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62

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
143177	PAPER	[IN POLISH] R 8/28/2018 M1755/1	5	11/ND984	B1
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143182	PAPER	RE. POLAND [PG. 3 ONLY] R 4/8/2016 M434/4	1	4/4/1985	B1
143183	PAPER	RE. POLAND PAR 4/11/2016 M434/4	2	ND	B1
143184	CHART	RE. POLAND: ECONOMIC DATA	1	ND	B1
143185	REPORT	RE. POLAND R 4/11/2016 M434/4	10	12/24/1985	B1
143186	PAPER	RE. OBLIGATIONS OF IMF MEMBERSHIP (ANNEX A) R 4/8/2016 M434/4	2	ND	B1

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NSZZ "Solidarnosc" summary position on the issue of
Poland's membership to the International Monetary Fund.

1. The Polish government is anxious to join the IMF and the World Bank. In order that Poland's membership to these organizations truly benefit the Polish economy, it is important to request that a certain number of conditions be met.

2. We are well aware of the difficulty in expecting the IMF to set political conditions for Poland's entry to the IMF and World Bank. However, to achieve any kind of economic progress, political conditions, however minimal, are absolutely essential. We must mention them in the hope that they will be pressed for, at least informally. We believe that in order to ensure an atmosphere and mechanisms for peaceful conflict-resolution in enterprises - which is indispensable for any sustained increase in productivity - local trade union pluralism (i.e. the right of workers to establish and to join organizations of their own choosing) must be allowed. Furthermore, secrecy and censorship concerning economic matters (excluding those of the military), must be abolished. Without these conditions, no independent monitoring of policies is possible, including the implementation of any recommendations by the IMF and World Bank.

3. As for the issue of economic conditions, we should like to emphasize at the outset that NSZZ "Solidarnosc" will come out strongly against measures leading to the substantial reduction of consumption, increases in prices, freezes on real wages or deterioration in social care. This is not because of a trade union bias, but simply because we believe that the further deterioration of living standards would not only be harmful to economic recovery, but also increase the danger of an uncontrolled social explosion with all of the ensuing consequences. The road to an improvement in the Polish economic situation in general, and the ability to service the debts in particular, can only be carried out through a structural change in the economic mechanism.

4. Should the IMF be unable to insist on the introduction of a particular type of economic mechanism, it can certainly point out and insist on removing the inconsistencies in the officially proclaimed economic mechanism prevalent in Poland today. The basic new rule of so-called "3 x S" (self-dependence, self-finance and self-management in the enterprise), is practically paralyzed by the planning centre's old structure. Old practices remain, such as continuous changes in regulations and financial parameters which violate the stability of rules, the concentration of the entire money-flow in a 'mono-bank' system instead of a plurality of banks and credit institutions controlled only in general by a central bank, etc. Such a situation excludes proper responsibility for economic decisions. It is vital for the IMF and the World Bank to understand the complexity of the current economic mechanism in Poland in order to avoid seemingly obvious recommendations which would, in practice, lead to unexpected results. To hope to achieve market equilibrium by price increases under conditions of 'soft budget constraints' is senseless.

5. Special attention should be paid to direct measures which would stimulate export through a more realistic and flexible exchange rate policy. Investment policy should be evaluated from this point of view as well. In particular, projects financed by the IMF, the World Bank and related credits, must be evaluated first and foremost in terms of their convertible currency earnings capacity. One of the greatest dangers in Poland's current investment policy is an excessive concentration on projects that have already been initiated (seemingly requiring fewer additional outlays) because it may lead to the petrification of the obsolete and inefficient structure of production capacities which exacerbate existing bottlenecks, especially in export potentials. The open tenders method for investment projects; open to state, cooperative and private enterprises both domestic and foreign, should be applied as widely as possible.

6. A question of paramount importance, and one which can, in our opinion, be included among the conditions, is the full and genuine observance of equal rights in economic activity for all ownership sectors: private, municipal, cooperative and state. The possibility and security of foreign private investment should be statutorily guaranteed, with the right for the state to control the direction of such investments (e.g. through licensing or creation of joint ventures). We also believe that private economic activity (including the right to form partnerships, organize cooperatives, etc.) should be as open to the indigenous population as it now is for Polish expatriates.

We should like to point out that this brief summary which merely presents a general view on the issue of Poland's membership to the IMF and the World Bank, can be supplemented by more detailed materials, including independent expert opinions on particular matters. For instance, a number of texts written in 1981 and pertaining to the issue of the reform of economic mechanisms, are available and include a government blueprint which would, if implemented, indicate substantial progress over the present situation. Another such document is the NSZZ "Solidarnosc" draft proposal on socio-economic reform, prepared by the Network of "Solidarnosc" Organizations in Leading Factories (SIEC) - (see Solidarnosc Weekly, special issue, no. 29/59, 5 September 1981, published by the Regional Board of NSZZ "Solidarnosc" in Gdansk). Leszek Balcerowicz's works are also highly recommended.

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Prepared by the Coordinating Office Abroad of NSZZ "Solidarnosc", following the instructions of the Temporary Coordinating Commission of NSZZ "Solidarnosc" (TKK) - the executive leadership of NSZZ "Solidarnosc" in Poland.

Brussels, February 1st 1985.

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CZEGO DOMAGAĆ SIĘ OD NFW.

Wydaje się, że rządowi PRL zależy w jakimś stopniu na przystąpieniu do NFW i Banku Światowego. "S" winna się domagać, by w zamian za przyjęcie i udzielanie kredytów, NFW zażądało spełnienia szeregu warunków politycznych i ekonomicznych. Minimalnym warunkiem politycznym jest wprowadzenie w Polsce pluralizmu związkowego. Co najmniej na poziomie każdego zakładu pracy załoga musi mieć prawo do oddolnego samodzielnego tworzenia i wstępowania do takich związków jakie sobie życzy. Istniejące zaś samorzady pracownicze muszą mieć możliwość działania zgodnie z ustawami o samorządzie i przedsiębiorstwie w ich pierwotnej wersji przyjętej przez Sejm w 1981 r.

NFW musi zrozumieć, że warunkiem spłacania przez PRL starych długów i nowych pożyczek jest pokój społeczny i gospodarczy. Niekontrolowany wybuch społecznego protestu, który stale Polsce grozi wpłynąłby katastrofalnie na funkcjonowanie gospodarki i mogłyby doprowadzić do władzy w PRL siły terroru, mogące zerwać stosunki z Zachodem i jednostronnie odnowić spłat długów. Pluralistyczne związki i niezależne samorzady pracownicze są niezbędnymi instytucjami, które mogą stać się miejscem pokojowego i zgodnego z prawem rozwiązywania konfliktów, niedopuszczającymi do ich kumulowania się i przekształcania w niekontrolowany wybuch.

Zniesiona też musi być tajemnica państwowa i cenzura na cywilną informację gospodarczą. Dałoby to, łącznie z istnieniem niezależnych związków i samorządów pewne gwarancje, że realizacja zaleceń NFW będzie mogła być obserwowana przez krajowe niezależne struktury społeczne, które będą mogły dostarczać informacji o ich przebiegu.

Warunki polityczne tutaj tylko sygnalizujemy. Ich rozszerzenie pozostawiamy działaczom politycznym. Chodziło nam o pokazanie na konkretnym przykładzie, że muszą one być konieczne uzasadnione ekonomicznie, i to z punktu widzenia ekonomicznych interesów NFW. Ponieważ niektórzy eksperci uważają, że w ogóle nie ma co liczyć na polityczne warunki ze strony NFW, sformułowaliśmy tylko warunki minimalne, o które mimo wszystko trzeba zażądać. Choć bowiem NFW trudno je będzie stawiać, mogą to

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Jednak zrotić, choćby nieformalnie, te kraje /głównie USA/ które będąc członkami MFV blokują wejście do PRL.

Szerzej zajmujemy się warunkami ekonomicznymi. Przede wszystkim trzeba jasno postawić sprawę, że "S" będzie zdecydowanie protestować jeśli MFV będzie wysuwał zalecenia /a rząd PRL będzie się na nie powoływał/ prowadzące do wyraźnego obniżenia konsumpcji społeczeństwa, wzrostu cen, zmrożenia wzrostu płac realnych czy obniżenia poziomu opieki społecznej. Nie tylko dlatego, że "S" jako związek zawodowy musi bronić poziomu życia robotników i całego społeczeństwa, ale także dlatego, że dalsze obniżanie tego poziomu zagraża utrzymaniu wydajności pracy oraz wzrasta napięcia społeczne i przytłacza niebezpieczeństwo wytuchu nieskontrolowanego protestu społecznego, grożącego negatywnymi skutkami również dla MFV gdyż zagroziłoby to perspektywom solidnego spłacania przez PRL starych i nowych /również zaciąganych w MFV/ pożyczek.

Zdolność płatnicza PRL naszym zdaniem powinna się poprawiać nie przez "zaciskanie pasa" ludności lecz przez kryjące w sobie ogromne rezerwy odejście od nieefektywnego systemu scentralizowanej gospodarki na rzecz jej głębokiej reformy.

MFV nie bardzo może ingerować w wytwór mechanizmu funkcjonowania gospodarki /np. Rumunia, członek MFV utrzymuje nadal tradycyjny mechanizm nakazowo-rozdzielczy/, ale może zwrócić uwagę na niespójność już wytraczonego mechanizmu gospodarczego. Taka niespójność występuje w PRL, gdzie część gospodarki jest reformowana, część nie. Zniesienie niespójności polegałoby na wprowadzeniu całościowej koncepcji reformy w gospodarce. Trudno jest tutaj wymieniać wszystkie postulaty reformy. MFV musi się zapoznać z jej projektami które powstały w 1981 r., a zwłaszcza z projektem Sieci Wiodących zakładów /który załączamy/ i projektami zespołu SGRS pod kierunkiem dr. L. Balcerowicza, i innymi projektami społecznymi. Między nimi występują pewne różnice /na ogół w szczegółach/. Podkreślić trzeba, że gdyby w PRL zrealizowano chociaż projekt rządowy z 1981 r., to już można by to uznać za znaczny postęp w stosunku do stanu dzisiejszego.

Do koncepcji reform z 1981 r. należy dodać to, co w nich nie występuje, a ma ogromną wagę dla uzdrowienia gospodarki. MFV powinien zianowicie, jako warunek stawiać zagwarantowanie

przepisami ustaw równorzędnego traktowania i równości wobec prawa wszystkich typów własności środków produkcji w gospodarce: prywatnej, samorządowej, spółdzielczej i państwowej. Ustawowo zagwarantowana powinna być możliwość i bezpieczeństwo inwestowania przez zagraniczny kapitał prywatny. Państwo określałoby jednak kierunki tych inwestycji /tak jak w Jugosławii w latach 60-tych/. Wymagałoby to prawa do tworzenia spółek akcyjnych o kapitale mieszanym, oraz stworzenia systemu zachęt do inwestowania dla prywatnego kapitału i zagwarantowania trwałości warunków działania spółek, zwłaszcza określonego prawa do przepływu części zysków za granicę.

Umożliwiona powinna też być działalność gospodarcza ludności, finansowana z jej prywatnych środków lub udzielanych im kredytów na cele produkcyjne, z prawem do zakładania prywatnych firm i spółek /a także spółdzielni/. Dotychczas bowiem z niewiadomych powodów przedsiębiorstwo może założyć w Polsce tylko obywatel obcy /choć polskiego pochodzenia/ mieszkający za granicą.

Konieczna jest też przetudowa systemu bankowego. Rozsticiu musi ulec monopol bankowy państwa /tzw. monotank/ na rzecz utworzenia samodzielnych i samofinansujących się, konkurujących ze sobą banków komercyjnych. Otok banków państwowych musi być miejsce na banki prywatne i spółdzielcze, musi być też możliwość tworzenia specjalnych funduszy, fundacji, różnorodnych towarzystw ubezpieczeniowych itp.

Szczegółowe koncepcje reformy zawiera projekt "Sieci" który załączamy.

Zwracamy uwagę na to, że zalecenia dotyczące zmian funkcjonowania gospodarki mogą dać pozytywne rezultaty tylko wtedy, gdy będą kompleksowe. Zalecenia odcinkowe, bez zmian całości gospodarki, mogą przynieść skutek odwrotny od oczekiwanego. Np. standardowe zalecenie zniesienia kontroli cen przez państwo bez rozsticia monopolistycznej pozycji przedsiębiorstw, bez reformy banków i reformy szeregu innych elementów - prowadziły jedynie do wzrostu cen bez poprawy efektywności gospodarowania. Takie przykłady można mnożyć.

Najistotniejsze są jednak warunki jakie NFW będzie chciał i musiał stawiać już nie w momencie przyjmowania PRL, lecz w momencie udzielania kredytu. Będzie musiał ściśle określić na ja-

Kis cele kredyt przekazać. Tu więc mamy największą możliwość i
obowiązek wywierania nacisku na MFV.

Przed wszystkim musimy przestrzec przed udzielaniem kre-
dytów na kontynuowanie programu inwestycyjnego z lat 70-tych.
Kontynuowanie przeważającej większości tych inwestycji prowa-
dziłoby do utrwalenia wadliwej struktury gospodarki, do pogłę-
wienia nierównowagi gospodarczej i zmniejszenia zdolności płat-
niczej PRL. Jest to bowiem program budowy kosztownych i nieren-
townych obiektów, które pochłaniałyby nadmierne ilości surowców,
materiałów i energii, wymagałyby ogromnego importu, byłyby nie-
zdolne do zaspokojenia potrzeb rynku wewnętrznego i potrzeb eks-
portu. Prowadziłyby to jedynie do kolejnego załamania, tyle że
na nową, wyższą poziomie zadłużenia.

