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WITHDRAWAL SHEET

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Collection Name Robinson, Roger: Files

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SRN 2/22/2012

File Folder SIG-IEP MEETINGS: 09/16/1982-09/27/1982

FOIA

F01-052/3

Box Number 6

GRYGOWSKI

42

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
131825	MINUTES	DUPLICATE OF 131823, SIG-IEP MEETING RE: POLAND	7	9/16/1982	B1
131826	MINUTES	SIG-IEP MEETING	2	9/6/1982	B1
131827	MINUTES	SIG-IEP MEETING	3	9/16/1982	B1
131828	MINUTES	DUPLICATE OF 131827	3	9/16/1982	B1
131829	DRAFT PAPER	RE: PRESIDENTIAL COMMISSION ON PRIVATE SECTOR ASSISTANCE TO POLAND	4	ND	B1
131830	OPTIONS PAPER	RE: PRIVATE SECTOR INITIATIVE FOR POLAND	5	ND	B1
131831	DRAFT PAPER	RE: ASSISTANCE TO POLISH PRIVATE SECTOR	2	ND	B1
131832	PAPER	RE: PROBABLE PUBLIC REACTION - POLISH ASSISTANCE	3	9/24/1982	B1
131833	PAPER	DUPLICATE OF 131829	4	ND	B1

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
131834	PAPER	DUPLICATE OF 131829	4	ND	B1
131835	DISCUSSION PAPER	RE: PRIVATE SECTOR ASSISTANCE TO POLAND	2	ND	B1
131836	PAPER	DUPLICATE OF 131831 (P. 1 ONLY)	1	ND	B1
131837	DRAFT CABLE	RE: PRESIDENTIAL COMMISSION	6	9/17/1982	B1

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131825 MINUTES

7 9/16/1982 B1

DUPLICATE OF 131823, SIG-IEP MEETING RE:
POLAND

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OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

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September 20, 1982

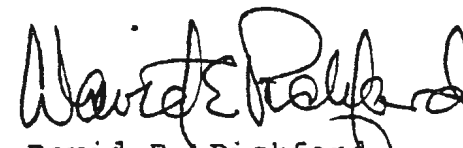
UNCLASSIFIED
(WITH SECRET ATTACHMENTS)

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE ATTORNEY GENERAL
THE DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS
ASSISTANT TO THE PRESIDENT FOR
POLICY DEVELOPMENT
UNITED STATES TRADE REPRESENTATIVE
DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT Senior Interdepartmental Group on International
Economic Policy (SIG-IEP)

Attached please find the minutes from the SIG-IEP meeting held September 16.

In addition, please find a new, revised set of minutes for the September 9 meeting. (Please destroy the September 9 minutes sent previously.)


David E. Pickford
Executive Secretary

Attachments

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131826	MINUTES SIG-IEP MEETING	2	9/6/1982	B1

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OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

September 20, 1982

*SIG-IEP
minutes*

UNCLASSIFIED
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131827	MINUTES SIG-IEP MEETING	3	9/16/1982	B1

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WASHINGTON, D.C. 20220

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September 20, 1982

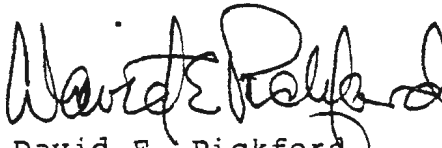
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THE DIRECTOR, OFFICE OF MANAGEMENT
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UNITED STATES TRADE REPRESENTATIVE
DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT Senior Interdepartmental Group on International
Economic Policy (SIG-IEP)

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Executive Secretary

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131828	MINUTES DUPLICATE OF 131827	3	9/16/1982	B1
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OFFICE OF THE SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

September 24, 1982

~~CONFIDENTIAL~~

(With ~~Secret~~ Attachments)

19
SIG-IEP
Polish ~~Secrets~~

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE DIRECTOR, OFFICE OF MANAGEMENT
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ASSISTANT TO THE PRESIDENT FOR
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POLICY DEVELOPMENT
UNITED STATES TRADE REPRESENTATIVE
DIRECTOR OF CENTRAL INTELLIGENCE
ADMINISTRATOR, AGENCY FOR INTERNATIONAL
DEVELOPMENT

SUBJECT Senior Interdepartmental Group on
International Economic Policy (SIG-IEP)

