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Withdrawer

RBW 2/6/2013

File Folder EASTERN EUROPEAN POLICY 05/01/1982-05/11/1982

FOIA

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SHIFRINSON

24

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
153436	REPORT	RE. SITUATION IN POLAND <i>R 12/7/2016 M452/1</i>	1	5/4/1982	B1
153438	REPORT	RE. SITUATION IN POLAND <i>R 12/7/2016 M452/1</i>	1	5/4/1982	B1

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OPERATIONS CENTER
POLAND WORKING GROUP

Situation Report No. 165

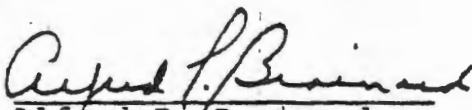
Situation in Poland as of 1700 EST May 4, 1932

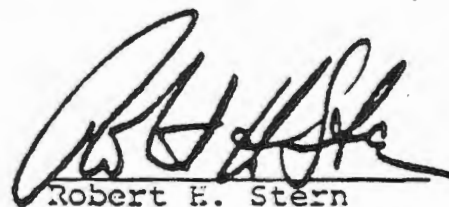
2)
(LDX)
(LDX)
(5)
Polish Radio carried a late afternoon recorded report today by Interior Minister Kiszczak in which he said "serious street incidents took place yesterday in Warsaw and also in Gdansk, Szczecin, Elblag, Torun, Lublin, Krakow and Gliwice. Moreover, more riots again took place in Szczecin today (May 4). Gdansk Radio, adding Gdynia to the list of affected cities, stated "material losses are not yet known."

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Following an emergency Military Council session today chaired by Jaruzelski, a curfew and other severe restrictions were imposed in Warsaw and other cities to counter yesterday's anti-regime rioting in much of Poland. While the restrictions vary from province to province, they include (in addition to the re-imposed curfew) cessation of telephone service, cancellation of sports and cultural events, bans on the usage of private automobiles, and other measures.

(LDX)
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According to Western press (May 4), Interior Minister Kiszczak reportedly told the Sejm today that in yesterday's disturbances which rocked 13 cities, 1,372 persons were arrested (of whom 271 in Warsaw), and 72 policemen injured--ten of them hospitalized--in the nationwide violence. The number of civilians injured during the rioting "was still unknown."

AS (LDX)
(LDX)
DEF (LDX)
A/D
Western press said May 4 that several thousand people tried to take over Gdansk's city center yesterday. Also, the main police headquarters was attacked. At Szczecin, protesters reportedly built a barricade of benches in Victory Square, and several riot policemen were injured.


Alfred P. Brainard
Poland Working Group


Robert E. Stern
Senior Watch Officer

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5/4/36

DECLASSIFIED

REF M4521 #153436
BY RW NARA DATE 12/7/16

POLAND WORKING GROUP

Situation Report No. 164

52
Bailey

Situation in Poland as of 1200 EST, May 4, 1982

Embassy Warsaw reported this morning that Warsaw, Poznan and Krakow are quiet. It has heard that handbills and leaflets are circulating calling for more demonstrations this evening and for May 13th. Also, more Radio Solidarity broadcasts are promised.

(LDX) The anniversary of the Polish Constitution of May 3, 1791--the
(X) most liberal of its day in Europe--saw widespread demonstrations and
) clashes with martial law forces in several cities. Police violence,
) arrests and numerous injured persons were observed.

-- Perhaps as many as 100,000 persons, according to Western press, took part in demonstrations in Warsaw, beginning at the city's center. Police dispersed the crowd only to have it reform elsewhere. Clashes were reported as late as 2200 hours (local). A promised Radio Solidarity broadcast could not be heard, probably because of jamming. Threatening a resumption of the curfew, which had been lifted on May 2, the authorities cut all telephone links in Warsaw, domestic and foreign, in late afternoon. Our Embassy reported a "radicalization of the crowd" and suggested that the regime has every reason to be worried.

-- Our Consulate at Krakow reported a demonstration of about 20,000 marchers with clashes beginning at about 1940 hours and still going on more than an hour later.

(LDX) -- Western press reported hearing of large-scale demonstrations and
(2) clashes in Gdansk but no Western journalists were allowed there. Warsaw TV admitted late evening May 3 that demonstrations had taken place in Gdansk and several other towns, "although on a smaller scale" than in Warsaw.