Nowe kredyty nie mogą być znowu zmarnowane, a ich spłata
nie może znowu obciążać głównie konsumpcję społeczeństwa. MFV
musi więc mieć możliwość obiektywnej kontroli ich wykorzystania.
Muszą móc porównać nakłady z wynikami w dziedzinie do której kre-
dyty napłyną. Muszą móc porównać efektywność poszczególnych pro-
pozycji wykorzystania kredytu. Takie porównania i oceny są niemo-
żliwe w oparciu o fikcyjne, nieobiektywne krajowe ceny. Warunki
te może spełnić tylko taka dziedzina produkcji, której opłacal-
ność można obliczyć w cenach światowych, a więc ta, której towa-
ry przechodzą przez rynek zachodni. A więc warunki te może speł-
nić tylko skierowanie kredytów MFV w inwestowanie w produkcję
eksportową przeznaczoną na Zachód. Tylko wówczas będzie można
porównać nakłady w dolarach /w postaci zakupu dóbr inwestycyjnych
na Zachodzie z kredytu MFV/ z wynikami w dolarach uzyskanymi ze
sprzedanej na Zachodzie produkcji. Tylko wówczas będzie można
zastosować klasyczne metody wyboru wariantów inwestowania oparte
o ceny handlu zagranicznego, wyboru dokonanego w drodze obiektyw-
nego konkursu projektów pod kontrolą MFV. Konkurs winien być
otwarty dla wszystkich projektów, niezależnie od tego czy reali-
zować je chce firma państwowa, spółdzielcza czy prywatna. Kredyt
wewnątrz kraju winien być przydzielany przez bank centralny na
te projekty, które rokują największe zyski dewizowe, a firmy mu-
szą kredyt spłacić dewizami ponosząc przy tym pełne ryzyko i od-
powiedzialność ekonomiczną.

Gwarantowałyby to krajowi uzyskanie dewiz które można

przeznaczyć na spłaty kredytu i na uzupełnienie importu zaopatrzeniowego do rynkowej produkcji. Oczywiście kredyty te powinny być wykorzystane w eksportowej przemyśle przetwórczym, a nie surowcowym, by nie utrwalać surowcowego charakteru naszego eksportu.

■

Domagać się by MFW stawiał warunki należy. Nie można jednak mieć ztytnich nadziei na skuteczność tego domagania się. Nie wiadomo na ile MFW będzie liczyć się z "S" i czy rząd PRL tak bardzo pragnie wejścia do MFW by ulec naciskom. Nie ma żadnej pewności że polityczne warunki, choćby nieformalnie będą postawione a zwłaszcza że będą uwzględnione. A także, że zalecenia reformy gospodarczej będą przez PRL wysłuchane. Istnieje natomiast duże prawdopodobieństwo, że MFW wyda zalecenia obniżające poziom życia ludności i "S" zapewne będzie zguszona niejednym raz do protestów. Polityka MFW już w niejednym kraju doprowadziła do groźnych porzuchów społecznych. Dlatego "S" nie powinna w żaden sposób ustawiać się w roli gwaranta dla polityki MFW. Nie powinna jednoznacznie wypowiedać się za wejściem do MFW tak, aby potem czuć się wobec zaleceń MFW zobowiązana.

Jedynie zalecenia by kredyty szły w inwestycje dające eksport na Zachód i były rozdzielane nie biurokratycznie lecz w drodze otwartego konkursu projektów - może być w interesie zarówno MFW, rządu PRL i społeczeństwa.

Trudno jednak wyobrazić sobie by "S" mogła powiedzieć, że nie chce wejścia PRL do MFW. Wałęsa już powiedział, że tego chce. Mimo wszystko, przynajmniej na dłuższą metę wydaje się, że zawsze lepiej jest wiązać się z Zachodem niż grzęznąć w ranach RWPG.

Listopad 1984.

*Z upoważnienia Tymczasowej Komisji Nadzorczej
Zdzisław Bucjak.*

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NLRR 111755 #143180

PRZYNALEŻNOŚĆ DO MIĘDZYNARODOWEGO FUNDUSZU WALUTOWEGO
 A MOŻLIWOŚCI UZDROWIENIA GOSPODARKI POLSKIEJ

Analizując możliwości wywarcia przez Międzynarodowy Fundusz Walutowy /zwany dalej Funduszem/ korzystnego wpływu na polską gospodarkę, w związku z przewidywanym przyjęciem Polski do tej organizacji, mieć należy na uwadze dwie kwestie ograniczające możliwości oddziaływania Funduszu, zwłaszcza w tej fazie, w której stosunki Fundusz-Polska znajdować się będą w najbliższym czasie:

- /1/ zalecenia i wiążące warunki Funduszu /tzw. conditionality/ są formułowane w okresie negocjowania kredytu przez dany kraj członkowski, a nie w fazie przyznawania jakiegoś kraju do Funduszu;
- /2/ zalecenia i warunki wiążące dotyczą na ogół tzw. procesów dostosowawczych /structural adjustment/, tj. wyjścia z sytuacji nierównowagi bilansu płatniczego w średnim okresie /4-5 lat/ w następstwie zastosowania instrumentów ekonomicznych ogólnej natury. Ponieważ w centrum zainteresowania Funduszu jest równowaga, więc wiele pożądaných strukturotwórczych i wzrostotwórczych posunięć znajduje się po prostu poza zasięgiem zainteresowania Funduszu.

Te ostatnie posunięcia są jednak właśnie głównym obiektem zainteresowania drugiej organizacji, której członkostwo uzyskuje się łącznie z członkostwem Funduszu, tj. Międzynarodowego Banku Odrudowy i Rozwoju, zwanego dalej Bankiem/ Warto też pamiętać, co znany ekspert Banku, Bela Balassa, napisał niedawno w nieco innym kontekście, że proces dostosowawczy nie stanowi remedium dla gospodarki znajdującej się z tych lub innych powodów w stanie długotrwałego upadku. Może on jednak być pomocny /jako uzupełnienie innych środków, nie tylko zresztą ekonomicznych/.

Uzględniając jednak nawet powyższe zastrzeżenia, można przypuszczać, że ze względu na to, iż władze polskie będą starać się o możliwie najkorzystniejsze rozłożenie w czasie wpłat kwoty członkowskiej, jak również o skrócenie okresu od przyjęcia do Funduszu do zaciągnięcia pierwszych kredytów, powyżej statutowego minimum, więc na zasadzie quid pro quo będą wówczas zapewne bardziej skłonne do spełnienia sugestii Funduszu dotyczących uzdrowienia gospodarki Polski.

W tym kontekście zaproponować można następujące sugestie sprzyjające poprawie funkcjonowania polskiej gospodarki, możliwe do wysunięcia przez Fundusz w fazie przyjmowania do tej organizacji:

- /1/ Sugestie dotyczące zniekształceń instytucjonalnych, które w gospodarce centralnie planowanej są szkodliwsze nawet niż zniekształcenia cenowej zniekształcenia w sferze wymiany z zagranicą. Otóż sugestie powinny wskazywać na podstawowe niespójności mechanizmu funkcjonowania -
 - /a/ Skoro władze twierdzą, że dokonały reformy zwiększającej rolę rynku, to powstało oczywiście niedopasowanie nowych instrumentów do starej struktury instytucjonalnej. Fundusz nie może ingerować w wybór mechanizmu funkcjonowania gospodarki /np. Rumunia utrzymuje nadal tradycyjny mechanizm centralnego planowania/, ale może zwrócić uwagę na niespójność już wybranego mechanizmu. W zreformowanym mechanizmie nie ma miejsca na wywołująca cykle inwesty-

cyjnej i "rozmydlającą" odpowiedzialność wieloszczetłową hierarchiczną strukturę instytucjonalną: niezreformowane centrum /to nadal zorientowane na branże nie na funkcje/ - branżowe ministerstwa - zrzeczenia /przymusowe i quasi-przymusowe/;

/b/ Inna sugestia, związana z pierwszą, dotyczy również spraw niezrealizowanych w sferze instytucjonalnej, ale tym razem w sensie konstruktywnym. Otóż należy zwrócić uwagę, że w warunkach reformy zwiększającej rolę rynku samo likwidowanie instytucji przeszkadzających prawidłowemu funkcjonowaniu mechanizmu gospodarczego stanowi tylko pierwszy krok. Na ich miejsce powstać muszą instytucje niezbędne dla prawidłowego funkcjonowania "urynkowanej" gospodarki. Na ten proces tworzenia infrastruktury instytucjonalnej dla wzmocnienia roli i lepszego funkcjonowania rynku /institution-building/ zwracano od dawna uwagę i w teorii tzw. ekonomiki rozwoju i w praktycznej działalności agencji d/s rozwoju gospodarczego /w tym również Banku/. Tak więc usamodzielnianie się producentów oraz tworzenie, łączenie i dzielenie się jednostek gospodarczych wymaga, dla prawidłowego rozwoju, całej sieci instytucji /również samodzielnych w swej działalności/: banków państwowych, spółdzielczych i prywatnych, funduszy specjalnych popierających rozwój przedsiębiorczości i innowacyjności, fundacji, towarzystw ubezpieczeniowych itd. Stwarzanie warunków do wypełniania tej roli należy do zadań związanych z reformą.

/Bardziej szczegółowe propozycje w tym względzie przedstawić będzie mógł Bank, gdy władze polskie zwrócą się do niego o kredyty na takie czy inne przedsięwzięcia rozwojowe/

/c/ Myślę, że pożądana byłaby też ogólna sugestia - powtarzając następnie przy każdej okazji! - o konieczności zapewnienia stabilnych reguł gry uczestnikom procesów gospodarczych. Ciągłe zmiany pisanych i niepisanych reguł postępowania /następstwo orientacji stosunku do praw, jako wyrazu aktualnych chęci władcy/, stosowanie nowo wprowadzonych reguł wstecz /wbrew kardynalnej zasadzie prawa wykształconej w cywilizacji europejskiej!/- wszystko to podważa bezpieczeństwo otrotu gospodarczego i staje się źródłem postaw pronegociacyjnych /wszystko można wytargować od "góry" presją lub fortelą/ i antyprodukcyjnych /zwiększony wysiłek nie opłaca się, to korzyści z tego tytułu mogą zostać i tak odebrane dacyzją odgórną/.

/d/ Wreszcie, likwidacja niespójności mechanizmu funkcjonowania wymieniona pod lit. /a/ nie wyeliminuje całkowicie plagi gospodarki centralnie planowanej, jaką jest miękkie ograniczenie budżetowe przedsiębiorstw państwowych. Jest to bowiem problem związany z systemem nie tylko ekonomicznym, ale i politycznym. Wskazują na to doświadczenia Jugosławii, gdzie administracja centralna, regionalna /republikkańska/ i lokalna, wspólnie z komitetami partyjnymi, wywierała nacisk na banki w celu zapewnienia "ich" przedsiębiorstwom łatwego finansowania. W raportach misji Banku /nie Funduszu!/ zwracano na to uwagę, pászając o powstawaniu rozmaitych "politycznych fabryk" nie mających ekonomicznego uzasadnienia. Swoboda władzy w podejmowaniu działań tego rodzaju wynika z monopolu politycznego i dla tego wszelkie sugestie powinny kłaść nacisk na najbardziej

posuniętą separacją sfery gospodarki i sfery polityki, jako zniejszego zła w warunkach istnienia tego monopolu /second best solution/.

12/ Blisko zniekształceń instytucjonalnych znajduje się specyficzny problem sensownej likwidacji "ogona" inwestycyjnego z lat 70-tych. Tutaj niezbędne jest ostrzeżenie: świadomość faktu, iż nierównowaga w krajach o gospodarce planowanej centralnie powstaje z reguły nie w następstwie nadmiernej konsumpcji, ale w rezultacie nadałernych inwestycji NIE JEST zbyt mocno ugruntowana w świadomości funkcjonariuszy Funduszu, dla których nie mieści się ona w ramach teorii i praktyki z którą mają do czynienia. Dlatego konieczne jest położenie nacisku na tę kwestię i dopiero w następnej kolejności wskazanie, że jeśli przyszłe kredyty Funduszu służyć mają procesowi dostosowawczym, czyli przywracaniu równowagi wewnętrznej i zewnętrznej, to utrzymanie przy życiu programu inwestycyjnego z lat 70-tych spowoduje tendencję odwrotną: powiększenie nierównowagi w obu płaszczyznach. Odtworzona zostałaby w tych warunkach zasotochłonna struktura produkcji, wymagająca wielkiej skali importu, niezdolna zaspokoić ani potrzeb rynku wewnętrznego, ani eksportu, którym trzeba byłoby spłacać ów zwiększony import. W rezultacie doprowadziłoby to do kolejnego załamania, tyle że na nowym, wyższym poziomie zadłużenia. Ostrzeżenie tego rodzaju, wykazujące iż Fundusz świadomy jest niekorzystnych następstw kontynuowania inwestowania i pohamowa mógłby zapewne inwestycyjne zapędy władzy, która nie chce /w warunkach obecnej quasi-reformy/ i nie chce /przez wprowadzenie autentycznych reform/ poradzić sobie z problemem "ogona" inwestycyjnego w szczególności i stworzeniem efektywnego mechanizmu alokacji zasobów na cele inwestycyjne w ogóle. Tyle, jak się zdaje, można zasugerować kwestii do porużenia na etapie przyjmowania Polski do Funduszu i Banku. Raz jeszcze podkreślić należy, że mogą to być tylko sugestie, mające charakter nieformalnych zaleceń. Formalne zalecenia i wiążące warunki od których spełnienia zależy udzielanie przez Fundusz kredytów związane jest zawsze z konkretnymi negocjacjami kredytowymi między krajem członkowskim a Funduszem.

Do negocjacji kredytowych dojść może mniej więcej w 6-12 miesięcy od przyjęcia do Funduszu /jeśli władze polskie uzyskają skrócenie okresu od przyjęcia do organizacji do otrzymania kredytu/. Wówczas to Fundusz niewątpliwie wystąpi z pakietem zaleceń i warunków, mających w niezłej części standardowy, powtarzający się charakter. Niektóre spośród tych standardowych zaleceń i warunków będą korzystne dla uzyskania przez polską gospodarkę orientacji prorynkowej i proeksportowej, a więc dla wzrostu jej efektywności. Inne, zastosowane do gospodarki planowanej centralnie, jaką ciągle jeszcze po większej części jest polska gospodarka, mogłyby wpłynąć na nią niekorzystnie, o ile nie towarzyszyłyby inne, specyficzne dla reformowania gospodarki tego typu przedsięwzięcia.