Attached are papers for the SIG-IEP meeting which will be held in the Roosevelt Room of the White House, September 28, 1982, at 1:30 PM:

- Agenda Item 1 Polish Debt Situation
- Agenda Item 2 Options Paper: Private Sector Initiative for Poland
- Agenda Item 3 Review of Status of December 23, 1981 Allied Sanctions on Poland
- Agenda Item 4 U.S.-India Economic Relations


David E. Pickford
Executive Secretary

Attachments

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(With ~~Secret~~ Attachments)

DECLASSIFIED

Authority Straw to Leonard letter, 08/22/2006

BY sn NARA DATE 02/22/2012

Classified by S. J. Canner
Review for Declassification
on 9/24/88

Polish Debt Situation

Summary

- During the 1970's the Poles borrowed heavily from the west in an effort to accelerate their economic development. Their efforts did not succeed and by 1981 they were unable to meet their hard currency debt service obligations.
- The official creditors rescheduled 90 percent of the principal and interest payments due them in the last three quarters of 1981 over an 8 year period including a four year grace period. The banks rescheduled 95 percent of 1981 principal payments over the same time frame.
- The Poles have met all the conditions of the 1981 bank re-scheduling agreement: the 1981 interest payments, the 5 percent of principal that was not rescheduled but instead was deferred into 1982,* and the interest charges levied on the rescheduled amount.
- In contrast, the Poles have not fulfilled all the conditions of the official rescheduling. The U.S. Government for example, has received only \$16 million of the \$42 million that was not rescheduled and due to be paid.
- The official creditors have refused to enter into rescheduling discussions with the Poles regarding their 1982 debt service obligations until the GOP meets the three political pre-conditions agreed to by NATO allies.
- Western banks have negotiated a 1982 rescheduling with the GOP along the lines of the 1981 agreement. They also agreed to set up a separate short-term trade facility which provides short-term funds out of half of the 1982 interest payments made by the Poles.
- At a tour-de-table of the Paris Club last week, the official creditors indicated that were not receiving full payment on the non-rescheduled debts. They agreed to a creditors only meeting on October 25-26 to review Polish performance under the 1981 rescheduling.
- The Kasten and Helms Amendments prohibit the USG from honoring its guarantees to banks on Polish debt unless a monthly waiver is provided to the Congress by the President, indicating that it is in the national interest not to declare Poland in default. Two such waivers were sent by Secretary Shultz to whom the authority was delegated by the President.

* The last installment of this amount is due in November 1982.

Background

Beginning in the early 1970s, the Poles financed a large portion of their economic growth by borrowing from the West, enjoying relatively easy access to Western capital markets. As their development plans began to falter, they became less able to service their debt.

In 1972, Poland's gross hard currency debt totaled \$1.6 billion. Its debt service, consisting of \$200 million of principal and \$74 million of interest, amounted to only 15% of its foreign exchange earnings from exports of goods and services to non-Communist countries. Poland's imports from non-Communist countries exceeded its exports to these countries by \$1.3-\$3.3 billion annually between 1973 and 1979 as the authorities continued to pursue their development program. By 1979, Poland's external hard currency debt stood at \$21 billion and its debt service (\$3.6 billion in principal and \$2.2 billion in interest payments) equalled 92% of its hard currency export earnings. By mid-year 1981, Poland's hard currency debt stood at approximately \$26 billion. It owed roughly \$20 billion of this to 16 Western countries, \$11 billion to official creditors or guaranteed by them, including \$1.9 billion to the U.S. Government; and \$9 billion of unguaranteed debt to private banks, including \$1.3 billion to U.S. banks.

Developments in 1981

At the beginning of 1981, it was estimated that Poland would require some \$11 billion in hard currency financing to cover its projected trade deficit for 1981 and to service its debt. Poland was clearly not in a position to raise such sums and on March 26, 1981, Poland notified its creditors that it would no longer be able to guarantee payment of its external debts.

The governments and private banks responded to the Poles by agreeing to enter into debt rescheduling negotiations. Separate debt rescheduling exercises were organized by the official and private creditors. Fifteen official creditor nations (later increased to 16 with the addition of Spain) concluded negotiations with the Government of Poland and a multilateral debt rescheduling agreement was signed in Paris April 27, 1981. This agreement served as an umbrella agreement for subsequent government-to-government agreements to reschedule 90% of Poland's debt service obligations to these creditors of both the principal and interest falling due during the last three-quarters of 1981. These obligations, totaling \$2.4 billion, are to be repaid during a 4-year period beginning in 1985. Interest on the rescheduled debt is to be charged during the grace period, 1981-1985. The U.S.-Poland government-to-government agreement for rescheduling \$380 million was signed on August 27, 1981.