(LDX) Initial reports of the Sejm debates indicates that one Catholic
(LDX) Deputy asked the Sejm to consider reactivation of Solidarity.
(LDX) Another, this morning, requested the government to give the Sejm more exact information on the current situation in Poland, according to Warsaw Radio: "We cannot debate, he said, without taking a stand on the events which took place yesterday in Warsaw and other towns."

The Pope reportedly stated May 3 it was his duty to attend the 600th anniversary of the shrine of the Madonna of Jasna Gora in Poland this year but that appropriate conditions would have to be met. He did not, however, specify his conditions.

Western press reports Zolnierz Wolnosci accused American news agencies May 3 of collaborating with the CIA, and said intelligence agents were masquerading as Western journalists.

Alfred P. Brainard
Alfred P. Brainard
Poland Working Group

Richard W. Erdman
Richard Erdman
Senior Watch Officer

~~CONFIDENTIAL~~
GDS 5/4/88

DECLASSIFIED

NLPP M4521-#753439

RW
DATE 12/7/10

to: Norman Bailey

room: _____ date: 5/4/82

Department
of the Treasury

Assistant Secretary
(International Affairs)

3

FYI.

SE

~~Send copies
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Marc E. Leland

room 3430

phone 566-5363



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

MAY 3 1982

MEMORANDUM FOR THE HONORABLE LAWRENCE S. EAGLEBURGER
UNDER SECRETARY FOR POLITICAL AFFAIRS
DEPARTMENT OF STATE

FROM: Marc E. Leland (Signed) Marc E. Leland
Assistant Secretary
International Affairs

SUBJECT: East-West Differentiation

I have reviewed the draft decision memorandum on differentiation which was discussed at a SIG on Monday, May 3, 1982. I continue to have serious reservations about this paper and do not believe that it should be forwarded to the President in its current state.

My major concern is that the paper does not clearly inform the President as to whether the policy which is being recommended is any different from that which successive administrations have applied over the last ten years. If it is, the paper should analyze what these differences are and what policy objectives we can expect to achieve vis-a-vis the status quo in Eastern Europe that resulted from the December crackdown in Poland. If the policy being recommended is not different, the paper should clearly say so and why.

In this connection, I am also concerned that the paper does not analyze the extent to which the policy of differentiation has indeed made a difference in terms of individual Eastern European countries' undertaking policies which are favorable to the United States and the West. If the proponents of differentiation feel so strongly that it has had an impact, the President should be made fully aware of the examples that support this case. Some stress is placed on Poland, but the discussion of it is unbalanced insofar as the money we sank into it is not factored into the costs. If it were, Poland would be a two-edged sword as a case study of the application of differentiation. Moreover, an argument can be made that providing Eastern European countries with the benefits accorded to other Western countries -- e.g., MFN, official loans, etc. -- relieves the Soviet Union of the necessity to provide resources to them at the margin. This case is mentioned but not really developed. I think the President would benefit from having this case spelled out and analyzed more fully.

Thus, we are left with the situation whereby "differentiated" Eastern European states obtain the benefit of resource flows from the West as well as access to the West's trade and credit facilities. Yet there is no question that they remain -- and will continue to remain -- members of the Warsaw Pact. Is this in our interests? This is what the paper should be addressing in the context of continuation of the status quo. It never comes to grips with this issue.

Finally, I would hesitate to seek a policy determination on this issue at a time when the Buckley initiative is still underway. It does not seem to me that we should be putting forward this issue until such time as we see more clearly what the results of that initiative are. It follows that the President should not be asked to make a decision of this nature until all the relevant factors -- of which the Buckley mission is just one -- have been carefully weighed and analyzed.

cc: Under Secretary Buckley



U.S. DEPARTMENT OF COMMERCE
Under Secretary for International Trade

May 8, 1982

To: Larry Eagleburger
Marc Leland
Norman Bailey

From: Lionel H. Olmer

The attachment is provided for your
information. Comments are welcome.

Attachment

Life
Subcommittee
+ Revision

2 *2*

MEMORANDUM OF CONVERSATION

Principal: Secretary of Commerce Malcolm Baldrige
Hungarian Deputy Premier Jozsef Marjai

Date: May 6, 1982

Place: U.S. Dept. of Commerce, Secretary's Office

Participants: Attached

Subject: U.S.-Hungarian Economic and Commercial Relations

Deputy Premier Marjai

U.S.-Hungarian Relations. Marjai characterized U.S.-Hungarian relations since the visit of Minister of Foreign Trade Veress last November as having shown progress in some areas, lack of progress in others, and even some retrogression. He said the starting point for the Hungarian side was its desire to place its relationship with the U.S. on a stable and lasting foundation. There have been significant political and economic steps in this direction. Progress has been swift, but we started from a low base.