Jednoznacznie korzystne będą niewątpliwie wymagania Funduszu /a/ urealnienia kursu walutowego w celu zwiększenia względnej atrakcyjności eksportu jako kierunku ekspansji /w porównaniu do sprzedaży na rynku krajowym/ oraz /b/ ustanowienia innych bodźców dla eksportu. W odróżnieniu natomiast od zaleceń usuwania zniekształceń w sferze wymiany z zagranicą, zalecenia usuwania zniekształceń w sferze cen dóbr i czynników wytwórczych wymagają rozmaitych modyfikacji i uszczupnień.

Standardowym zaleceniem jest np. likwidacja lub radykalne ograniczenie kontroli cen tak, aby ceny równowagi odzwierciedlały występujące w gospodarce "rzadkości". Niestety, ze względu na szczególne cechy gospodarki centralnie planowanej, niemożliwe jest wprowadzenie cen równowagi bez jednoczesnego usunięcia zasadniczych zniekształceń instytucjonalnych znajdujących swój wyraz w postaci miękkiego ograniczenia budżetowego przedsiębiorstw, indywidualizowanych stawek podatkowych dla przedsiębiorstw i in. Z jednej strony popyt przedsiębiorstw pozostałby de facto nieograniczony, a więc niemożliwe byłoby określenie ceny równowagi, a jedynie wzniesienie cen w górę, z drugiej zaś podniesienie cen do poziomu równowagi z popytem nie spowodowałoby napływu środków do przedsiębiorstwa, modernizacji, zwiększenia skali produkcji, obniżki kosztów a w następstwie cen, gdyż arbitralne harce fiskusa zapotęgnyłyby takiemu normalnemu procesowi. Dlatego ważne jest przekonanie funkcjonariuszy Funduszu, że likwidacja kontroli cen i usuwanie zniekształceń instytucjonalnych musi iść w parze, jeśli ceny równowagi mają mieć szansę ukształtowania się.

Innym standardowym zaleceniem jest likwidacja lub znaczne zredukowanie subsydiów z budżetu państwa i likwidacja lub redukcja deficytu budżetowego. I tutaj również należy łączyć redukcję subsydiów z usuwaniem zniekształceń instytucjonalnych powodujących trwałe wsparcie dla nieopłacalnej produkcji via presja tranżowych grup nacisku.

Ważną kwestią jest ukształtowanie świadomości, że rozliczne proponowane zwykle źródła dla inwestowania powinny w warunkach gospodarki skłonnej do permanentnego przeinwestowania być stosowane niezwykle ostrożnie. Nacisk powinien zostać położony na przesunięcia z inwestycji finansowanych przez budżet i/lub kredyt bankowy na inwestycje finansowane ze środków własnych /ze wsparciem kredytowym/. Zupełnie jednoznacznie korzystne będą natomiast tradycyjnie łączone przez Fundusz z źródłami do inwestowania zalecane źródła do oszczędzania. Podniesienie stopy procentowej od wkładów oszczędnościowych ludności, zwłaszcza terminowych, 3-5 punktów procentowych powyżej stopy inflacji jest elementarnym warunkiem do stworzenia preferencji dla konsumpcji odłożonej.

/Z punktu widzenia dalszego reformowania gospodarki polskiej wiele ważniejszych, bardziej szczegółowo sprecyzowane i dotyczących szerszego zakresu zagadnień mogą być zalecenia Banku. Można spodziewać się, że możliwość sformułowania takich zaleceń pojawi się w niedługim czasie, gdyż Polska, tak jak Węgry w niedawnej przeszłości, będzie zapewne starać się o uzyskanie nie tylko kredytów związanych z procesami dostosowania, ale także z procesami rozwojowymi. Te ostatnie zaś może ona otrzymać tylko z Banku./



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13

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E.O. 12356: DECL: OADR
TAGS: EFIN, ECON, PL
SUBJECT: HOW THE POLES VIEW IMF MEMBERSHIP

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

2. SUMMARY. FOR SEVERAL WEEKS, POLISH OFFICIALS HAVE BEEN BUSY PREPARING FOR THE VISIT OF THE IMF TEAM ON FEBRUARY 7. ALTHOUGH THE VISIT IS DESCRIBED BY FINANCE MINISTRY AND NATIONAL BANK OFFICIALS AS A PURELY TECHNICAL SERIES OF MEETINGS AIMED AT GATHERING NATIONAL INCOME DATA, POLISH OFFICIALS AND ACADEMICS ALIKE ARE FULLY AWARE OF THE SIGNIFICANCE OF THE OPENING MOVES IN A PROCESS WHICH THEY INSIST SHOULD LEAD TO FULL IMF MEMBERSHIP IN POLAND IN ABOUT SIX MONTHS. CONSENSUS IN POLAND IS AS RARE AS A CLEAN STREET IN A WARSAW WINTER, YET IMF MEMBERSHIP IS BROADLY SUPPORTED BOTH WITHIN AND OUTSIDE OF GOVERNMENT. WHILE REJECTIONISTS EXIST ON BOTH ENDS OF THE POLITICAL SPECTRUM, THE CENTER, IN THIS CASE, SEEMS ABLE TO HOLD. NEVERTHELESS, THERE ARE STRONG DIFFERENCES IN PERCEPTIONS ABOUT WHAT PRECISELY ARE THE ADVANTAGES OF IMF MEMBERSHIP. SOME GROUPS HOPE THAT IMF WILL PROVIDE THE REFORM PROGRAM WITH THE CATALYST IT LACKS, WHILE OTHERS VIEW MEMBERSHIP IN THE NARROW CONTEXT OF RESTORING THE FLOW OF NEW CREDITS. ACROSS THE RANGE OF OPINION, THERE SEEMS TO BE A LACK OF APPRECIATION FOR THE POSSIBILITIES, LIMITATIONS, AND RESPONSIBILITIES OF IMF MEMBERSHIP. THIS LACK OF UNDERSTANDING IS LIKELY TO MEAN THAT PROGRESS IN THE NEGOTIATIONS WILL NOT BE QUICK OR EASY. END SUMMARY.

3. THE SETTING. FROM THE FIRST DAYS OF SANCTIONS, THE POLISH GOVERNMENT MAINTAINED THAT THE U.S. REFUSAL TO CONSIDER POLAND'S IMF APPLICATION WAS AMONG THE MOST DAMAGING AND PAINFUL ELEMENTS OF THE ENTIRE SANCTIONS PROGRAM. CONTRARY TO OFFICIAL PROPAGANDA, IT WAS WITH EXPRESSIONS OF RELIEF AND SATISFACTION THAT MOST OF THE POLISH GOVERNMENT RECEIVED THE NEWS

OF THE U.S. LIFTING ITS OBJECTION TO POLISH IMF MEMBERSHIP. FOR THE POLES ACROSS THEIR BROAD POLITICAL SPECTRUM, THE IMF MEMBERSHIP BEARS GREAT SYMBOLISM. FOR SOME GROUPS IT IS POLAND'S ONLY HOPE OF REPAIRING THE FABRIC OF ITS THREADBARE ECONOMIC RELATIONS WITH THE WEST. SELF-SUFFICIENCY IS NOT A SOLUTION FOR POLAND, AND FEW POLES REGARD CEMA INTEGRATION AS ANYTHING MORE THAN A REPACKAGED 1950'S POLICY OF AUTARKY FROM THE WEST WITH DANGEROUS IMPLICATIONS FOR POLAND'S INDEPENDENCE. THE COMING VISIT OF THE IMF TEAM IS VIEWED AS TREMENDOUSLY SIGNIFICANT BY THOSE POLES WHO TRY TO LOOK TOWARD THEIR COUNTRY'S FUTURE. BUT DESPITE THE SUPPORT FOR IMF MEMBERSHIP THROUGHOUT THE POLITICAL CENTER, THERE ARE SIGNIFICANT DIFFERENCES IN THE RATIONALE AND MOTIVATION FOR THAT SUPPORT. HERE IS THE LINE-UP OF SUPPORTIVE FACTIONS:
-- NON-ESTABLISHMENT REFORMERS. THESE ARE OFTEN SOLIDARITY MEMBERS WHOSE SUPPORT FOR THE JARUZELSKI ECONOMIC REFORMS IS TEMPERED BY PESSIMISM AND CYNICISM. THEY WITH THE REFORMS WELL, BUT DON'T BELIEVE THEY CAN WORK OR THAT IMF MEMBERSHIP CAN INCREASE THEIR CHANCES. CONSEQUENTLY, THEY SUPPORT IMF MEMBERSHIP ONLY IN THE HOPE THAT IT CAN FORESTALL THE SOVIETIZATION OF POLAND'S ECONOMY AND THE CONCOMITANT SLIDE TO THE EAST. IMF, THEY REASON, FORCES THE POLISH GOVERNMENT TO CONTINUE A POLICY OF TRADING WITH THE WEST AND SERVICING THE DEBT. IN THIS RESPECT, THEY BELIEVE THAT THINGS COULD BE A LOT WORSE UNDER SOMEONE OTHER THAN JARUZELSKI, WHOM THEY REGARD WITH A MIXTURE OF CONTEMPT, PITY AND RELIEF THAT HE IS NOT AS BAD AS HE COULD BE. WALESIA IS PROBABLY IN THIS GROUP INsofar AS HE HAS PRIVATELY INDICATED QUALIFIED SUPPORT FOR IMF MEMBERSHIP.
-- ESTABLISHMENT REFORMERS. THESE UNDERSTAND THAT ECONOMIC REFORM IS MOVING SLOWLY IN POLAND AND IS THREATENED BY LESS ENLIGHTENED ELEMENTS. FOR THEM, IMF MEMBERSHIP IS THE MEANS TO IMPOSE MORE STRUCTURAL CHANGES ON THE ECONOMY AND FORCE THE GOVERNMENT TO TAKE THE NECESSARY BOLD STEPS WHILE RELIEVING IT OF DIRECT RESPONSIBILITY.
-- THE PRAGMATISTS. THEY BELIEVE THAT A REFORM PROGRAM IS NECESSARY IF THE GOVERNMENT IS TO MAINTAIN BT

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14

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~~C O N F I D E N T I A L~~ SECTION 02 OF 03 WARSAW 1188

ANY IMAGE OF REACHING OUT TO THE POPULATION. THEY VALUE THE PRESTIGE THAT THE IMF WOULD BRING TO THE GOVERNMENT'S REPUTATION AS A FORCE FOR CHANGE BUT DO NOT SHARE THE REFORMERS' VIEW THAT THE SYSTEM IS IN FACT FUNDAMENTALLY FLAWED AND NEEDS TO BE OVERHAULED. -- THE CONSERVATIVE TECHNOCRATS. THESE UNDERSTAND THE NEED FOR SOME REFORMS, BUT DO NOT BELIEVE THE GOVERNMENT SHOULD TAKE POLITICAL RISKS TO MAKE THEM SUCCESSFUL. THIS GROUP REGARDS IMF MEMBERSHIP ESSENTIALLY AS THE MEANS TO RELIEVE SOME OF THE PRESSURE ON POLAND'S BALANCE OF PAYMENTS. THEY THUS REGARD IMF MEMBERSHIP AS LITTLE MORE THAN AN OPPORTUNITY TO SQUEEZE MORE MONEY OUT OF THE WEST (FUNDS WHICH THEY BELIEVE ARE MORALLY JUSTIFIED IN VIEW OF THE DAMAGE ALLEGEDLY SUSTAINED BY THE POLISH ECONOMY AS A RESULT OF THE SANCTIONS). THEY ARE INCLINED TO REGARD AS REDUNDANT ANY IMF REQUEST FOR ECONOMIC RESTRUCTURING SINCE POLAND, IN THEIR VIEW, HAS ALREADY DONE ALL IT NEEDS TO.

4. THE REJECTIONISTS. THE BROAD SUPPORT FOR IMF MEMBERSHIP IS NOT SHARED BY TWO MAIN GROUPS:
-- THE RADICALS. ACCORDING TO THEIR VIEW, ANYTHING THAT HELPS THE CURRENT REGIME RUNS COUNTER TO THE INTEREST OF FORCING THE GOVERNMENT TO SIT DOWN AND RE-ESTABLISH DIALOGUE. THEY BELIEVE THAT UNDER CURRENT CIRCUMSTANCES, THE JARUZELSKI GOVERNMENT HAS NO COMPELLING REASON TO CONDUCT TALKS WITH THE SOLIDARITY LEADERSHIP, AND THAT ONLY A WORSENING OF THE ECONOMIC SITUATION CAN FORCE THE GOVERNMENT TO MAKE THIS MOVE. THEY ARE UNDAUNTED BY REPORTS THAT JARUZELSKI MAY NOT ENJOY TOTAL SUPPORT FROM MOSCOW, ARGUING THAT IN FACT HE HAS DONE THE SOVIETS A TREMENDOUS SERVICE FOR WHICH HE HAS BEEN GIVEN THE RIGHT TO EXPERIMENT -- INCLUDING, THEY BELIEVE, TALKING WITH SOLIDARITY. THUS, IMF MEMBERSHIP WOULD GIVE LEGITIMACY TO A GOVERNMENT WHICH HAS DONE NOTHING TO EARN IT IN TERMS OF RE-ESTABLISHING THE SOCIAL DIALOGUE. THE TSK IS SAID TO BE UNANIMOUSLY OF THIS VIEW. ANOTHER ARGUMENT OF THOSE IN THIS CAMP IS THAT THE IMMEDIATE LOSERS FROM IMF MEMBERSHIP WOULD BE THE WORKERS, WHO WOULD FIRST FEEL THE EFFECTS OF DIMINISHED SUBSIDIZATION OF FOOD

-- THE HARD LINERS. THIS FACTION REGARD IMF MEMBERSHIP AS A MEANS BY WHICH WESTERN BANKERS WILL SQUEEZE POLAND FOR MORE DEBT REPAYMENT AND DILUTE THE CENTRALISM THEY ESPOUSE. IMF MEMBERSHIP WILL DO LITTLE TO REIMPOSE DISCIPLINE ON THE ECONOMY WHICH, IN THEIR VIEW, IS THE BASIC CAUSE OF POLAND'S ECONOMIC CRISIS. THEY AGREE WITH SOVIET PRESS ARTICLES WHICH SAY THE IMF IS A CREATION OF CAPITALIST IMPERIALISM AND POLAND'S COOPERATION WITH THE WEST HAS BROUGHT IT NOTHING BUT TROUBLE.

