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THE WHITE HOUSE
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National Security Planning Group Meeting
Friday, April 8, 1983; 11:00 - 11:35 a.m.
The Situation Room

SUBJECT: Poland

PARTICIPANTS:

The President

Office of the Vice President
Admiral Daniel Murphy

State
Secretary Charles P. Shultz
Deputy Secretary Kenneth Dam

Treasury
Secretary Donald T. Regan

OSD
Secretary Casper Weinberger

CIA
Deputy Director John McMahon

JCS
General John Vessey

White House
Mr. Edwin Meese III
James A. Baker, III
William P. Clark
Robert C. McFarlane

NSC
Paula Dobriansky
(Notetaker)

Minutes

Judge Clark opened the meeting by stating that the issues for consideration are the Administration's current policy toward Poland and what next steps should be taken. He asked Secretary Shultz to begin the discussion. ~~(S)~~

Secretary of State George Shultz pointed out to the President that the issue of debt rescheduling should be addressed now. He noted that the current situation in Poland has not changed significantly -- repression continues. In sum, there has been some rearrangement of the furniture, but it has not added up to much. The Secretary indicated that the Allies understand this and thus, there has not been much movement. Yet, at the Sub-Ministerial meeting of the Paris Club on April 11, it is anticipated that the Europeans might break the ranks and decide to reschedule unilaterally. If this happens, there is a need to maintain a consistent, unified approach. ~~(S)~~

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Secretary Shultz went on to mention that the United States' relationship with Poland has deteriorated significantly and thus, we are losing contact with the Polish people. The Secretary then mentioned that a major event is upcoming -- the Papal visit. (S)

Given these developments, Secretary Shultz asserted that the Administration needs to maintain strength and resolve in its policy toward Poland. He stated that there is an options paper that has been drafted on what our next steps toward Poland should be. The first (Marshall Plan) and last (do nothing) options are not realistic. We need a strategy that will keep our Allies on board and will link rescheduling to certain human rights and political conditions. The Secretary referred to Options 2 and 3 as being similar. Specifically, he stated Option 3 proposes that we should engage in debt rescheduling only if most of the political prisoners are released, harassment of political prisoners ceases, economic reforms begin, and a successful Papal visit materializes. The Secretary of State also remarked that IMF can be utilized as an additional instrument at some point and the timing of the Papal visit is important in terms of the development and implementation of the proposed strategy. (S)

At this time, Secretary of the Treasury Regan stated that he would address the economic implications of the proposed options. First, the Poles owe \$14 billion and have foreign exchange earnings of only \$1.0 billion for 1983. Already this \$1.0 billion is committed to bank repayment, so there is no new money for this year. The Secretary maintained that if we are interested in rescheduling each year then we will have to put in new money and get back very little. He added that in order to make this work, the Polish economy must undergo substantial economic changes. Otherwise, there will be no chance of getting one's money back. (S)

Of the options proposed Secretary Regan endorsed Option 3, not 2. He cited several problems with supporting Poland's IMF membership. Specifically, the Secretary argued that we would not be able to stop the Allies from endorsing Polish membership in the IMF, and we cannot impose any conditionality on such membership. Furthermore, the IMF's record of loans granted to Eastern Europe is not good. Secretary Regan mentioned, however, that Option 3 should be modified to include a commitment to 1983 rescheduling. (S)

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Secretary of Defense Weinberger commented at this point that Option 4 -- do nothing -- should not be ruled out as an option, for the situation in Poland has not changed -- repression continues. In reviewing the other options proposed, the Secretary stated that the stakes should be raised. That is, we should seek more serious concessions in exchange for more than debt rescheduling. The Secretary said he supports the idea that the West should be positioned to support Poland's IMF membership for this will promote internal economic changes in Poland. The Secretary also indicated that we should try to secure Allied consent and hinge our participation on multilateral agreement. If we do not succeed then the U.S. should not participate in rescheduling. (S)

After hearing these agency positions, The President stated that he would consider supporting Poland's IMF membership as long as we secured certain human rights and political concessions from the Poles in advance. He indicated that his own position fell somewhere between Options 2 and 3. We should develop a strategy that will keep the Allies unified and will benefit the Polish people. (S)

At this time, Judge Clark noted that with the imposition of martial law in December 1981, the Administration imposed sanctions against the Soviet Union and Poland -- one entailed the postponement of negotiations on the long-term grain agreement. The Judge pointed out that we need to keep in mind all of these considerations when determining our positions vis-a-vis Poland and the Soviet Union. (S)

Secretary of State Shultz then remarked that our Paris Club delegation needs authorization to say that the Administration is reviewing the present situation and will report back and work with our Allies. (S)

The meeting ended at 11:35 a.m. (U)