Western banks, moving on a parallel track, established a consortium to negotiate a debt rescheduling agreement with the Polish Government by September. The consortium reached an ad referendum agreement with the Poles for rescheduling 95% of the principal (\$2.3 billion) of their debt falling due during April-December 1981, over 8 years, including a 4-year grace period. The consortium of Western banks also set a pre-condition for signing the document, namely that Poland pay all of the 1981 interest--an estimated \$700 million--which fell due in the last 9 months of 1981. The Poles were unable to fulfill this condition until May 1982.

The interest rate charged by the banks on the rescheduled debt was 1 3/4 percent above LIBOR. These interest charges are to be paid over the life of the agreement, including during the grace period. The banks also levied a 1% signature fee -- \$27 million -- which they collected when the agreement was signed.

Payment of the 5 percent of principal -- about \$160 million -- that was originally due in 1981 was subsequently postponed until 1982 when it was to be paid in three equal installments beginning in May.

Developments in 1982

A. Official Creditors

On December 13, 1981, the Government of Poland declared a state of martial law. In January 1982, Poland's official creditors decided not to enter into discussions to reschedule Poland's 1982 debt service obligations due them until the GOP: 1) terminated martial law; 2) released the prisoners; and 3) entered into substantive negotiations with the Church and Solidarity. They reaffirmed this agreement in August after reviewing the political gestures announced by General Jaruzelski on July 22, 1982, celebrating the 35th anniversary of the installation of the communist regime in Poland. Notwithstanding their reaffirmation of the three political pre-conditions for rescheduling discussions, European Governments indicated their willingness to proceed with technical talks on Poland's debt.

At a tour-de-table of the Paris Club last week, it was duly noted that the Polish Government has not completely fulfilled its obligations under that agreement. The U.S. Government, for example, has received only \$16 million of the \$42 million that was not rescheduled but due in 1981. Other governments have also not fully collected the non-rescheduled 1981 debt service obligations due them. It was agreed that there would be a creditors only meeting on October 25-26 to review Polish performance under the 1981 rescheduling. (For calendar year 1982 Polish debt service obligations to the U.S. Government total an estimated \$340 million.)

B. Western Banks

The Poles are current on their obligations to western banks under the terms of the 1981 rescheduling agreement. They have 1) made all the 1981 interest and signature fee payments necessary to implement the agreement, 2) paid two of the three installments on the 5 percent of principal that was postponed into 1982 when they came due (the third installment is due in November), and 3) are apparently current on the interest payments on the rescheduled debt. The western banks and the GOP have also agreed to terms on a rescheduling of Poland's 1982 private debt service obligations. The rescheduling terms are essentially the same as in the 1981 agreement: 1) 95 percent of principal -- approximately \$2.2 billion -- is to be rescheduled for 7 1/2 years including a four year grace period; 2) the remaining 5 percent is to be paid in two installments in 1983. 1982 interest payments falling due between a) January and April 1982 are to be paid on October 20, 1982, b) May and August 1982 are to be paid on December 20, 1982, and c) September and December 1982 are due March 20, 1983. There is a 1 percent signature fee and the interest charge on the rescheduling is again 1 3/4 percent above LIBOR.

The banks and the Poles also arrived at a separate agreement regarding the provision of a trade facility. Western banks will make half of the 1982 interest they collect available to the Poles in the form of 6 month loans to finance exports to Poland from the banks' home country. As these loans are repaid they can be rolled over. An interest rate of 1 1/2 percent above LIBOR is charged on these new loans. This trade facility will expire in one year but can be renewed for a second and again for a third year.

The signing deadline for these two agreements has been set for October 20, 1982.

The above agreements only cover the non-guaranteed portion of Poland's debt to western banks. As for the CCC guaranteed debt, CCC has made payments, totaling \$254 million, to U.S. exporters and banks through September 22, 1982. In addition, \$273 million due CCC during the first eight months of the calendar year under the direct credit program has not been paid.