5. THE MAN-IN-THE-STREET AND SOME CLERGY. THE REJECTIONISTS, ALREADY STRANGE BEDFELLOWS, ARE JOINED BY A THIRD, EQUALLY ANOMALOUS BODY -- AN AMORPHOUS GROUP OF SOME -- BUT NOT ALL -- CLERGY AND WORKDAY POLES. THIS GROUP (WHICH DOES NOT INCLUDE THE RANKING MEMBERS OF THE CHURCH HIERARCHY WHO HAVE SAID PRIVATELY THEY SUPPORT IMF) OPPOSE BOTH REFORM AND THE IMF, BASING ITS POSITION ON A COMBINATION OF HUMANITARIANISM AND CYNICISM, REINFORCED BY A NEAR TOTAL LACK OF UNDERSTANDING OF ECONOMICS OR ECONOMIC REFORM. THEY FEAR ON THE ONE HAND THAT UNDER AN AUSTERITY PROGRAM COMPENSATION TO THE HARDEST HIT GROUPS IN SOCIETY WILL NOT BE ADEQUATE, AND THE POOR WILL GET POORER. THE VERY INADEQUACIES OF SUCH COMPENSATION THEY RECOGNIZE AS FLOWING FROM THE GOVERNMENT'S COMBINED INCOMPETENCY AND INSENSITIVITY. HISTORY, MEANWHILE, HAS MADE IT CLEAR TO THEM THAT THEY SHOULD IN ANY CASE BE CYNICAL ABOUT THEIR GOVERNMENT AND ITS DEGREE OF COMMITMENT TO REFORM. THEREFORE, THEY RESIST MAKING SACRIFICES IN THE NAME OF REFORM. ULTIMATELY THEY CONDEMN THEMSELVES TO ADVOCACY OF ETERNAL INTERVENTION AND SUBSIDIZATION BY THE VERY STATE THEY MISTRUST SO DEEPLY.

6. THE DECISION-MAKERS. WHILE THE HARDLINE REJECTIONISTS ARE REPRESENTED WITHIN THE DECISION-MAKING RANKS, THEY ARE MOST LIKELY OUTNUMBERED BY THE CONSERVATIVES AND TO A LESSER EXTENT THE ESTABLISHMENT REFORMERS. INDEED, THE MAJOR ELEMENT IN GOP DECISION- MAKING SEEMS TO BE THE CONCERN WITH THE IMMEDIATE PROSPECTS FOR NEW BT

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15

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CREDITS RATHER THAN WITH THE IMPACT OF IMF ON POLAND'S ECONOMIC POLICIES. SEVERAL OFFICIALS HAVE COMMENTED EXTENSIVELY ON THEIR HOPE THAT IMF MEMBERSHIP WOULD SIGNAL TO THE COMMERCIAL BANKS THAT POLAND CAN BECOME A RELIABLE FINANCIAL PARTNER. ACCORDING TO AN OFFICIAL IN THE MINISTRY OF FINANCE, A HALF BILLION DOLLARS OF POLAND'S HARD CURRENCY IS CONSTANTLY TIED UP IN CASH COLLATERALIZED TRADE TRANSACTIONS. IF IMF MEMBERSHIP COULD LEAD TO A RELAXATION OF THIS PRACTICE, IT WOULD BE A MAJOR ACHIEVEMENT FOR POLAND.

7. EXPECTATIONS AND NEGOTIATIONS. WITHIN THE GROUP THAT VIEWS IMF MEMBERSHIP SOLELY FROM THE POINT OF VIEW OF BALANCE OF PAYMENTS RELIEF, THERE IS LITTLE APPRECIATION FOR THE PERFORMANCE CONDITIONS THAT IMF MIGHT IMPOSE. AMNY OF THESE OFFICIALS, INCLUDING THOSE IN THE FINANCE MINISTRY WHO SHOULD KNOW BETTER, POINT TO THE EXISTENCE OF THE POLISH REFORMS LAVISHLY LAID OUT IN DOCUMENTS AND LAWS AND ASSUME THAT THIS WILL SATISFY THE IMF. THE DISJUNCTION IN POLISH ECONOMIC POLICY BETWEEN THEORY AND PRACTICE SEEMS TO BE SOMETHING THEY BELIEVE THE IMF WILL NOT EXAMINE TOO CLOSELY. FROM CONVERSATIONS WITH OFFICIALS IN THE NATIONAL BANK EMERGES A PERSISTENTLY EVASIVE REACTION TO WHETHER THE MUCH HERALDED REFORM PROGRAM HAS IN FACT BEEN REASONABLY IMPLEMENTED. A TOUGH IMF POSITION ON THESE REFORMS COULD COME AS A RUDE AWAKENING TO THESE OFFICIALS WHO EMBRACE DISCOURSES ON THE COMPLEXITY OF THE POLISH ECONOMY AS A SUBSTITUTE FOR CLEAR EXPLANATIONS. WHEN ASKED, POLISH OFFICIALS TALK OF RAPID PROGRESS TOWARD AN AGREEMENT WITH IMF, WITH NEW CREDITS FLOWING BY SUMMER. THEY WERE PLEASED BY THE PACE AT THE PARIS CLUB ONCE THINGS GOT GOING, AND ASSUME IMF NEGOTIATIONS WILL BE SIMILAR, THAT WHAT THEIR ANSWERS LACK IN LUCIDITY, CAN BE COMPENSATED FOR IN LENGTH.

8. CONCLUSION. THE POLES ARE PREPARED FOR TOUGH BARGAINING, AND MORE IMPORTANTLY UNDERSTAND THE PRICE

OF FAILURE TO REACH AN IMF AGREEMENT. THEY ARE AWARE THAT THE COMMERCIAL BANKS WILL BE WATCHING CLOSELY, AND WILL REGARD FAILURE TO ACHIEVE AN AGREEMENT WITH GREATER CONCERN THAN THEY DO POLAND'S CURRENT NON-MEMBER STATUS. THE POLES ALSO KNOW THAT THERE ARE NO OTHER SOURCES OF CREDITS, THAT THE SOVIETS MADE THIS CLEAR IN MAY 1984 WHEN JARUZELSKI WENT TO MOSCOW AND RETURNED EMPTY HANDED (ALTHOUGH THE POLES CONTINUE TO HOPE, HOWEVER UNREALISTICALLY, THAT THE SOVIETS MAY YET COUGH UP SOME MORE MONEY). THE FACT THAT EFFECTIVE IMPLEMENTATION OF THE PARIS CLUB AGREEMENT HINGES ON NEW CREDITS (AS POLAND'S EARNED PAYMENTS CAPACITY DOES NOT PERMIT IT TO LIVE UP TO THE 1985 REPAYMENT SCHEDULE), MEANS THAT POLAND'S NEGOTIATORS WILL BE UNDER FURTHER PRESSURE TO SUCCEED QUICKLY. DEFAULTING AT PARIS IS NOT A VIABLE OPTION FOR A COUNTRY DESPERATELY SEEKING NEW CREDITS FROM PRIVATE AND OFFICIAL SOURCES. FOR JARUZELSKI, THE CONSERVATIVE TECHNOCRATS AND ESTABLISHMENT REFORMERS AROUND HIM, IMF MEMBERSHIP IS ESSENTIAL IF POLAND IS TO REVIVE ITS ECONOMY. THEY, LIKE ALL PRAGMATISTS HERE, UNDERSTAND THAT HERE IS REALLY NO OTHER CHOICE FOR THE COUNTRY. NONETHLESS, AS THE RECORD SHOWS ALL TOO CLEARLY, PRAGMATISM HAS NOT ALWAYS CARRIED THE DAY IN POLAND.
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3. POLAND: SOME IMPLICATIONS OF IMF MEMBERSHIP

The groundwork is being laid for Poland's entry into the International Monetary Fund--a subject that FRG Economic Minister Bangemann promised the Poles he would raise in Washington. Joining the IMF should give the government leverage to start tackling its severe economic problems and should make additional credit available from the West. The USSR probably will not object to IMF conditions for financial support but may cut back on its own aid to Poland.

* * *

An IMF team recently returned from a preliminary fact-finding mission to Warsaw and reported that it had not uncovered any problems that could delay the admission process. Poland should gain membership by the end of this year if the IMF follows its normal membership procedures.

Economic reform. Political constraints have prevented the regime from significantly reducing price subsidies or blunting workers' demands for higher wages. Polish leaders may be more successful in imposing IMF-mandated austerity measures. Several Solidarity leaders, including Walesa, have indicated qualified support for an IMF adjustment program, which they believe would reduce dependence on the USSR.

Credit outlook. Poland is enjoying a de facto moratorium on official debt repayments until it receives some assurances on new money from its Paris Club creditors. Several countries, including West Germany, have indicated that new credits could be granted this year if Poland signs the already initialed agreement on the rescheduling of 1982-84 official maturities.

If the Poles successfully negotiate a standby program with the IMF in 1986, they should be able to draw \$400-500 million from the Fund and obtain additional credit from major West European trading partners. These credits would help the Poles cover a payments gap estimated at \$1-1.5 billion in 1986.

Soviet aid. During the past three years the Soviet Union has provided little direct financial assistance, while allowing Poland to run diminishing trade deficits. Additional credit from the West would permit the Soviets to reduce further their own aid to the Poles. Poland's trade deficit with the USSR, however, will probably continue throughout this decade.

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Poland: Economic Data a/

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986 b/</u>
<u>Economic Indicators</u>					
Population (mid-year, million)	36.2	36.6	36.9	37.2	37.5
GNP (billion 1984 \$)	211.1	220.9	228.5	233.8	238.5
GNP Per Capita (1984 \$)	5,832	6,036	6,192	6,281	6,359
Real GNP (% change)	-0.9	4.6	3.4	2.3	2.0
GNP Index (1978 = 100)	89.9	94.0	97.2	99.4	101.4
Net Material Product (% change)	-5.5	6.0	5.6	3.0	3.4
Industrial Production (% change)	-4.5	5.8	5.4	3.8	3.6
Agricultural Output (% change)	5.3	5.8	5.6	0.9	2.0
Real Investment (% change)	-6.6	4.9	7.3	5.0	5.0
<u>Foreign Trade</u>					
Total Exports (billion \$)	15.7	16.3	17.4	17.7	18.4
Exports to US (billion \$) c/	.2	.2	.2	.2	.2
Total Imports (billion \$)	15.1	15.7	16.2	17.3	18.1
Imports from US (billion \$) c/	.3	.3	.3	.3	.2
<u>Hard-Currency Trade and Current Account</u>					
Exports (billion \$)	4.7	5.0	5.8	5.8	5.8
Imports (billion \$)	4.4	3.9	4.3	4.6	4.6
Trade Balance (billion \$)	.3	1.1	1.5	1.2	1.2
Current Account Balance (\$ billion) d/	-2.1	-1.1	-1.2	-5	-6
<u>External Hard-Currency Debt</u>					
Gross Debt (\$ billion)	24.8	26.4	28.1	29.2	31.3
Net Debt (\$ billion)	23.8	25.1	26.5	27.4	29.3
Official Reserves (\$ billion)	1.0	1.3	1.6	1.8	2.0
Debt Service Due (\$ billion) e/	8.4	13.4	16.8	2.8	2.9
Debt Service Paid (\$ billion)	.8	1.7	2.0	2.3	2.3

a/ GNP figures are derived from CIA reference materials. Other figures are taken from official Polish sources, unless otherwise specified.

b/ INR projections.

c/ US Department of Commerce data.

d/ Includes unpaid interest

e/ 1985 and 1986 debt-service figures are lower owing to the rescheduling of principal.

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19

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(U) POLAND: IMPLICATIONS OF IMF MEMBERSHIP^{1/}

(C) Summary

About April 1986 Poland probably will join the International Monetary Fund and the World Bank. Poland is likely to draw only minimal credits (some \$425 million) from these institutions by the end of the year. However, its membership in the IMF may encourage other Western lenders to extend additional credits. New lending would permit the Poles to boost hard-currency imports, which--particularly if accompanied by improved economic policies--could support a modest industrial recovery.

In 1987 Poland could obtain about \$750 million in credits from the IMF and the World Bank--if an IMF adjustment program can be agreed upon and implemented. The IMF program probably would not force Poland to pay all arrearages, but it might require that Warsaw regularize unpaid obligations by renegotiating previous rescheduling agreements. The program could induce the Polish regime to introduce some reform measures--but changes are likely to be extremely limited owing to the leadership's commitment to central planning and unwillingness to permit any decentralization of power.

In 1986-88 Polish financial officials apparently are expecting about \$5 billion in IMF and World Bank credits. New money--although probably

^{1/} (U) This report was prepared on the basis of information available as of December 19, 1985. For an examination of Poland's economic outlook for 1985-86, see INR Report 1170-AR, "Poland's Economic Outlook for 1985-86," SECRET/NOFORN/NOCONTRACT, September 13, 1985. A third report, planned for spring 1986, will reassess Poland's financial outlook on the eve of IMF and World Bank membership.

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falling far short of this projection--would likely result in a decline of Soviet economic aid to Poland. The USSR would be unlikely to veto IMF-demanded policy measures unless they threatened to increase social tensions or undercut Soviet influence.