U.S.-Hungarian Economic Relations. As regards the whole of bilateral economic relations, he said there were elements of uncertainty in trade policy. These he enumerated as: 1) MFN; 2) system of export controls (obstacles to American exports to Hungary); 3) treatment of Hungarian exports to the U.S.; and 4) difficulties in development of closer cooperation between Hungarian and American enterprises.

MFN. Marjai indicated that an economy suffers difficulties when it can't establish long-term conditions. This is not a problem for the government but for enterprises. A government has the obligation to provide appropriate conditions for the functioning of the economy, or at least to assure equal treatment for its economy in foreign markets. Enterprises look for markets where there is stability and where problems are minimal.

Hungary's Vulnerability An additional point is that Hungary is interested in seeing a greater degree of differentiation in its market relations. The EC's share of Hungary's trade is the same as that of the U.S.S.R., while the remainder is the rest of the world. This increases the vulnerability of Hungary's economic relations. The Government of Hungary is interested in decreasing the weight of the U.S.S.R. and EC, and thus decreasing the degree of risk. The U.S. and Japan offer the best possibilities of being big partners. Turnover with the U.S. has grown, but is small in comparison with that with the EC.

CONTROLLED BY Susanne S. Lotarski
DECONTROLLED ON 5/7/86

MAY 7 1986

Structure of Trade. Hungarian imports of U.S. finished products and technology hardly figure. They are a very small share of Hungary's imports. This is not a natural structure. It is like trade between a colonial power and its former colony, only in this case Hungary is the mother country.

Hungary does not import large amounts of U.S. agricultural products because Hungary is a net exporter rather than importer of foodstuffs. There are thus no prospects for an increase in the agricultural sector of our trade. The only exception may be animal protein.

Uncertainties. There are uncertainties regarding both Hungarian exports and imports. Hungary is not seeking to balance trade bilaterally.

Hungarian Exports. As concerns Hungarian exports, Marjai asserted that Hungary is a fair partner. Although the independence of Hungarian enterprises continues to grow, the Government has the means to make agreements prevail.

Marjai said that sometimes they have had bad feelings concerning the handling of Hungarian exports. In many instances, the Hungarian economy is handled the same way as countries whose economies and measures differ significantly from Hungary's. Saying that he was not referring to the U.S., but looking at anti-dumping suits in Western Europe, Marjai asserted that one wouldn't find Hungary on the list of countries which dump products. Where allegations have been brought, Hungary has always been cleared (and they have never initiated a libel suit).

Imports from U.S. Marjai asserted that Hungary has been able to assure that Hungarian imports of U.S. products are not exported without U.S. permission or put to uses which are not allowed. He said that if preconditions are made on U.S. origin products/technology, the Government can agree to them and guarantee that they are adhered to. Marjai said that they can ensure it "in our own matters and we do ensure it."

Marjai said the above two subjects were related, and that if we can move forward on these issues, we can expect closer cooperation between enterprises of the two countries, for example in capital investment, joint ventures, and joint ventures in third countries.

Investment. As concerns investment, Marjai said the two countries were not in the same league. However, there were not only U.S. investments in Hungary, but also Hungarian investments in the U.S. He said that where there was good business to be made, there were no restrictions on the Hungarian part.

Dependency. Marjai said he didn't think this will create a degree of dependency for the U.S., and that Hungary was not afraid of dependency.

Secretary Baldrige

When Mr. Marjai concluded, Secretary Baldrige jokingly said he had been waiting to hear of Hungary's interest in investing in the U.S., especially our steel, auto or airline industry. Marjai, in a similar vein, responded that they might be a small country, but they were not fools.

Secretary Baldrige indicated he would respond to Mr. Marjai's points, although not necessarily in order of importance, and expressed the view, which he thought was shared by the rest of the world, that Hungary has made tremendous progress in its economy and trade in the last ten years.

U.S.-Hungarian Trade. The Secretary said the growth of bilateral trade has not been as strong as we would like to see. He thought there was greater potential which we should try to use. He suggested that this resulted not only from the larger problems mentioned by Marjai, and proposed that the next session of the Joint Economic and Commercial Committee be charged with exploring why our trade hasn't grown more rapidly and what we can do to increase it.