CCC's exposure in subsequent fiscal years is as follows (amounts in millions):

<u>Fiscal Year</u>	<u>Direct Credit</u>	<u>Guarantee Programs</u>
1983	\$75.7	\$373.7
1984		223.8
1985		9.0

24

C. Kasten Amendment

The Urgent Supplemental Appropriations Act (P.L. 92-216) enacted July 18, 1982, contained an amendment (Section 205) introduced by Senator Kasten, which prohibits the Commodity Credit Corporation or any other U.S. agency for the remainder of fiscal year 1982 from paying funds to cover guaranteed or insured loans to Poland unless 1) Poland is declared in default or 2) the President reports monthly to the Congress that such payments serve the national interest of the United States. The President delegated the reporting responsibility to the Secretary of State, who, after consultation with the heads of interested Executive agencies, has filed reports for July and August (August report attached). The amendment expires September 30, 1982, and will be replaced by a similar amendment sponsored by Senator Helms. Papers are in process to seek delegation of Presidential authority to the Secretary of State to report monthly to the Congress for FY '83.

Attachment

Secretary Shultz letter on Kasten Amendment

THE SECRETARY OF STATE
WASHINGTON

September 9, 1982

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Dear Mr. President:

This report is submitted in accordance with Section 205 of the Urgent Supplemental Appropriations Act of 1982, Public Law 97-216. Section 205 requires a monthly report be submitted to Congress explaining the manner in which the national interest of the United States has been served by payments made during the previous month to private individuals or corporations in satisfaction of assurance agreements or payment of loan guarantees entered into by any agency or corporation of the United States Government with respect to loans made and credits extended to the Polish People's Republic, in the absence of a declaration that the Polish People's Republic is in default of its debt to such individuals or corporations.

During the month of August, the Commodity Credit Corporation (CCC) made payments to the U.S. creditors on credits guaranteed by the CCC on which payments had not been received from the Polish People's Republic. The national interest has been served by making these payments in the absence of a declaration of default for the following reasons:

1. Continuing to insist that Poland pay its debts to the West in a timely manner is the best way to keep pressure on the Polish Government. Keeping the pressure on Poland has generated a net financial flow from Poland to the West. The drain on the Polish economy, together with our economic sanctions, is forcing the Jaruzelski regime to pay a heavy price for the suppression of human rights and freedom in Poland. By contrast, a declaration of default at this time would be contrary to the national interest of the United States, as it could lead to an illegal repudiation by Poland of its debt obligations, and thereby reduce the financial pressure. Since Poland becomes indebted to the U.S. Government agencies in the amount of their payments to the U.S. creditors, a declaration of default would thereby reduce the likelihood that the U.S. Government would recover these amounts from Poland.
2. Not declaring default at this time is consistent with a multilateral approach towards Poland and the Soviet Union

The Honorable
George Bush,
President of the Senate.

adopted by the United States and its NATO allies. Such a coordinated approach strengthens the effect of our policy toward Poland, promotes Allied unity and best serves the national interests of each Western country. At present, the consensus among our NATO allies is that our mutual interests are best served by not declaring a default at this time.

Sincerely yours,



George P. Shultz

WITHDRAWAL SHEET

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Robinson, Roger: Files

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SIG-IEP MEETINGS: 09/16/1982-09/27/1982

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131829 DRAFT PAPER

4

ND

B1

RE: PRESIDENTIAL COMMISSION ON PRIVATE
SECTOR ASSISTANCE TO POLAND

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

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131830 OPTIONS PAPER

5

ND

B1

RE: PRIVATE SECTOR INITIATIVE FOR POLAND

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Freedom of Information Act - [5 U.S.C. 552(b)]

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	<i>Document Description</i>	<i>pages</i>		<i>tions</i>

131831	DRAFT PAPER	2	ND	B1
	RE: ASSISTANCE TO POLISH PRIVATE SECTOR			

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By the authority vested in me as President by the Constitution and statutes of the United States of America, and in order to assist and improve the well-being of the Polish people who have endured many hardships, it is hereby ordered as follows:

Section 1. Establishment. (a) There is established the Presidential Commission on Private Sector Assistance to Poland, which shall be composed of not more than twelve members from the private sector appointed by the President.

(b) The President shall designate a Chairman and Vice Chairman from among the members of the Commission.

Section 2. Functions. (a) The Commission shall assess the current condition and needs of the Polish private agricultural sector; and, devise and implement an economic and technical private sector assistance program to bolster the Polish private agricultural sector.