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(C) Contents

Rejoining the IMF	1
Processing the Application	1
Domestic Support	1
Apparent Opposition Failure	1
Soviet Attitudes	2
Major Implications of IMF Membership in 1986	2
IMF Credits	2
World Bank Loans	3
New Western Credits	3
Debt Relief	4
Little Commercial Bank Lending	4
Soviet Aid	4
Modest Industrial Recovery	4
Uncertain Debt-Service Capacity	5
IMF Standby Program in 1987	5
Obstacles Delaying the Program	5
IMF Reform Policies	6
Policy Outcome.....	6
Longer Term Prospects	7

Rejoining the IMF

(U) Processing the Application. Poland was an original member of the IMF and the International Bank for Reconstruction and Development (World Bank) but withdrew from both in 1950 rather than provide economic data in support of an application for an IBRD loan. Poland charged that the institutions were US dominated and that they served US interests. A new application for IMF membership was submitted in November 1981 but was put on hold by the IMF after martial law was imposed in Poland in December 1981. Preparations for Poland's entry resumed in December 1984 after the US withdrew its objection to the Polish application.

(C) An official IMF membership mission visited Warsaw in October 1985 and discovered no technical problems that could seriously delay the admission process. The mission told the Polish Government that voting on its membership application probably would occur in April 1986.

(C/NF) Domestic Support. Polish support for IMF membership crosses regime, church, and opposition lines and reflects different objectives, according to the US and Canadian Embassies in Warsaw. The largest group of supporters within the regime views membership as the means to improve access to low-interest, long-term loans from Western banks. A smaller group within the regime hopes that membership would be the catalyst for economic reform and sees the IMF as a scapegoat for tough austerity measures. Finally, those outside the regime who favor joining the IMF--notably Solidarity leader Walesa and Cardinal Glemp--believe that membership could strengthen economic links with the West and act as a counterweight to Soviet efforts to tie Poland more closely to the Council for Mutual Economic Assistance (CEMA).

(C/NF/NC) Apparent Opposition Failure. Some Solidarity leaders oppose any step that might ease economic pressures which could force the Jaruzelski regime to resume a dialogue with the banned labor union. This group believes that workers would shoulder most of the burden of IMF adjustment through wage restraints and reduced subsidies for food and other consumer goods. Also opposed are regime hardliners who believe an IMF agreement would enable creditors to squeeze Poland for more debt repayments and would work against the central direction they believe is necessary for economic recovery. The hardliners

24

reportedly pressed for a reassessment of Poland's strategy for dealing with creditors and the IMF earlier this year, but the pro-IMF faction apparently prevailed. Warsaw came to terms on the rescheduling of 1985 maturities with Western government creditors in November^{2/} in the hope of smoothing the path to Fund membership.

(C/NF/NC) Soviet Attitudes. Despite repeated criticism of the IMF in Soviet media, the USSR has remained quiet about the Polish bid for membership. The Soviets are wary about the resumption of closer contacts between Poland and the West, but they apparently do not see the IMF as a serious threat to their efforts to integrate Poland more effectively into CEMA. Just as importantly, the USSR probably is counting on IMF lending to offset a further reduction in Soviet economic assistance to Poland (see p. 4). The Soviets seem unlikely to veto membership unless new events in Poland increase social tensions or undercut Soviet influence.

Major Implications of IMF Membership in 1986

(C) The Polish economy is unlikely to post major gains in 1986 if poor export performance and credit problems force planners to limit hard-currency imports of raw materials and capital equipment. Pressure is on the regime to correct longstanding economic problems, obtain new credits from the West, and boost imports. To further these goals, Polish leaders hope that Poland can join the IMF and draw credits as soon as possible.

(U) Several implications would attend entry into the IMF during 1986:

(C/NF/NC) IMF Credits. Given an estimated \$900 million IMF quota,^{3/} Warsaw probably could draw \$450 million without much difficulty. This would include \$225 million from the reserve tranche (Warsaw's own money) and \$225 million from the first credit tranche, neither of which would require strict conditionality. Warsaw also

2/ (U) Poland and official creditors in July 1985 signed an agreement rescheduling 1982-84 maturities.

3/ (C) This estimate is based on a rough comparison of quotas for Romania (523 million SDRs), Hungary (531 million SDRs), and Yugoslavia (613 million SDRs). One SDR (special drawing right) is roughly equivalent to a US dollar. The IMF will determine Poland's quota on the basis of a formula whose key variable--gross domestic product--is determined by specific valuation procedures.

might seek a credit from the Fund's compensatory financing facility, although it would have to demonstrate an unexpected export shortfall, according to IMF procedures. Warsaw's drawings from this facility might total \$100 million.

(C/NF/NC) World Bank Loans. Poland plans to join the World Bank after entering the IMF. Bank membership would qualify Poland for project loans to modernize key sectors of the economy, notably energy and agriculture. In its memorandum to the Paris Club (an informal group of creditor country governments which is negotiating the rescheduling of Poland's official debt), Warsaw projected 1986 World Bank loans at \$500 million. Actual lending, however, may reach only \$200 million, chiefly owing to the lead time needed to identify and agree on investment projects.

(C/NF/NC) Membership in the World Bank would expand export markets by permitting Poland to bid on Bank construction projects in developing countries. Poland's present ineligibility might mean losses of hard-currency sales tied to such projects totaling as much as \$300-400 million annually. Polish manufacturing enterprises produce a wide variety of materials and equipment for use in development projects, including building materials, power generating equipment, textile machinery, and food processing equipment.

(C/NF/NC) New Western Credits. Poland's IMF membership might encourage Western governments to extend additional credits and possibly provide more generous terms stretching out debt repayments.^{4/} Several governments have already shown willingness to extend modest export credits:

- Austria in late August pledged \$40 million in new export credits.
- France in late October reportedly extended about \$50 million in export and project-related credits.
- The Federal Republic of Germany, Switzerland, and the United Kingdom separately have indicated their willingness to extend credits totaling about \$85 million, linking them to payment of 1981 arrears and the recently concluded agreement rescheduling maturities due in 1985.
- Finally, Canada, Italy, Portugal, and Sweden, among others, may provide credits totaling an additional \$60 million in 1986.

^{4/} (U) See section on debt, pp. 2-3 of INR Report 1170-AR.

(C/NF/NC) These governments would be likely to offer larger credits in 1987 1) to foster their own export sales to Poland and 2) to encourage debt repayments under the recently concluded agreements rescheduling 1982-85 debt. IMF membership for Poland would be likely to serve as a justification for greater aid in the form of trade financing. More importantly, the IMF's practice of arranging a "package deal" among commercial banks, governments, and international financial institutions to fill a temporary financing gap could lead to some new credits.

(C/NF/NC) Debt Relief. Because Poland reportedly views Western commercial banks as more supportive than Western governments, it probably will continue to favor the banks over governments in meeting debt obligations. If Poland is unable to make interest payments on official debt coming due beginning on December 31, 1985,^{5/} the Paris Club is likely to defer 1985 arrearages and press for comparable treatment with the banks on maturities due in 1986.

(C/NF/NC) Little Commercial Bank Lending. Under a separate debt rescheduling agreement concluded in July 1984, a group of Western commercial banks (the London Club) agreed to extend new loans equal to 4.5 percent of their collective exposure, with an additional 1 percent to be drawn in December 1985 (totaling about \$450 million).^{6/} It is unlikely that major new money would be forthcoming from the banks in 1986.

(C) Soviet Aid. Within the Soviet Bloc, only the USSR is providing any meaningful assistance to Poland. Soviet aid consists largely of allowing Poland to run a deficit on ruble clearing accounts and continuing to carry low-interest loans on past deficits. If Western assistance to Poland grows, the USSR may trim its own aid further. The Polish clearing account deficit with the USSR could be \$500-700 million in 1986, similar to deficits recorded since 1983 but far below the peak of \$2.3 billion recorded in 1981.

(C) Modest Industrial Recovery. New Western credits--which might be tied to badly needed economic reforms--should permit the Poles to boost hard-currency imports of industrial inputs and increase export production. National income could grow by 3.5 percent in 1986--up from an estimated 2.5 percent this year. This growth rate still would fall short of the 5-percent rises recorded

^{5/} (U) See footnote 2, p. 2 of INR Report 1170-AR.

^{6/} (U) See Appendix II on Poland's commercial debt negotiations, p. V of INR Report 1170-AR.

in 1983 and 1984 (when Poland was recovering from the economic collapse of 1980-81). Economic planners can no longer expect major increases in working hours or import substitution, which led to jumps in industrial output in 1983 and 1984.

(C) Even if officially reported national income does grow by 3.5 percent in 1986, it would still remain 9 percent below its 1978 level. Chronic shortages of imported raw materials have curtailed production for export; and output in extractive industries, notably coal, appears to have leveled off.

(C) Uncertain Debt-Service Capacity. It is unclear what multiplier effect new Western credits would have on Poland's hard-currency trade account and debt-servicing capacity (estimated at \$2.4 billion in 1985) if they were channeled into higher production for export.^{7/} Moreover, if import demand slumps in the European members of the Organization for Economic Cooperation and Development, Poland may not be able to boost its hard-currency trade surplus above the \$1.5 billion initially projected for this year.

IMF Standby Program in 1987

(C/NF) Obstacles Delaying the Program. Polish finance officials unrealistically project cumulative IMF lending of \$3 billion over the first three years of membership. This target assumes an IMF membership quota of roughly \$900 million and the establishment of a standby program in 1986. In fact, net drawings from the IMF through 1988 are unlikely to exceed \$1-1.2 billion, even if problems in developing a standby program can be overcome. And two major obstacles may well delay the conclusion of a standby arrangement--and major IMF credits--into 1987:

--(C/NF/NC) Debt arrears. Polish arrearages to Western governments and other nonbank creditors could be the initial stumbling block. The IMF probably would not force Poland to pay all arrearages, but it is likely to insist that Warsaw regularize unpaid obligations by renegotiating previous rescheduling agreements. Warsaw may have to make downpayments of several hundred million dollars to implement new reschedulings. However, these obligations could be paid in installments and might be effectively capitalized in the form of new credits from lenders.

--(C/NF/NC) Resistance to economic reform. Unlike Yugoslavia and Hungary, Poland does not have many policymakers pushing

^{7/} (U) See Tables I-III of INR Report 1170-AR.

28

for major economic changes. Some Polish officials--particularly in the Ministry of Finance--have argued that reform measures adopted in 1982 would go far toward meeting IMF demands. But the Fund probably will examine, much more critically than Warsaw expects, the discrepancy in Polish reforms between theory and practice. It appears that the Polish economic model has not been modified significantly, in particular that enterprises have not been given enough flexibility or appropriate incentives. Just as importantly, the regime has backed off from imposing austerity on consumers.

(C/NF/NC) So far, the regime has failed to tackle long-standing problems of misallocated investment, distorted prices, lack of financial sanctions against inefficient enterprises, and the hoarding of resources to meet plan targets. The regime lacks the political will to force needed structural changes and must closely monitor the attitudes of an intractable populace and a new Soviet leadership. An IMF adjustment program might help leaders to introduce some changes--but changes are likely to be extremely limited owing to the Polish Government's commitment to central planning and its unwillingness to permit any decentralization of power.

(C/NF/NC) IMF Reform Policies. Negotiations on an IMF adjustment program are likely to focus on four major policies in 1986-87:

- Price and wage reforms. The IMF is likely to push for a more rational price structure, reducing major disparities between domestic consumer prices and world prices for key items such as energy, food, and transport. The IMF may also seek to link wage increases to productivity gains. The new Messner government could refuse to accede to such proposals--despite similar government measures in the past--if it felt social tensions would increase.
- Higher taxes and lower government spending. The IMF probably will call for higher taxes and lower government spending to dampen domestic consumption further.
- Monetary/credit measures. The IMF is likely to recommend controls on aggregate credit and money supply to reduce inflationary pressure.
- Currency devaluation. The IMF may press for a substantial devaluation of the zloty to promote exports and encourage a more rational import policy.

(C/NF/NC) Policy Outcome. If Poland fully complies with IMF policies, it should be able to show substantial gains on its trade

and current accounts by 1988. Nevertheless, current account receipts probably will not cover Poland's steep interest payment obligations under the rescheduling agreements now in place. Hence one major IMF achievement may be to help establish a realistic payments schedule among Poland's creditors.

(C) Longer Term Prospects

National income as reported in official Polish statistics must grow by 3 percent per year to return to 1978 levels by 1990. Based on Central Intelligence Agency estimates of gross national product, however, the economy could roughly approximate the 1978 level of activity as soon as 1986.^{8/}

Although the Polish economy is likely to show uneven and generally poor results, it could rise out of its trough if new Western credits--accompanied by improved economic policies--allow policymakers to increase investment and redirect it to more effective uses. The IMF itself will try to encourage greater reliance on pricing mechanisms to improve the allocation of investment. But such IMF-mandated programs in Yugoslavia and Hungary have contributed to increased social tensions. World Bank projects are likely to play the key role in restructuring the economy. The Bank will not only supply investment funds but also identify priority sectors for investment.

If Poland succeeds in pursuing financial normalization with the West, the USSR will likely reduce its own aid to Poland by 1990. Even so, Moscow might opt to support projects in Poland on a selective basis, particularly joint projects which would serve the USSR's own economic interests. Such an approach would help to preserve Soviet influence in Poland.

Prepared by Michael A. Spangler
632-9737

Approved by Ralph E. Lindstrom
632-2186

^{8/} (C/NF) Polish GNP as estimated by CIA shows a much more shallow slump and therefore a quicker rebound to the 1978 level than do official Polish rates for national income. This is mainly because GNP estimates include "non-productive" services, such as housing, education, and consumer services. The value of these services is sizable and more stable on a year-to-year basis than that of other GNP components.

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31

ANNEX A

Obligations of IMF Membership

The discussion below describes major obligations of IMF membership as set forth in the Articles of Agreement.

