

Actions vis-a-vis Poland

I. To date the USG has taken or is taking the following actions against Poland as a result of that country's declaration of martial law and use of repressive violence against its populace:

-- suspended consideration of Poland's request for \$740 million in agricultural assistance for FY 1981-82,

-- withheld the remainder of the undelivered amount of the \$71 million worth of dried milk and butter which we agreed to sell Poland last April,

-- <sup>send</sup> ~~sent~~ a letter from the President to General Jaruzelski warning of the consequences which a continuation of the government's use of violence against its populace will have on US-Polish relations and urging the General to move toward a policy of negotiation and compromise,

-- suspended renewal of Exim Bank's \$25 million line of export credit insurance for Poland.

The USG has also decided for the present to:

-- go ahead with humanitarian food aid for Poland provided we get guarantees from the Polish authorities that we can monitor distribution,

-- not invoke the "exceptional circumstances" clause of the 1981 Polish debt agreement at this time.

II. The USG should also consider taking several steps unilaterally or in concert with our Allies:

ACTION:

Establish COCOM "no exceptions" policy for export licenses to Poland.

ANALYSIS

U.S. non-agricultural exports to Poland totalled \$149 million in 1980, of which \$53 million was machinery and transport equipment. Some proportion of this business would be affected causing economic losses to some U.S. suppliers. Unanimous agreement within COCOM would be required to implement such a policy. Agreement would likely be difficult or impossible to obtain; seeking such agreement might therefore detract from the broader goals we have for the COCOM HLM in January.

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PROS:

-- Political demonstration of Western solidarity against GOP and Soviet repression.

-- Over long-term could inhibit Polish economic recovery.

CONS:

-- Requires unanimous concurrence with our COCOM partners, a difficult and time-consuming process. The goal of overall tightening of COCOM at the January HLM has much greater potential impact than extending "no exceptions" to Poland.

-- Has little immediate effect since Poland cannot now afford much Western high-technology and will not be able to for some time.

COSTS:

A fraction of \$149 million in U.S. exports to Poland would be lost to U.S. suppliers. Amount is uncertain due to rapid decline in Polish imports caused by inability to pay.

ACTION:

Suspend Polish civil aviation privileges in the U.S.

ANALYSIS

Suspension of the exchange of notes implementing the ad-referendum aviation agreement recently reached with Poland would allow the aviation bilateral agreement presently in force to lapse on its terminal date which is March 31, 1982. This would abrogate all Polish flight privileges within U.S. airspace as well as Pan Am's privileges within Poland. Pan Am is not currently operating to Poland, but has planned tentatively to resume service next summer.

PROS:

-- Low cost to the U.S. since no carrier currently operating to Poland.

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CONS:

-- Would be ineffective without similar restrictions by other Western nations. Multilateral agreement to such steps highly unlikely since most countries' aviation rights covered by bilateral agreements.

-- Would make communications with Poland more difficult.

ACTION:

Suspend or postpone IMF consideration of Poland's membership application.

ANALYSIS:

Poland has only just begun the process of gaining membership, which would normally occur by mid-1982. A Fund program for Poland could go into effect by early 1983. Poland's membership would provide the country with substantial hard currency resources. Poland's quota might be on the order of \$800 million, of which only \$200 million would have to be paid in hard currency, the rest would be Polish currency (zloties). Poland would be immediately eligible to withdraw \$400 million of its quota. It would be eligible for a Fund program of 4.5 times its quota (\$3.6 billion) over a five year period if it accepted the Fund's stringent conditions for such a program. The Fund's conditions would be both politically and physically difficult for the Poles, requiring prolonged austerity, substantial general price increases, restraints on wages, and other measures to limit consumption. On the other hand, it is doubtful whether the GOP is either politically strong enough or economically astute enough to institute adequate economic stabilization measures by itself. Voting in the IMF is according to the size of each member's quota, giving the U.S. an effective veto. Therefore, we could act unilaterally. U.S. policy has steadfastly opposed politicization of the IMF, however, on grounds that it is strictly an economic organization. With other repressive Marxist regimes as members, our Allies may refuse to side with us.