(b) This private sector assistance program shall include plans for:

- (1) generating public support for this private sector assistance program;
- (2) coordinating the United States private sector program with similar programs undertaken by our European allies; and
- (3) submitting a quarterly progress report to the President.

39

Section 3. Administrative Provisions. (a) The Secretary of Agriculture shall, to the extent permitted by law and subject to the availability of funds, provide the Commission with such administrative services, funds, facilities, staff and other support as may be necessary for the effective performance of its functions.

(b) Members of the Commission shall serve without compensation. While engaged in the work of the Commission, members may receive travel expenses, including per diem in lieu of subsistence, as authorized by law (5 U.S.C. 5701-5707).

Section 4. General Provisions. (a) The Commission is authorized to conduct meetings and utilize such other procedures as it may deem necessary, and under such conditions it deems appropriate, for the effective performance of its functions.

(b) The Commission shall terminate one year from the date of this Order.

THE WHITE HOUSE

USE OF CERTAIN POLISH CURRENCIES

Section . Delegations of Authority. (a) The functions vested in the President by section 709 of the International Security and Development Act of 1981 (Public Law 97-113) with regard to programs in agriculture, including activities to assist the private agricultural sector in Poland, are delegated to the Secretary of Agriculture.

(b) In carrying out these functions the Secretary of Agriculture shall coordinate his activities with those of the Presidential Commission on Private Sector Assistance to Poland, make available Polish currencies received by the United States from the April 1981 and October 1981 sale of United States Government-held dairy products to Poland in such amounts as designated by the President in advance to United States private sector groups in support of activities of common benefit to the people of the United States and Poland which assist in meeting the objectives of the private sector assistance program.

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131832	PAPER RE: PROBABLE PUBLIC REACTION - POLISH ASSISTANCE	3	9/24/1982	B1

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FOOD AID -- POLAND

Sales and Donations

	FY 1982		FY 1983	
	MTs	\$000	MTs	\$000
<u>Sales</u>				
<u>CCC-Sale to CARE</u>				
Butter	10,000	15,750	-	-
Cheese	8,000	8,200	-	-
NFDM	10,000	7,700	-	-
Total	28,000	31,650	-	-
<u>CCC Sale to CRS</u>				
Butter	600	66	-	-
Cheese	400	44	-	-
NFDM	8,000	880	-	-
Total	9,000	990	-	-
<u>Title II Donations</u>				
	(Estimated)		(Proposed)	
			<u>Programed Levels</u>	
<u>CARE</u>				
Corn Soy Blend	6,900	2,355	-	-
Corn Soy Milk	8,913	3,169	4,000	1,140
Nonfat Dry Milk	1,400	202	9,052	998
Rice	2,000	594	11,800	3,680
S.F. Rolled Oats	1,500	587	5,974	2,298
Soybean Oil	4,900	3,739	8,052	6,464
Wheat Flour	2,400	578	6,162	1,522
Wheat Soy Blend	8,949	3,297	4,133	1,190
Wheat Prot. Conc.	-	-	4,344	2,976
Peas	-	-	4,014	1,405
Butter	-	-	3,600	397
Subtotal	36,962	14,521	61,131	22,070
Est. O.T.		3,200		3,188
Total		17,721		25,258
<u>CRS</u>				
Nonfat Dry Milk	3,000	433	5,694	626
Butter	3,000	331	5,694	626
Cheese	3,000	331	5,694	626
Wheat Flour	36,608	8,821	20,962	5,124
Rice	5,285	1,568	2,962	933
Soybean Oil	6,460	4,980	3,630	2,940
Subtotal	57,353	16,464	44,636	10,875
Est. O.T.		9,500		7,778
Total		25,964		18,653
Grand Totals	94,315	43,685	105,767	43,911

ECONOMIC SANCTIONS IN FORCE AGAINST POLANDU.S. SANCTIONS AGAINST POLAND:

1. Suspended all U.S. official and guaranteed credits for Poland.
2. Suspended Export-Import Bank's line of export credit insurance for Poland.
3. Agreed with other creditor governments not to negotiate rescheduling of official debt falling due in 1982.
4. Suspended LOT civil aviation privileges in the U.S.
5. Suspended Polish fishing privileges in U.S. waters.
6. Stopped issuing export licenses for high-technology items consigned to Poland.