Article IV: Exchange Arrangements

Article IV prescribes members' obligations to collaborate with the Fund and other members to assure orderly exchange arrangements. Such collaboration will include, inter alia, complying with principles established by the IMF for the guidance of members with respect to their exchange rate policies. Members' obligations under Article IV also include the obligation to provide the IMF with the information necessary for IMF surveillance over exchange rate policies, and to consult with the IMF on the members' policies. Information and consultations in this area will encompass a member's economic and financial policies and conditions which underly exchange market developments.

Article V: Usable Currencies

Under Article V, Section 3, a member must ensure that balances of its currency purchased from the Fund by other members are freely usable or can be exchanged at the time of purchase for a freely usable currency, i.e., widely used to make payments for international transactions and widely traded in the principal exchange markets ("hard currency"). The Polish zloty is not a freely usable currency.

Article VIII: Convertibility and avoidance of discriminatory currency practices

Article VII, Section 2(a) provides that no member, without approval of the IMF, can impose restrictions on the making of payments and transfers for current international transactions. While provision for a "transition period" is made under Article XIV, Section 2, during which a member may maintain and adapt to changing circumstances the restrictions on payments and transfers for current international transactions that were in effect on the date on which it became a member, the member must withdraw any restrictions as soon as it is satisfied that it will be able, in the absence of such restrictions,

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to settle its balance of payments in a manner which will not unduly encumber its access to the general resources of the Fund. In addition, Article VIII, Sec. 3 prohibits any member from engaging in any discriminatory currency arrangements or multiple currency practices unless authorized by the Fund Articles or approved by the Fund (again, a "transition period" is authorized). Further, Article XIV provides for annual consultations between the Fund and members retaining exchange restrictions.

Poland maintains tight control over allocations of foreign exchange and the methods of making payments; international transactions are effected through bilateral payments arrangements or in convertible currencies. No foreign trading in zlotys is permitted. Additionally, Poland maintains multiple rates of foreign exchange depending on whether the user is official, tourist or a foreign trading organization.

Article VIII: Information

Under Article VIII, Section 5, members are required to furnish the Fund information as the Fund deems necessary for its activities, including but not limited to national data on: the member's gold and foreign currency holdings, national income, price indices, international balance of payments, international investment position, and exchange rates and exchange controls. This information is in addition to that required to be provided under Article IV.



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9, avenue Joyeuse Entrée, 1040 Bruxelles, Belgique

33

NSZZ "Solidarność" summary position on the issue of
Poland's membership to the International Monetary Fund.

1. The Polish government is anxious to join the IMF and the World Bank. In order that Poland's membership to these organizations truly benefit the Polish economy, it is important to request that a certain number of conditions be met.

2. We are well aware of the difficulty in expecting the IMF to set political conditions for Poland's entry to the IMF and World Bank. However, to achieve any kind of economic progress, political conditions, however minimal, are absolutely essential. We must mention them in the hope that they will be pressed for, at least informally. We believe that in order to ensure an atmosphere and mechanisms for peaceful conflict-resolution in enterprises - which is indispensable for any sustained increase in productivity - local trade union pluralism (i.e. the right of workers to establish and to join organizations of their own choosing) must be allowed. Furthermore, secrecy and censorship concerning economic matters (excluding those of the military), must be abolished. Without these conditions, no independent monitoring of policies is possible, including the implementation of any recommendations by the IMF and World Bank.

3. As for the issue of economic conditions, we should like to emphasize at the outset that NSZZ "Solidarność" will come out strongly against measures leading to the substantial reduction of consumption, increases in prices, freezes on real wages or deterioration in social care. This is not because of a trade union bias, but simply because we believe that the further deterioration of living standards would not only be harmful to economic recovery, but also increase the danger of an uncontrolled social explosion with all of the ensuing consequences. The road to an improvement in the Polish economic situation in general, and the ability to service the debts in particular, can only be carried out through a structural change in the economic mechanism.

4. Should the IMF be unable to insist on the introduction of a particular type of economic mechanism, it can certainly point out and insist on removing the inconsistencies in the officially proclaimed economic mechanism prevalent in Poland today. The basic new rule of so-called "3 x S" (self-dependence, self-finance and self-management in the enterprise), is practically paralyzed by the planning centre's old structure. Old practices remain, such as continuous changes in regulations and financial parameters which violate the stability of rules, the concentration of the entire money-flow in a 'mono-bank' system instead of a plurality of banks and credit institutions controlled only in general by a central bank, etc. Such a situation excludes proper responsibility for economic decisions. It is vital for the IMF and the World Bank to understand the complexity of the current economic mechanism in Poland in order to avoid seemingly obvious recommendations which would, in practice, lead to unexpected results. To hope to achieve market equilibrium by price increases under conditions of 'soft budget constraints' is senseless.

5. Special attention should be paid to direct measures which would stimulate export through a more realistic and flexible exchange rate policy. Investment policy should be evaluated from this point of view as well. In particular, projects financed by the IMF, the World Bank and related credits, must be evaluated first and foremost in terms of their convertible currency earnings capacity. One of the greatest dangers in Poland's current investment policy is an excessive concentration on projects that have already been initiated (seemingly requiring fewer additional outlays) because it may lead to the petrification of the obsolete and inefficient structure of production capacities which exacerbate existing bottlenecks, especially in export potentials. The open tenders method for investment projects; open to state, cooperative and private enterprises both domestic and foreign, should be applied as widely as possible.

6. A question of paramount importance, and one which can, in our opinion, be included among the conditions, is the full and genuine observance of equal rights in economic activity for all ownership sectors: private, municipal, cooperative and state. The possibility and security of foreign private investment should be statutorily guaranteed, with the right for the state to control the direction of such investments (e.g. through licensing or creation of joint ventures). We also believe that private economic activity (including the right to form partnerships, organize cooperatives, etc.) should be as open to the indigenous population as it now is for Polish expatriates.

We should like to point out that this brief summary which merely presents a general view on the issue of Poland's membership to the IMF and the World Bank, can be supplemented by more detailed materials, including independent expert opinions on particular matters. For instance, a number of texts written in 1981 and pertaining to the issue of the reform of economic mechanisms, are available and include a government blueprint which would, if implemented, indicate substantial progress over the present situation. Another such document is the NSZZ "Solidarność" draft proposal on socio-economic reform, prepared by the Network of "Solidarność" Organizations in Leading Factories (SIEC) - (see *Solidarność Weekly*, special issue, no. 29/59, 5 September 1981, published by the Regional Board of NSZZ "Solidarność" in Gdansk). Leszek Balcerowicz's works are also highly recommended.

Prepared by the Coordinating Office Abroad of NSZZ "Solidarność", following the instructions of the Temporary Coordinating Commission of NSZZ "Solidarność" (TKK) - the executive leadership of NSZZ "Solidarność" in Poland.

Brussels, February 1st 1985.

POLAND AND THE IMF

Background

The communist regime in Poland is seeking membership into the International Monetary Fund (IMF) in order to service its \$30 billion debt by stimulating new credit from international financial institutions and foreign countries.

Position

U.S. directors to the IMF should exercise "optimistic firmness" by voting against Poland's unconditional admission. This government should not be allowed membership until it chooses to publicly and peacefully outline an economic program together with representatives of Solidarity (chosen by the Polish people) that will determine how future foreign credit and other assistance programs can best:

1. Restore a sustainable balance of payments position with foreign creditors.
2. Reduce the severe constraints of inefficient labor and capital mobility and advance a more free-market economy.
3. Be found in the best social and economic interest of the majority of the people of Poland.

Rationale

Poland's unconditional admission to the IMF would:

1. Deny General Jaruzelski's regime an opportunity to choose to re-open meaningful and peaceful economic, social, and political negotiations with Solidarity without "loosing face."
2. Reward its Communist regime for human rights violations.
3. Hinder the free market goals of the Polish people.
4. Become another liability to the IMF and ultimately U.S. taxpayers.
5. Further isolate the Polish people from the very basic economic reforms they so desperately need.
6. Strengthen the existing totalitarian dictatorship.

JOINT RESOLUTION

Opposing the participation of the government of Poland in the International Monetary Fund.

Whereas government officials of the country of Poland have publicly announced their intentions of seeking membership in the International Monetary Fund; and

Whereas the Congress has been and will be asked to authorize funds for the International Monetary Fund; and

Whereas capital resources of the International Monetary Fund and other multilateral organizations are scarce and limited to ongoing projects of member countries; and

Whereas the government of Poland has exemplified itself as a high economic risk by holding to unverifiable and highly questionable accounting procedures in order to qualify for foreign credit; and

Whereas the government of Poland has failed on numerous instances to keep its financial commitments with foreign creditors; and

Whereas the communist regime of Poland is suppressing, both economically and politically, all segments of Polish society; and

Whereas the repression of the Solidarity trade union by the Polish government reveals the determination of that regime to deny workers and producers any economic decision-making power; and

Whereas such suppression and persecution is in violation of the Helsinki Accords, of which the regime in Poland is a signatory; Now, therefore, be it

RESOLVED that the United States Senate and the House of Representatives in Congress Assembled shall strongly discourage the International Monetary Fund from admitting Poland as a member country to the International Monetary Fund by requiring its U.S. Directors to vote against such action until such time that the regime of Poland chooses to publicly and peacefully outline an economic program with chosen representatives of Solidarity that will best determine how International Monetary Funds and other financial assistance programs can best:

- 1) provide the basis for correcting the balance of payments difficulties and restoring a sustainable balance of payments position;
- 2) reduce the severe constraints on labor and capital mobility or other highly inefficient labor and capital supply rigidities and advances market-oriented forces in Poland.
- 3) be found in the best social and economic interest of the majority of the people of Poland.

MEMORANDUM

36

TO: JOHN HOUSTON, RUSSELL MATHEWS
FROM: ETHAN M. SONES
DATE: APRIL 23, 1986
RE: ANALYSIS REPORT ON CONGRESSIONAL SURVEY CONCERNING POLAND
AND THE INTERNATIONAL MONETARY FUND

On April 14, 1986, I, along with Daren Bell and Brad Sant, began an opinion poll of the House of Representatives and the Senate. Respondents, who were the legislative assistants of Senators and Representatives dealing with I.M.F. issues, were asked the following:

"Is Senator/Representative _____ in favor of Poland joining the International Monetary Fund?"

If the answer was "No," or leaned in that direction, the L.A. was asked one further question:

"In that case, would he/she be in favor of a bill to position the U.S. against Poland joining the I.M.F.?"

The results were tabulated as follows:

IN THE SENATE

100 Senators were polled. 63 responded. Of those, 10 (or 15%) were opposed to Poland's joining the I.M.F. Zero (or 0%) were in favor, and 53 (or 84%) were undecided.

IN THE HOUSE OF REPRESENTATIVES

435 Representatives were polled. 289 responded. Of those, 46 (or 16%) were opposed to Poland's joining the I.M.F. 3 (or 1%) were in favor, and 240 (or 83%) were undecided.

CONCLUSION

Most of the offices hadn't heard any proposal suggesting that Poland should become a member of the I.M.F. Judging from the comments that most of the L.A.'s made, I believe that any group who works responsibly to influence Congress' opinion on this issue can win.

Dear Senator/Congressman,

The International Monetary Fund/World Bank will be meeting to debate the application of Poland for membership in both organizations on April 9-11. We believe that Poland's admittance would be detrimental to the interests of the West and the Polish people.

Countries governed by totalitarian dictatorships should not be admitted into international organizations whose purpose is to promote and foster a free market economy. Poland has attacked the Solidarity trade union movement and its ethnic minorities including the Ukrainians and others. Its' values are antithetical to our own and attaining access to these additional resources only increases their ability to oppress their people and squander resources.

Poland's foreign debt is \$30 billion and will not increase the health or effectiveness of the IMF but only drain funds that could be used by Third World nations.

U.S. contributions amount to 20% of the IMF reserves. If Poland gains access to these funds the U.S. taxpayer would subsidize the bad economic decisions made by Polish central planners and their Soviet overseers.

As recent history has shown one cannot trust the records submitted by Polish officials concerning their economic condition. What may seem to be a manageable problem could actually be an economic nightmare in disguise.

Additionally, the use of these funds by Poland relieves the Soviet Union of some of their obligation to support their client states. This in turn frees Soviet funds for other "projects". Poland's IMF/World Bank membership would allow the Soviet Union to borrow further from a country which it presently occupies. The Soviets owe Poland approximately \$10 billion.

Please help influence the IMF's decision by sponsoring legislation to have the U.S. representatives to the IMF and World Bank to vote against Polish membership in both organizations.

Sincerely,

Coalition Against Polish Membership
in IMF/World Bank

R. T. Davies

Credits for Poland Make No Sense

It is astounding to find Rowland Evans and Robert Novak arguing in favor of rewarding Gen. Wojciech Jaruzelski for his policy of repression, which began and today continues with the futile effort to eliminate Solidarity from Polish political life ["Solidarity Does Not Exist?" op-ed, March 26].

Solidarity certainly does exist. But so long as Jaruzelski refuses to give it or other elements of the opposition movement any role in planning the future of the country, including the use to be made of Western assistance, it defies logic to cite its existence in support of the argument that he should be given such aid. Because Solidarity and its leaders will not acquiesce in their exclusion from public life, Jaruzelski continues to put them on "trial," as he did last June with Bogdan Lis, Adam Michnik and Wladyslaw Frasyniuk, and to have them arrested, as he more recently has Czeslaw Bielecki, Bogdan Borusewicz and Tadeusz Jedyiak, as well as the founders of the unofficial peace movement, Jacek Czaputowicz and Piotr Niemczyk, and many more.

In December 1984, the U.S. government made a significant concession to Jaruzelski. It announced the withdrawal of its veto on Poland's application to the International Monetary Fund. Initially, the withdrawal of the veto was predicated upon the amnesty announced at the end of July 1984, following which about 650 political prisoners were freed. But Lis and Piotr Mierzewski were not among them. When, in December, Jaruzelski finally let them go, the United States announced the lifting of its veto. Whereupon, having trapped Lis in a secret-police provocation, the communist authorities in February 1985 rearrested him, Michnik and Wladyslaw Frasyniuk, and "tried" and sentenced them in a farcical process.

