote in our recent NIE on Eastern Europe, ". . .the West almost certainly will not itself be able to create the conditions that give rise to East European moves toward economic flexibility and independence. Postwar history . . . suggests that the initiative for change in Eastern Europe must arise in the main from within." Polish society is certainly more than ready for initiatives for change. But the regime is not. Although there probably are some proponents of change within the government, I do not think that even the support of IMF negotiations would allow them successfully to press their arguments in the security minded Jaruzelski regime.

5. The proponents of INF negotiations would undoubtedly reply that the USG would only be agreeing to the start of negotiations: IMF membership -- and money -- would come only if the Polish government would meet the IMF conditions. But we must keep in mind that, once negotiations start, the US government, in effect, will pretty much lose control of the process to the international servants in the IMF. And, when the issue comes up for a vote, it will be harder to recreate a United Western opposition to Polish membership (IMF membership issues are decided by majority rules, with each nation voting shares based on its financial contribution. Thus the US controls 19.2% of the vote).

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6. In sum, I do not think that the time is ripe for the USG to support the renewal of negotiations over Polish membership in the IMF. Proposed talking points for your discussion of this issue with the Secretary of State and with Mr. McFarlane are attached.

[Redacted signature box]

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George Kohl

Attachment

- 1. Talking Points
- 2. DDI Report Dtd 28 June 84;
Poland and the IMF

*John - I agree with Post's
partly for the reasons he cites
but also because the timing is
wrong. If the Administration decides to
now. undertake new initiatives in the next year
or so and Quinlan is full of fairly
Pinellas and concessions are full of fairly
useful on next year, as part of larger political
nothing, it might serve a useful purpose for us.
States.*

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NIC No. 04804-84
21 August 1984

MEMO FOR: Acting DCI
FROM: George Kolt
NIO/EUR
SUBJECT: Poland and IMF Membership

Distribution:

1 - DCI
1 - DDCI
1 - ER
1 - C/NIC
1 - VC/NIC
1 - NIO/E (w/o att 2)
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1 - NIO/EUR sub file
NIO/EUR/GKOLT [redacted] (21 August 84)

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NIC No. 04804-84/1
21 August 1984

Proposed Talking Points for ADCI Meeting
with Secretary of State Shultz and
National Security Advisor McFarlane

--The USG has suggested it would consider dropping its opposition to the renewal of negotiations over Polish membership in the IMF if the Polish government implemented its pledge to free all political prisoners.

--In my judgment this would be a mistake:

- First, Jaruzelski is freeing prisoners under conditions that seemingly guarantee there will be more arrests before the year is out.
- Second, I disagree with the argument that IMF negotiators could push the regime toward meaningful economic and consequently political reform. As we wrote in our recent NIE on Eastern Europe, "the initiative for change in Eastern Europe must arise in the main from within." Jaruzelski regime's top priority is political control. Although there probably are some proponents of change within the government, I do not think that even the support of IMF negotiators would allow them to successfully press their arguments in the security-minded Jaruzelski regime.
- Third, we must keep in mind that once IMF negotiations start we are likely to lose almost all control over the process to the negotiators and to other nations.

--In sum, I believe IMF negotiations at this time are unlikely to yield the results we would want. Thus, I do not think the time has come to drop our opposition to these negotiations.

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