ALLIED SANCTIONS AGAINST POLAND:

- Suspended official credits to Poland for goods other than food.
- Agreed to suspend indefinitely negotiations with Poland on rescheduling 1982 official debt.
- Agreed to undertake not to undermine U.S. sanctions, and to maintain close consultations with us to that end.

All the above measures remain in full effect, including those agreed to by the Allies. Some Allies are, however, uneasy at the prospect of continuing indefinitely the ban on rescheduling. The sanctions are having a substantial effect on the weak Polish economy: Poland's imports from the West in the first half of 1982 were 42% below the level for the same period last year, as a result of our credit sanctions. The sanctions have been a major factor in the continuing decline in Polish industrial output and the sharp drop in Polish living standards.

Drafted:EUR/EEY:DRGrabenstetter
Cleared:EUR/EEY:JRDavis
EUR:RBurt
EB/IFD:EConstable

46

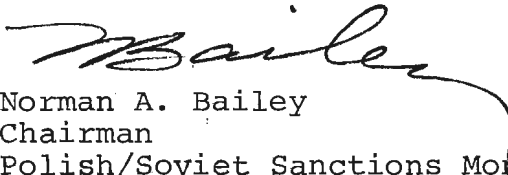
Polish/Soviet Sanctions Monitoring Group

Following the imposition in December of 1981 of sanctions on the Polish Government and the Soviet Union, a Polish/Soviet Sanctions Monitoring Group (SMG) was established at the direction of the Assistant to the President for National Security Affairs to resolve problems arising as a result of the implementation of the sanctions. The agencies represented in the SMG are: State, Treasury, Defense, Commerce, Agriculture, CIA, FBI, Maritime, Customs, OSTP and NSC.

The SMG is chaired by the National Security Council staff. The procedure followed when an issue is brought before the SMG is as follows:

1. Scientific, technical, political and economic officials of the National Security Council staff and the Office of Science and Technology Policy are asked to comment on the issue.
2. As a result of these comments, a preliminary determination is made and circulated to the agencies involved for their comment.
3. If there is no disagreement with the preliminary determination, it is issued as a final determination.
4. If there is disagreement, a session of the SMG is called and the issue is debated. If as a result of the debate a unanimous determination is reached, the decision is issued as such.
5. If there continues to be disagreement after a formal meeting of the SMG, the matter is brought before the NSPG for final determination.

Several matters have been brought to the Sanctions Monitoring Group and they have all been satisfactorily resolved without the necessity of referral to the NSPG or the NSC.


Norman A. Bailey
Chairman
Polish/Soviet Sanctions Monitoring
Group

47

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 24, 1982

~~CONFIDENTIAL~~ with
~~SECRET~~ Attachment

MEMORANDUM FOR DAVID PICKFORD
Executive Secretary
Department of the Treasury

SUBJECT: Issue Paper on Presidential Commission on Private
Sector Assistance to Poland ~~for~~

Attached for your information is an Issue Paper drafted by the
NSC for discussion at the SIG-IEP meeting to be held at 1:30 p.m.
on Tuesday, September 28 in the Roosevelt Room. ~~for~~
Please make the appropriate distribution. Thank you.

Michael O. Wheeler
Michael O. Wheeler *for*
Staff Secretary

Attachment

SEP 27 12 35 PM '82
DEPT OF THE TREASURY

~~CONFIDENTIAL~~ with
~~SECRET~~ Attachment
Declassify on OADR

DECLASSIFIED
Sec. 34(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2006
BY NARA *wrn*, DATE 02/22/2012

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131833 PAPER

4

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B1

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Declassify on OADR

DECLASSIFIED
Sec. 3.4(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2006
BY NARA *wnn*, DATE 02/22/2012

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131834 PAPER

4

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B1

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131835 DISCUSSION PAPER

2

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B1

RE: PRIVATE SECTOR ASSISTANCE TO POLAND

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DRAFT

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PRESIDENTIAL COMMISSION ON PRIVATE SECTOR ASSISTANCE
TO POLAND

By the authority vested in me as President by the Constitution and statutes of the United States of America, and in order to assist and improve the well-being of the Polish people who have endured many hardships, it is hereby ordered as follows:

Section 1. Establishment. (a) There is established the Presidential Commission on Private Sector Assistance to Poland, which shall be composed of not more than twelve members from the private sector appointed by the President.

(b) The President shall designate a Chairman and Vice Chairman from among the members of the Commission.