Since then, many of the other prisoners amnestied in 1984 have been rearrested. At the March 17 meeting sponsored by the American Bar Association's International Human Rights Committee, to which Evans and Novak refer, a State Department official said that Jaruzelski had cheated on fulfillment of the quid pro quo for IMF membership. But the U.S. government has not reexamined its policy.

The circulation figures of the underground press, cited by Evans and Novak, the number of churches being

Taking Exception

built, Pope John Paul II's 1983 visit to Poland and the fact that, after toying with the idea of putting Walesa on trial, the communist regime at the last moment very sensibly thought better of it, are hardly virtues of Jaruzelski's rule. They are legacies of the "peaceful revolution" of 1980-81, which the Warsaw regime has been unable to eradicate, or tactical moves as the communist leadership seeks support of "normalization" in a society where it is isolated from every politically and economically significant group. So far, however, Jaruzelski has also cheated the church on the agreement-in-principle reached during John Paul's 1983 visit, in accordance with which a church foundation, financed with Western funds, was to be set up to help Poland's private farmers.

In the light of this record, concern that the regime will cheat the donors of new Western aid and the grantors of new credits seems fully warranted. That is why, in expressing his support for aid to Poland, Walesa has said that the West must be sure such new assistance reaches the people and is not used, as

was so much of the \$25 billion in credits extended in the 1970s, simply to keep the communists in power. That is why underground Solidarity in February 1985 issued a statement asking that the IMF insist upon Jaruzelski's meeting certain minimal conditions before being readmitted to membership.

When they met last October in Washington, American, Canadian and West European bankers and academic researchers specializing in the study of Poland's indebtedness concluded that Poland could not receive treatment as favorable as that accorded Brazil or Mexico because, in the words of the conference's organizer, Paul Marer, a professor at Indiana University, that country's communist leaders "have been talking about economic reform for 30 years," but have still not made the necessary reforms.

The answer is not to give more credits to the communists in Moscow or, as Evans and Novak so surprisingly recommend, in Warsaw. Rather, before further credits are extended to the Soviet Union, we should insist that the Gorbachev leadership stop the genocide in Afghanistan, release Andrei Sakharov and the thousands of other political prisoners now in prison, camp and exile, and lift its veto on reform in Poland. In Warsaw, Jaruzelski should release the political prisoners, finally permit the church to start its fund to help private farmers, begin that dialogue for which Lech Walesa has not ceased to call, and undertake the reforms about which his government, like every other Polish government since 1956, has talked so much, while doing so little. Until these things happen, new Western aid and credits for Poland would make no sense.

The writer, ambassador to Warsaw from 1973 to 1978, is chairman of the board of the Solidarity Endowment.

EDWARD L. HUDGINS

at IMF gathering

Poland trying to wrangle a seat

At its joint meeting with the World Bank here this week, the International Monetary Fund will be asked to approve Poland's request for membership. The United States, which contributes 20 percent of IMF funds, appears ready to go along with the request.

It shouldn't. With Poland in the IMF, and World Bank membership likely to follow, U.S. tax dollars would be used to prop up a flawed economy, to the ultimate benefit of Poland's financial benefactor, the Soviet Union.

Much controversy surrounds the IMF's role in resolving the world debt crisis. One thing is certain: IMF activities should promote a free market — between countries and within countries. Anything else goes against basic U.S. interests and justly calls into question continued American participation in, and funding of, that organization.

Poland is a Communist totalitarian state with Soviet-style central planning. The state owns most of the means of production, and usually determines wages and prices. The repression of the Solidarity trade-union movement reveals the regime's continued determination to deny workers and producers any economic decision-making power. Poland's system, in short, is anathema to free-market principles.

Since Poland's imposition of martial law in 1981, the country's creditors have balked at extending new loans. But this would change were Poland to join the IMF and the World Bank. Poland could utilize the resources

of these organizations to finance its \$30 billion foreign debt.

To channel funds to cover the bad debts of a failed Communist economy, however, denies those funds to needy and deserving Latin American countries and to the Philippines. Scarce resources should not be squandered on a hopeless economic failure such as Poland.

The Reagan administration hopes, with World Bank help, to promote such growth policies as privatizing state-owned enterprises and reducing state economic regulation as a means of helping debtor countries.

Yet Poland's freedom to change, even if it wished to, is strictly limited. The U.S.S.R. could not tolerate a prosperous, market-oriented Poland. Poland, moreover, is tied closely to the U.S.S.R. through membership in the Council for Mutual Economic Assistance, a means by which the Soviet Union exploits its satellites.

The IMF, the World Bank, and the United States are having enough trouble promoting economic change in freer, non-totalitarian debtor nations. To think that change can be imposed on Poland is fantasy.

And how would the IMF go about judging Poland's economic performance? In Communist countries, supply and demand do not determine

see HUDGINS, page 2D



HUDGINS

From page 1D

the prices of goods and services. Such figures are invented by central planners. As former Polish ambassador to Japan Zdzislaw Rurasz told the Senate Banking Committee in late 1985: "All the statistical data officially published (by the Polish government) ... are more or less 'doctored.'" The IMF would have no way to determine Poland's true economic condition.

Hungary's IMF and World Bank memberships indicate what can be expected if Poland is admitted. Before Hungary's 1982 admittance, a World Bank estimate, based on Hungarian economic statistics, indicated a per-capita gross domestic product of at least \$4,190 annually, above the cutoff point for World Bank loans.

But after 1982, a bank recalculation, also based on Hungarian figures, found the per-capita GDP to be only \$2,100. Financial assistance was then extended. Poland's economic problems, including its \$30 billion foreign debt, appear far worse than Hungary's.

The Soviets now share part of the financial burden of Poland's economic mess. IMF aid to Poland, therefore, would only ease the burden on the U.S.S.R.

Do the U.S. taxpayers really want to help the Soviet government?

While some of the Polish regime's most public human rights abuses have slackened, mainly because Solidarity has been crushed, freedom of speech, association, and other rights are still curtailed. Political prisoners still fill prisons. Poland should not be rewarded for its repressive policies.

IMF and World Bank memberships will not help the Polish people.

Membership in the groups simply will strengthen Poland's totalitarian grip, force U.S. taxpayers to cover Poland's debts, and remove an economic burden from the shoulders of the Soviet Union.

Edward L. Hudgins is an international economist at The Heritage Foundation.

Executive Memorandum

The Heritage Foundation

214 Massachusetts Avenue N.E. Washington, D.C. 20002 (202)546-4400

KUSH!

3/31/86

Number 112

40

THE U.S. SHOULD KEEP THE IMF DOOR LOCKED WHEN POLAND COMES KNOCKING

At its joint meeting with the World Bank on April 9 to 11, the International Monetary Fund (IMF) will be asked to approve Poland's request for membership. It appears that the U.S., which contributes 20 percent of IMF funds, will vote to admit Poland. Admission of Poland, however, would violate the free market goals that the U.S. should be promoting through the IMF. With Poland in the IMF, and World Bank membership likely to follow, U.S. taxpayer's dollars would be used to prop up a faltering flawed economy and would ease the financial burden on Poland's actual ruler, the Soviet Union.

Much controversy surrounds the IMF's role in resolving the world debt crisis. One thing is certain: IMF activities must promote a free market--between countries and within countries. Anything else would oppose basic U.S. interests and justly call into question continued American participation in and funding of that organization.

Poland is a communist totalitarian dictatorship with Soviet style central planning. The state owns most of the means of production, and usually determines wages and prices. The repression of the Solidarity trade union reveals the regime's determination to deny workers and producers any economic decision-making power. Poland's system, in short, is a slap in the face to free market principles.

Since Poland's imposition of martial law in 1981, that country's creditors have balked at extending new loans. But this would change were Poland to join the IMF and World Bank. Poland could utilize the resources of these organizations to finance its \$30 billion foreign debt. To channel funds to cover the bad debts of a failed communist economy, however, denies these funds to needy and deserving Latin American countries and to the Philippines. Scarce resources should not be squandered on a hopeless economic failure such as Poland.

The Reagan Administration hopes, with World Bank help, to promote such growth policies as privatizing state-owned enterprises and reducing state economic regulation as a means of helping debtor

41

countries. Yet Poland's freedom to change, even if it wished to, is strictly limited. The USSR could not tolerate a prosperous, market-oriented Poland. Poland, moreover, is tied closely to the USSR through membership in the Council for Mutual Economic Assistance, a means by which the Soviet Union exploits its satellites. The IMF, World Bank, and U.S. are having enough trouble promoting economic change in freer, nontotalitarian debtor nations. To think that change can be imposed on Poland is fantasy.

Poland could not be a member in good standing of the IMF since its economic statistics simply cannot be trusted. In Communist countries supply and demand do not determine the prices of goods and services. Such figures are invented by central planners. As former Polish ambassador to Japan Edzislaw Rurarz told the Senate Banking Committee in late 1985: "all the statistical data officially published [by the Polish government]...are more or less 'doctored.'" The IMF would have no way to determine Poland's true economic condition.

Hungary's IMF and World Bank memberships indicate what can be expected if Poland is admitted. Before Hungary's 1982 admittance, a World Bank estimate, based on Hungarian economic statistics, indicated a per capita GDP of at least \$4,190 annually, above the cutoff point for Bank loans. But after 1982, a Bank recalculation, also based on Hungarian figures, found the per capita to be only \$2,100. Financial assistance was then extended. Poland's economic problems, including its \$30 billion foreign debt, appear far worse than Hungary's.

The Soviets now share part of the financial burden of Poland's economic mess. IMF aid to Poland, therefore, would only ease the burden on the USSR. Do U.S. taxpayers really want to help the Soviet government?

While some of the Polish government's most public human rights abuses have slackened, mainly because Solidarity has been crushed, freedom of speech, association, and other rights are still curtailed. Political prisoners still fill prisons. Poland should not be rewarded for eliminating political dissent.

IMF and World Bank memberships will not help the oppressed Polish people. Membership in the groups simply will strengthen Poland's totalitarian dictatorship, force U.S. taxpayers to cover its debts, and remove an economic burden from the shoulders of the Soviet Union.

Edward L. Hudgins, Ph.D.
Policy Analyst

1. For further information:

John P. Hardt and Jonathan Sanford, "An Assessment of GNP Per Capita Estimates of the World Bank for Hungarian Loan Eligibility" (Washington, D.C.: Congressional Research Service, May 12, 1983, revised June 23, 1983).

"Country Reports on Human Rights Practices for 1985," U.S. Department of State Report submitted to the House Committee on Foreign Affairs and the Senate Committee on Foreign Relations, February 1986.

On Realigning Debt Of About \$1.6 Billion

Special to THE WALL STREET JOURNAL
PARIS—Poland has reached an agreement to reschedule slightly more than \$1.6 billion of its debt to Western governments, an official close to the talks said.

The official, who requested anonymity, said the pact includes \$550 million of debt-service arrears that were due at the end of 1985. "Payment of the arrears . . . is now scheduled over the course of 1986."

Also covered in the agreement are "essentially all" of the interest and principal payments that Poland was scheduled to make to Western governments in 1986, the official said. These payments will be stretched over 10 years, with a five-year grace period.

Prior to the rescheduling agreement, Poland's annual debt service to governments and foreign commercial banks was estimated at nearly \$6 billion, the official said. This figure compares with Poland's projected annual hard-currency earnings of less than \$2 billion.

THE WALL STREET JOURNAL

TUESDAY, MARCH 11, 1986

Rescheduling

FRANKFURT, Feb. 25 (Reuters) — A working group of Western creditor banks has agreed in principle to reschedule some of the commercial debt Poland owes this year, banking sources said today.

A group from 10 commercial banks met representatives of the Polish Finance Ministry and Bank Handlowy foreign trade bank today to discuss what bankers described as a critical shortage of hard currency facing the country.

As one banker who attended the meeting put it: "There was a clear feeling that banks will have to stretch out repayments once again, and general agreement was reached on this point."

The \$900 million due this year consists of principal payments now falling due on Poland's \$2.3 billion 1981 rescheduling agreement, and on its 1982 agreement for the same amount as grace periods expire.

Poland has also delayed repayment of \$1.5 billion of 1983 obligations to commercial bank creditors, and has agreements on a further \$1.9 billion due between 1984 and 1987. Because of grace periods, no principal is yet due on these.

Warsaw is also in negotiation with its major Western government creditors through the Paris Club, an informal grouping of Western government officials coordinating repayments of government loans.

Poland and its government creditors agreed last July to reschedule about \$12 billion of 1982-to-1984 debt. The country's total debt to the West is more than \$29 billion.

THE NEW YORK TIMES,

FEBRUARY 26, 1986

Polish Delay on Debt Seen

LONDON, Jan. 8 (Reuters) — Poland will probably ask its bank creditors to renegotiate principal debt repayments because of a severe shortage of hard currency and pressures from Western creditor governments, banking sources in London said Friday.

Despite the shortage, Poland last month met the first payment of principal due under a 1981 bank debt rescheduling pact. But it was unable to make a payment of \$550 million in interest arrears to governments at the year's end on Tuesday.

Official creditors now want Warsaw to reduce its repayments to Western banks to leave more of Poland's

meager hard currency holdings available for them, the sources said.

Poland, with about \$29 billion of hard currency debt, will meet official Western creditors — known as the Paris Club — on Jan. 23 and 24.

Bankers said Poland had not yet requested any meetings with representatives of banks that rescheduled the country's debts. Such a meeting could be held shortly before or after the talks with the Paris Club, they added.

Government creditors granted Poland a three-month extension after it failed to make its interest repayments. But bankers said it was uncertain whether Poland could even meet the new March 31 deadline.

42 Poland on Foreign Debt

By THE WALL STREET JOURNAL Staff Reporter
LONDON — Western governments plan to pressure Poland to give priority to paying the part of its foreign debt owed them, rather than Western banks.

