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NATIONAL SECURITY COUNCIL MEETING

DATE, TIME AND PLACE: September 30, 1982, 11:00 a.m.,
Cabinet Room

SUBJECT: NSC Meeting regarding the Polish Debt,
the Private Sector Initiative for Poland,
and the Latin American Debt (C)

PARTICIPANTS:

The President

CIA:

Mr. John McMahon

Vice President's Office:

Mr. Donald P. Gregg

OPD:

Mr. Edwin Harper

State:

Deputy Secretary Kenneth Dam
Mr. Allen Wallis

AID:

Mr. M. Peter McPherson

Treasury:

Secretary Donald T. Regan
Mr. Marc E. Leland

JCS:

General Charles Gabriel

White House:

Judge William P. Clark
Mr. Robert C. McFarlane

Defense:

Secretary Caspar W. Weinberger
Dr. Fred C. Ikle

NSC:

Mr. Norman Bailey
Ms. Paula Dobriansky
Col Michael O. Wheeler
Mr. Alfonso Sapia-Bosch

Commerce:

Under Secretary Lionel Olmer

USTR:

Mr. Dennis Whitfield

OMB:

Mr. Joseph Wright
Dr. Alton Keel

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BY WJ, NARA, DATE 2/23/08

Minutes

Judge Clark asked Secretary Regan to introduce the first agenda item, the Polish debt. (C)

Secretary Regan mentioned that the private banks have reached agreement on the Polish debt. The last meeting of the official creditors was in late October 1981. Recently, it has been agreed to hold a meeting with the official creditors in late October or early November of this year, to discuss the Polish debt. The Secretary added that there has been considerable pressure from our allies for 1982 debt rescheduling, but we have imposed sanctions on the 1982 rescheduling meetings. (C)

Secretary Weinberger inquired if we could do anything about the private banks. (C)

In response, Secretary Regan asserted that there exists a country limit on these loans. (C)

The President then mentioned that if we declared the Poles in default, this would not only hurt us but the banks. (C)

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At this time, Judge Clark asked Secretary Regan to introduce the second agenda item, the Private Sector Initiative for Poland. (S)

The Secretary began by stating that the Private Sector Initiative is intended to strengthen private sector forces in Poland with emphasis on the agricultural sector. He reported that the SIG-IEP which had reviewed the initiative, had questioned whether the proposal constitutes humanitarian assistance, to what extent it would entail negotiations with Polish authorities and how would the allies react. He mentioned that given the current situation in Poland, the SIG-IEP recommended that the proposal not be made at this time. Instead, it should first be discussed with the Allies and be referred back to the IG-IEP for further study. (S)

The President asked if this proposal would entail essentially private sector support for the Polish private sector. He also asked what is the record of the Church in forwarding and distributing commodities to the intended recipients. (S)

AID Administrator McPherson replied that the Church's record of distributing humanitarian aid is quite good. However, he added that the Polish government does interfere with the private markets. (S)

Deputy Secretary Dam recommended that a clear explanation of U.S. government involvement is needed. He then asked if Primate Glemp's visit to the United States is purely pastoral. (S)

Judge Clark reponded yes. (S)

Secretary Weinberger remarked that if the United States government is perceived as the sponsor of any endeavor which might help the Polish government, our allies might conclude that we are not firm about our sanctions. He argued that our private sector can and should be encouraged to assist the Polish private sector, but without any U.S. government involvement. (S)

Under Secretary Olmer conveyed that Secretary Baldrige believes that even though this is a private sector program, it should be discussed further with our allies. (S)

Edwin Harper concurred with the remarks made by Secretary Weinberger and Kenneth Dam. (S)

John McMahon also remarked that the Polish government has control over the quotas and resources accessible to the Polish private farmers. (S)

At this time, President Reagan asked if all these comments signify that we should not pursue the private sector program. (S)

Secretary Regan replied that the private sector can do what it wants to assist the Polish private sector, but there should be no U.S. government involvement. (S)

Judge Clark proceeded to clarify the options: reject the proposal, accept the program or remand it for further staffing. (S)

The President asked that if the initiative was not endorsed, would the private sector efforts still continue. (S)

Paula Dobriansky (NSC Staff Member) responded that it is quite unlikely. She stated that there are small scale private efforts under way in the United States but there does not exist a single organization which could pool together all these efforts. (S)

The President decided to pursue option number one--to reject the proposal. (S)

Judge Clark asked Secretary Regan to introduce the third agenda item, the Latin American debt. (S)

Secretary Regan stated that the Eastern Bloc and the Latin American countries have heavily overborrowed. He distributed a background paper on Latin America's financial situation and proceeded to explain the Latin American dimension. He indicated that domestic adjustment will be necessary and noted the problems associated with an increase in the IMF quotas. He specifically referred to the suggestion of an IMF borrowing arrangement in the case of a systemic crisis. The Secretary also mentioned that the balance between quota increases and borrowing authority: \$30-35 billion IMF undisbursed, \$20-25 billion they can tap. He stated that Venezuela has a \$25 billion external debt. Hence, what happened to both Mexico and Brazil is now happening to Venezuela. (S)

At the conclusion of the meeting, Under Secretary Olmer added that AEG-Kanis will ship gas turbines to the Soviet Union in the afternoon, September 30. When official confirmation has been received, penalties will be imposed. (S)