PROS:

-- A blow to the prestige of the Polish government. This step amounts to questioning of the legitimacy of the present regime since other repressive Communist governments are members.

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-- A severe blow to Polish prospects for economic stabilization and recovery over the medium-term.

-- Greatly increases the cost to the Soviets of supporting Poland over the medium to long-term.

CON:

-- Virtually assures Polish default on Western debts with associated substantial costs to creditor governments.

-- Politicizes the IMF, and may be opposed by allies on that basis.

-- Undercuts any remaining reformist or moderate elements within the GOP.

COSTS:

Could delay Polish repayments of U.S. debts. Would save some eventual costs of supporting Fund program for Poland. Could increase costs if U.S. eventually decides to aid Poland by delaying economic stabilization and recovery.

ACTION:

Withhold U.S. surplus fisheries allocations to Poland.

ANALYSIS:

Poland received U.S. fish allocations of 220,000 metric tons in 1981. The fish are an important source of high protein food in Poland, and are also an important source of scarce convertible currency since some of the catch is sold to U.S. processors among others. Withdrawal of the allocations would constitute a severe blow to Poland's already inadequate food production, and would contribute to hardship and malnutrition.

PROS:

-- Would put considerable pressure on an already beleaguered Polish Government by removing a major source of high protein food.

-- Would force GOP and Soviets to devote additional scarce resources to replacement of fish from U.S. waters.

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CONS:

-- A direct use of food as a political weapon would be seen as a blow against Polish people rather than the government.

-- Could lead to further destabilization in Poland.

COSTS:

None to the USG since the fish can be reallocated to other countries. Some U.S. fish processors, especially Mrs. Pauls' Kitchens which has had strong Congressional support, will be affected by the loss of access to attractively priced Polish catch.

ACTION:

Seek a Papal visit to Warsaw. We could formally or informally suggest a Papal visit to the Vatican, pointing out that such a visit would serve as a major inspiration to the Polish people and in addition help avoid violence and encourage the government to enter into a meaningful dialogue with all segments of Polish society.

PRO:

-- If the Pope went to Poland, would serve as a tremendous inspiration to the Polish people.

-- Would focus world attention on the situation in Poland.

-- With the Pope in Poland, chances of a Soviet military intervention might decrease.

-- Could force the Government into meaningful negotiations with the Church and a reconstructed Solidarity.

CON:

-- Vatican may feel we are interfering in internal Church matters.

-- Could lead to such an intense response in Poland that violence might result.

-- Poles might refuse Pope permission to come to Poland at this time.

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The allies may be reluctant to undertake actions they perceive as directed against the Polish people as well as actions harmful to them at a time when their own economies are weak. A number of them, for example, have stated that they will continue to provide food assistance to Poland despite the institution of martial law. Their public statements have ranged from tough on the part of the French to bland and cautious from the Dutch. On IMF membership, we are likely to run into considerable opposition from those who think Polish membership is in the West's interest and who oppose politicization of the Fund. On the other hand, it may be easier to gain agreement on establishing a "no-exceptions" policy for export licenses to Poland in COCOM. Finally, we do not know how they will respond to cutting access for the Polish fishing fleet to Western waters, but they will probably oppose suspension of Polish civil aviation privileges in Western Europe. The allies are not likely to oppose the idea of a Papal visit to Poland, but will probably resist putting any pressure on the Vatican.

Of the five options, the last one, a Papal visit to Warsaw would have the most dramatic effect and long-term impact on events in Poland. But it is unlikely that either the Vatican or the GOP would agree to a visit. The economic measures, on the other hand, should be held in reserve. The President is sending a letter to Jaruzelski warning him of the consequences of a continuation or intensification of his repressive policies, and we should wait until he has had an opportunity to react before taking further actions.

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