MFN Secretary Baldrige stated that we will support annual renewal of MFN with Hungary and would expect Congressional approval. He thought we would have difficulty in getting a change in the Jackson-Vanik amendment for multi-year MFN through the Congress at this time, but felt we should work toward this goal. He suggested that as part of preparation toward multi-year MFN, any studies we could carry out jointly or individually on the effect of multi-year MFN would be worthwhile in influencing Congressional feelings, as would any steps which Hungary might be able to take to make it more attractive.

Differentiation. The Secretary said the policy of the Administration, and one that he's supported, is differentiation. This should be looked at in two parts.

~~CONFIDENTIAL~~

The Secretary noted that in a government as large as that of the United States, there are always differences of opinion. For instance, on financing, some of our banks and some voices in government feel we should not differentiate in financing. There are some who feel the same way about technology transfer. He noted, however that in the Administration's view, we are applying what we consider to be differentiation. For example, we approved the US Steel, Eli Lilly and Universal Oil export licenses which Minister Veress had mentioned. Secretary Baldrige suggested that in the financial area, anything Hungary can do to show that, after joining the IMF, its actions, not only banking measures, but also those in the domestic economy especially austerity policies, conform to those of the IMF, would serve to put minds of bankers at ease.

Technology Transfer. There is also some opinion within the USG that stopping of technology transfer from any Eastern Bloc country to the U.S.S.R. is impossible. The Secretary said that he himself does not agree with that view, but was bringing it up so bluntly so that he could discuss a remedy. Secretary Baldrige suggested that, to go along with Marjai's very forthright statements to the Secretary, both their staffs sit down and work out what would satisfy all parts of our government. The Secretary said he was making this suggestion because by it he would have some hope of being able to increase the joint ventures and other commercial cooperation between our companies, if we could point to appropriate (in our opinion) safeguards. He said we have developed some proposals and if we made some progress in these areas, it could not help but give some results in our trade, our joint ventures, and our licensing procedures.

Deputy Premier Marjai

Marjai agreed that the Joint Economic and Commercial Committee seek specific ways to increase trade and that the specific proposals concerning technology transfer be discussed between State Secretary Torok and Commerce officials.

Differentiation. Concerning differentiation, Marjai said: "We ourselves differentiate. We find it natural. What we demand from our partners is that they differentiate according to the facts about us, both in financing and technology transfer." Marjai said they are prepared to provide all guarantees and safeguards known in international law.

Marjai noted that not only in large countries, but in small countries, too, there are differences of view in the leadership, and it is quite certain that these differences of view can be influenced by external factors. He said it was not his habit to interfere in the domestic affairs of others and to tell them what to do, but that he was convinced that it is not in the interest of the United States to influence the present Hungarian political line or economic line in an unfavorable direction.

IMF Marjai said that Hungary's economic policy is in full harmony with IMF demands and the direction shaping further economic management reform will strengthen this harmony. He expressed his trust that Hungary's western partners will place no obstacles to this.

Secretary Baldrige:

Will Poland Follow Hungary's Example? The Secretary said we have heard some talk that the Polish Government will try to follow Hungary's economic lead, that it is trying to change the way its economy operates.

Deputy Premier Marjai: Marjai responded that the present Polish Government wants to pursue decisively a policy of reform, despite the difficulties it is struggling with and despite the very burdensome heritage. He said that the Poles were studying Hungarian practice very thoroughly and that the minister in charge of reform visited Hungary recently, but the present state of the Polish economy and its international economic relationships are not very favorable. This, he said, has to be taken into consideration. If a fundamental order is introduced in the economy, he said, they will be able to proceed. Marjai indicated there were some favorable signs.

Despite some recent spectacular, unfavorable movements, one singularity of these events was that they were actions in which neither the peasantry nor workers took part. (Comment: This is reference to the May 1-3 demonstrations in Poland, in which, it is claimed, the majority of participants were high school and university students, people under 20 years of age.)

Secretary Baldrige

Concerning Hungarian imports of Soviet oil, the Secretary asked whether changes in either volume or prices are expected to have much impact on the Hungarian economy in the next year.

Deputy Premier Marjai

Mr. Marjai said that the evolution of prices can be calculated. The pricing system permits calculating to within a few percent what the price will be until 1985. As to quantity, they have medium-term agreements under which there can be certain switches in the assortment, for example in carbohydrogens there can be less oil and more gas. He indicated that they have many partners which are able to pay only in oil.

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