Section 2. Functions. (a) The Commission shall assess the current condition and needs of the Polish private agricultural sector; and, devise and implement an economic and technical private sector assistance program to bolster the Polish private agricultural sector.

(b) This private sector assistance program shall include plans for:

(1) generating public support for this private sector assistance program;

(2) coordinating the United States private sector program with similar programs undertaken by our European allies; and

(3) submitting a quarterly progress report to the President.

Section 3. Administrative Provisions. (a) The Secretary ⁶⁰ of Agriculture shall, to the extent permitted by law and subject to the availability of funds, provide the Commission with such administrative services, funds, facilities, staff and other support as may be necessary for the effective performance of its functions.

(b) Members of the Commission shall serve without compensation. While engaged in the work of the Commission, members may receive travel expenses, including per diem in lieu of subsistence, as authorized by law (5 U.S.C. 5701-5707).

Section 4. General Provisions. (a) The Commission is authorized to conduct meetings and utilize such other procedures as it may deem necessary, and under such conditions it deems appropriate, for the effective performance of its functions.

(b) The Commission shall terminate one year from the date of this Order.

THE WHITE HOUSE

DRAFT
61**USE OF CERTAIN POLISH CURRENCIES**

Section . Delegations of Authority. (a) The functions vested in the President by section 709 of the International Security and Development Act of 1981 (Public Law 97-113) with regard to programs in agriculture, including activities to assist the private agricultural sector in Poland, are delegated to the Secretary of Agriculture.

(b) In carrying out these functions the Secretary of Agriculture shall coordinate his activities with those of the Presidential Commission on Private Sector Assistance to Poland, make available Polish currencies received by the United States from the April 1981 and October 1981 sale of United States Government-held dairy products to Poland in such amounts as designated by the President in advance to United States private sector groups in support of activities of common benefit to the people of the United States and Poland which assist in meeting the objectives of the private sector assistance program.

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131836	PAPER DUPLICATE OF 131831 (P. 1 ONLY)	1	ND	B1

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131837 DRAFT CABLE

6 9/17/1982 B1

RE: PRESIDENTIAL COMMISSION

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Polish Debt Situation

69

Background

Beginning in the early 1970s, the Poles financed a large portion of their economic growth by borrowing from the West, enjoying relatively easy access to Western capital markets. As their development plans began to falter, they became less able to service their debt.

In 1972, Poland's gross hard currency debt totaled \$1.6 billion. Its debt service, consisting of \$200 million of principal and \$74 million of interest, amounted to only 15% of its foreign exchange earnings from exports of goods and services to non-Communist countries. Poland's imports from non-Communist countries exceeded its exports to these countries by \$1.3-\$3.3 billion annually between 1973 and 1979 as the authorities continued to pursue their development program. By 1979, Poland's external hard currency debt stood at \$21 billion and its debt service (\$3.6 billion in principal and \$2.2 billion in interest payments) equalled 92% of its hard currency export earnings. By mid-year 1981, Poland's hard currency debt stood at approximately \$26 billion. It owed roughly \$20 billion of this to 16 Western countries, \$11 billion to official creditors or guaranteed by them, including \$1.9 billion to the U.S. Government; and \$9 billion of unguaranteed debt to private banks, including \$1.3 billion to U.S. banks.

Developments in 1981

At the beginning of 1981, it was estimated that Poland would require some \$11 billion in hard currency financing to cover its projected trade deficit for 1981 and to service its debt. Poland was clearly not in a position to raise such sums and on March 26, 1981, Poland notified its creditors that it would no longer be able to guarantee payment of its external debts.

The governments and private banks responded to the Poles by agreeing to enter into debt rescheduling negotiations. Separate debt rescheduling exercises were organized by the official and private creditors. Fifteen official creditor nations (later increased to 16 with the addition of Spain) concluded negotiations with the Government of Poland and a multilateral debt rescheduling agreement was signed in Paris April 27, 1981. This agreement served as an umbrella agreement for subsequent government-to-government agreements to reschedule 90% of Poland's debt service obligations to these creditors of both the principal and interest falling due during the last three-quarters of 1981. These obligations, totaling \$2.4 billion, are to be repaid during a

4-year period beginning in 1985. Interest on the rescheduled interest is to be charged during the grace period, 1981-1985. The U.S.-Poland government-to-government for rescheduling \$380 million agreement was signed on August 27, 1981.

Western banks, moving on a parallel track, established a consortium to negotiate a debt rescheduling agreement with the Polish Government by September. The consortium reached an ad referendum agreement with the Poles for rescheduling 95% of the principal (\$2.3 billion) of their debt falling due during April-December 1981, over 8 years, including a 4-year grace period.

The consortium of Western banks set a pre-condition for signing the document, namely that Poland pay all of the 1981 interest--an estimated \$700 million--which fell due in the last 9 months of 1981. The Poles were unable to fulfill this condition until May 1982.

The interest rate charged by the banks on the rescheduled debt was 1 3/4 percent above LIBOR. These interest charges are to be paid over the life of the agreement, including during the grace period. The banks also levied a 1% signature fee -- \$27 million -- which they collected when the agreement was signed.

Payment of the 5 percent of principal -- about \$200 million -- that was originally due in 1981 was subsequently postponed until 1982 when it was to be paid in three equal installments beginning in May.

Developments in 1982

A. Official Creditors

On December 13, 1981, the Government of Poland declared a state of martial law. In January 1982 Poland's official creditors decided not to enter into discussions to reschedule Poland's 1982 debt servicing obligations due them until the GOP: 1) terminated martial law; 2) released the prisoners, and 3) entered into substantive negotiations with the Church and Solidarity. They reaffirmed this agreement in August after reviewing the political gestures announced by General Jarulewski on July 22, 1982 celebrating the 35th anniversary of the installation of the communist regime in Poland. Notwithstanding their reaffirmation of the three political preconditions for rescheduling discussions, European Governments indicated their willingness to proceed with technical talks on Poland's debt.

On September 23, 1982 Poland's official creditors discussed Poland's performance under the terms of the 1981 rescheduling agreement. The Polish Government has not completely fulfilled its obligations under that agreement. The U.S. Government, for example, has received only \$16 million of the \$42 million that

was not rescheduled and therefore due in 1981. Other governments have also not fully collected the nonrescheduled 10% of 1981's debt service obligations due them. For calendar year 1982 Polish debt service obligations to the U.S. Government total an estimated \$340 million.

B. Western Banks

The Poles are current on their obligations to western banks under the terms of the 1981 rescheduling agreement. They have 1) made all the 1981 interest and signature fee payments necessary to implement the agreement, 2) paid two of the three installments on the 5 percent of principal that was postponed into 1982 when they came due (the third installment is due in November) and 3) are apparently current on the interest payments on the rescheduled debt. The western banks and the GOP have also agreed to terms on a rescheduling of Poland's 1982 private debt service obligations. The rescheduling terms are essentially the same as in the 1981 agreement: 1) 95 percent of principal -- approximately \$2.2 billion -- is to be rescheduled for 7 1/2 years including a four year grace period; 2) the remaining 5 percent is to be paid in two installments in 1983. 1982 interest payments falling due between a) January and April 1982 is to be paid on October 20, 1982, b) May and August 1982 is to be paid on December 20, 1982 and (c) September and December 1982 is due March 20, 1983. There is a 1 percent signature fee and the interest charge on the rescheduling is again 1 3/4 percent above LIBOR.

The bank and the Poles also arrived at a separate agreement regarding the provision of a trade facility. Western banks will make half of the 1982 interest they collect available to the Poles in the form of 6 month loans to finance exports to Poland from the banks' home country. As these loans are repaid they can be rolled over. An interest rate of 1 1/2 percent above LIBOR is charged on these new loans. This trade facility will expire in one year but can be renewed for a second and again for a third year.

The signing deadline for these two agreements has been set for October 20, 1982.

The above agreements only cover the non-guaranteed portion of Poland's debt to western banks. U.S. banks have filed claims and collected \$247 million from Commodity Credit Corporation as of September 21, 1982.

C. Kasten Amendment

The Urgent Supplemental Appropriations Act (P.L. 92-216) enacted July 18, 1982 contained an amendment (Section 205) introduced by Senator Kasten, which prohibits the Commodity Credit

Corporation (CCC) or any other U.S. agency for the remainder of fiscal year 1982 from paying funds to cover guaranteed or insured loans to Poland unless (1) Poland is declared in default or (2) The President reports monthly to the Congress that such payments serve the national interest of the United States. The President delegated the reporting responsibility to the Secretary of State, who, after consultation with the heads of interested Executive agencies, has filed reports for July and August. The amendment expires September 30, 1982.