European finance ministry officials say the move comes after 17 Western governments reviewed Poland's decision not to pay \$550 million in interest due Dec. 31. Poland has been given an extra three months to make the payments, which were due under an agreement signed last summer to reschedule \$12 billion in interest and principal originally due between 1982 and 1984.

Officials said the governments will tell the Poles that they must give official creditors the same treatment that they give Western bank creditors. The banks, which are owed half of Poland's \$28 billion of foreign debt, have been receiving part of the interest and principal owed them.

By ROGER THURLOW

THE WALL STREET JOURNAL

February 7, 1986

WARSAW, Poland—Poland needs more than \$1 billion in new credits from Western governments to fully meet its debt obligations this year, according to the country's finance minister.

Stanislaw Niecekarz said the Polish government can pay no more than \$2.1 billion, or 25% of its planned hard-currency income, to its creditors this year. This means, he said, that "far more than \$1 billion" in fresh credit is necessary to keep Poland on its tight repayment plan and prevent another rescheduling or default.

"If the credit blockade of Western governments isn't broken, if we don't get any government-guaranteed credits, then it will certainly bring further complications to our relationship with the West," Mr. Niecekarz said in an interview.

That relationship has been a stormy one since Western governments cut off official loans to Poland after martial law was declared in 1981. This caused Poland to scramble to reschedule its Western debt, and it has given a sharp adversarial tone to Poland's negotiations with the creditor governments. In his latest parry, Mr. Niecekarz said Poland's inability to get more money from the West is forcing it into closer economic cooperation with the Soviet Union and other East bloc countries.

The finance minister's comments came against the backdrop of a new economic report that casts further doubt on Poland's ability to dig itself out of its hole. The country's statistics office reported that hard-currency export earnings totaled \$5.8 billion last year, off 1% from 1984, and the hard-currency trade surplus of \$1.1 billion fell short of the targeted \$1.5 billion.

Last year, Poland asked the Paris Club, an association of 17 Western creditor governments, for new credits of \$600 million to \$800 million. When it didn't get them, Poland failed to make a \$550 million payment to the governments at the end of last year. That amount still hasn't been paid, and will be discussed at a Paris Club meeting next month, Mr. Niecekarz said.

Soaring Interest Costs

This year, interest costs alone will run past \$3 billion. In addition, Mr. Niecekarz said \$800 million owed to creditor banks comes due this year. He wouldn't say how much comes due to the governments, but he acknowledged that about 60% of Poland's \$29.3 billion Western debt is with governments.

Mr. Niecekarz accused Western governments of treating Poland differently from other debtor countries for political reasons. "The creditors have done everything, and more, to make it difficult for the debtor (Poland) to pay back his debts," he said. "I don't know of any other country paying back its debts without new credits flowing in and without the cooperation of its creditors."

As a result, he said, "We have more and more cooperation with the Soviet Union and other Socialist countries. From year to year there are more and more subjects we are solving with the Soviet Union." Added the official: "Time is working against the Western governments."

In almost the same breath, however, Mr. Niecekarz said he was hoping Poland would gain membership in the International Monetary Fund this year. Poland applied for readmission to the IMF in 1981; it had dropped out in 1950. An IMF spokesman in Washington said a decision on Polish membership may be made by this summer.

Desperate Need for New Loans

IMF membership would give Poland the access to the new credits it is desperately seeking. Mr. Niecekarz said the new financing would be used to modernize the country's flagging export industries, as well as to finance hard-currency imports. Currently, he said, Poland is paying for nearly all of its imports with cash, which otherwise would be used to service the debt.

IMF membership probably will bring outside pressure to enforce economic discipline at home. Mr. Niecekarz, however, argues that the economic changes Poland is trying to adopt should satisfy IMF demands. "I think that is already a great effort," he said.

Despite the changes, Poland's economy is growing slowly. Last year, national income rose 3%, but was still 10% below the 1979 level. Wary of reigniting the social unrest that accompanied the drastic drop in the standard of living at the beginning of the 1980s, Polish officials have told creditors not to expect much more belt-tightening.

"We won't accept a further decrease in the standard of living just to pay back the debt. We can't do it," Mr. Niecekarz said. "We have to consider that in 1981 and '82, the living standard fell 25%. That can't happen again."

Western Governments Give Poland Relief on Debt

By PAUL LEWIS

THE NEW YORK TIMES

SUNDAY, MARCH 9, 1986

PARIS, March 8 — Western governments have agreed to give Poland more favorable repayment terms on \$1.7 billion in debt, according to diplomats here.

The rescheduling agreement was reached Friday night by Poland and 17 Western governments at a meeting of the so-called Paris club, the forum in which Western creditor nations negotiate with debtor countries that cannot meet their obligations.

Officials said Western governments had given Poland an additional 10 years to repay \$1.9 billion it should have paid them this year, including \$550 million in arrears from 1985.

But they said interest payments would reduce the total debt relief to about \$1.7 billion.

The agreement underscored Poland's economic plight. "The situation is hopeless," an official said. "We are just turning interest and repayments into more debt as the total debt gets larger."

The official described the Polish economy as "a basket case."

Accord With Banks Is Seen

The agreement is expected to lead to a similar rescheduling arrangement for roughly \$800 million that Poland owes to private Western banks.

Last month, a 10-bank working group tentatively agreed on a plan to stretch out repayment of the commercial debt. But the banks decided to wait until Poland had held talks with its creditor governments before recommending a plan to other private banks that hold Polish debt.

Poland's foreign debt totals \$32 billion. While the cost of serving the debt will approach \$3 billion this year, Poland is expected to earn a foreign currency surplus of only \$1.1 billion on trade with non-Communist countries.

Even this surplus will be achieved only by severely reducing imports, which will weaken Polish industry by starving it of needed machinery and spare parts, officials said.

Besides seeking to stretch out its debt repayments, Poland is pressing Western governments for new trade credits to help rebuild its industrial base and enable it to increase exports to the West.

Austria recently extended a \$40 million credit to Poland, and West Germany may soon offer some help. But most Western countries are refusing to lend Poland any more money, partly out of distaste for the current regime but mainly because they feel Poland is not creditworthy.

Poland says it hopes to join the International Monetary Fund this spring and thus obtain a new source of foreign credit. But the monetary fund will insist that Poland adopt economic initiatives that are likely to prove painful, Western officials said.

Poland is also seeking to increase its foreign earnings by asking for most-favored-nation status for its exports to the United States. Officials said Congress was unlikely to act soon on the application.

44

EAST-WEST TRADE AND NATIONAL SECURITY

by
Roger W. Robinson, Jr.

I think it would surprise most people were they to step back and assess how many of the more publicized issues and challenges which the United States faces in the world today are directly or indirectly underpinned by the East-West economic and financial equation. I make this assertion because, like most endeavors in the human condition--whether it be at the individual, state, or national level--the proverbial "bottom-line" of the ability to get things done rests upon economics and particularly finance.

Having said that, I must confess that after a dozen years of active involvement in this policy area, I continue to be somewhat troubled by the lack of a more common understanding in the Western Alliance concerning the key elements of the strategic or security side of East-West economic and commercial relations. I have long referred to what I believe to be the three most important components of strategic trade with the East as the "Triad." They are: 1) the illegal acquisition by the Soviet bloc of militarily relevant Western technology; 2) Western energy security--specifically, the ongoing Soviet strategy to dominate Western Europe's natural gas markets; and 3) untied and non-transparent Western financial flows to the Warsaw Pact countries. These components of the Triad are, in my view, the principal avenues of the West's windfall contributions to Soviet military-related innovation, the USSR's hard currency earnings structure, and the Soviet Union's ability to maintain and expand its costly global commitments.

For example, has it not struck most Western policy makers as odd that the Soviet Union, which has a total annual hard currency income of only about \$32 billion from all sources (including arms sales), can sustain a global empire which can directly rival the United States? More specifically, how does the USSR support such a vast array of third country commitments--many of which must be hard currency financed--with annual earnings equivalent to only about one-third of Exxon's annual revenues for 1985? These are central questions which I believe call for more thorough examination. Although the brevity of

Roger W. Robinson, Jr., is President of RWR, Inc. and former Senior Director for International Economic Affairs at the National Security Council (1982-1985).

Mr. Robinson spoke at The Heritage Foundation on February 11, 1986.

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45

my remarks today will not permit a detailed attempt to answer these questions, I might at least offer a framework to advance the search.

In the area of finance, I have often been curious why I have never come across a security-oriented cash flow analysis of the USSR, a page divided down the middle with "sources" of hard currency on the left side--for example, oil and gas exports and the sales of arms, gold, diamonds--and "uses" of hard currency on the right side--such as imports from the West, technology theft, underwriting Cuba and other client states, KGB/GRU operations, and other expenditures. My own guess is that a detailed security cash flow analysis of this kind would show a formidable annual hard currency shortfall that presumably has to be financed through Western borrowings. Declining Soviet oil production and plummeting prices for both oil and gas--composing approximately two-thirds of the USSR's total annual hard currency earnings structure--should result in an even more active Soviet presence on the world credit markets than the roughly \$3 billion in new credits attracted in 1985. The fact is that the level of Soviet indebtedness remained largely unchanged during the period 1979-1984 despite the fact that the USSR's hard currency needs apparently grew significantly. I believe this discrepancy can be explained, at least in part, by substantial Soviet reliance on a rather hidden borrowing source in Western financial markets.

This less visible borrowing activity takes place in the vast and amorphous interbank market where the Soviet Union has been a major player for many years. The interbank market is global in scope and is formed by the established practice among the world's banks of depositing cash with one another to facilitate the efficient flow of funds and to earn income on excess cash. The London Interbank Offering Rate (LIBOR) serves as a benchmark rate at which these deposits are offered to prime potential borrowers, and usually floats at roughly 1 percent below the U.S. prime rate. Interbank transactions can either be arranged by a money broker or directly between banks. A typical transaction might have bid and offer rates of 7-7/8 percent and 8 percent respectively, with the higher rate representing the price at which a bank would offer, for example, a six-month time deposit to another bank. Prior to concluding an interbank transaction, the bank offering the funds will check the credit limit for the particular bank taking the funds as well as the "country exposure limit" for the country in which the bank is domiciled. It is not necessarily standard practice to check the "country exposure limit" for the country which owns the "taking" bank.

The six Soviet-owned banks located in the West, along with their branches, have been major beneficiaries of this global flow of interbank funds. The largest Soviet-owned banks in the West include Banque Commerciale pour l'Europe du Nord or Eurobank in Paris, Moscow Norodney Bank, London (which often serves as the coordinating point for other Soviet banking institutions in the West), and Ost-West

46

Handlesbank in Frankfurt. Other 100 percent Soviet-owned banking institutions are located in Luxembourg, Zurich, Vienna, and Singapore. The latter is a branch of Moscow Narodney. The Soviets go to some lengths to obscure their complete ownership of these institutions. For example, these banks are incorporated under the laws of the countries in which they are domiciled, have foreign nationals in management positions, have what appears to be a diverse group of shareholders, and even maintain representative offices in Moscow similar to those of Western banks.

These Soviet banks engage in other banking activities outside the interbank market and even place some of their own deposits with major Western banks. This does not, however, offset the enormous advantage to the Soviets of having access to a large amount of hard currency at an interest rate which is below the U.S. prime rate and which can be used at their sole discretion. Similar to an individual who would use his or her cash reserve bank line to bridge shortages of cash in a regular checking account, interbank deposits provide the Soviets with needed liquidity on the margin to meet their pressing cash requirements. Access to these Western deposits also permits the Soviets to avoid more expensive and visible forms of Western financing. After all, why should the USSR step up its modest use of bankers acceptances or go more often to the syndicated loan market when they can tap a largely invisible pool of Western deposits at interest rates below U.S. prime?

It is very difficult to estimate the precise amount of such Western funds on deposit with the Soviet Bank for Foreign Trade, the COMECON banks, the State Bank of the USSR, and Soviet-owned banks in the West. Nevertheless, as the Soviets maintain correspondent banking relations with virtually every sizeable banking institution in the world, a ballpark estimate of the aggregate amount of Western deposits with Soviet-owned banks in West would be roughly \$5 billion. I would estimate that several billion dollars more in Western deposits have been attracted directly by the Soviet Bank for Foreign Trade and the State Bank of the USSR. Individual East European banks also enjoy the same favorable access to this untied, low-cost financing source. Although these deposits must eventually be repaid, similar to loans, they still represent a major reservoir of cheap money. I think that it would be very illuminating for the Administration and Congress to get a better handle on the role of interbank deposits in the funding of the Soviet Union's global activities.

Returning for a moment to the first leg of the strategic trade Triad--the Soviet acquisition of militarily sensitive technology--we can take satisfaction in knowing that this problem is far better understood today than ever before. The President instructed the bureaucracy early in his first term to redouble its efforts to stem the flow of strategic technology to the Warsaw Pact countries. This past fall the Department of Defense, in coordination with the CIA, released an unclassified White Paper which made a valiant effort to

quantify, where possible, the magnitude of our technology losses. The paper sought to identify the estimated savings achieved by the Soviet military research and development establishment as well as the direct costs incurred by U.S. taxpayers to defend against these Western-sponsored advances in Soviet military strength. Whether or not one accepts the estimates in the Department of Defense White Paper, most informed observers would have to concede that U.S. taxpayers are penalized to the tune of billions of dollars annually.

Concerning the second leg of the Triad--Western energy security, and specifically the carefully crafted Soviet game plan to dominate the natural gas markets of Western Europe--again, the President demonstrated what will be judged by history to be impressive vision and courage when he urged his allied counterparts, at the Ottawa Summit in July 1981, to limit their level of dependency on Soviet gas supplies. Subsequent to the Ottawa meetings, he dispatched two high-level U.S. delegations to Europe (the first one in the fall of 1981 and the second in early 1982) to persuade the allies to identify and develop secure, indigenous natural gas reserves (particularly the Troll gas field in Norway) and to halt the expansion of subsidized credits to the Soviet bloc for energy development and other purposes. The declaration of martial law in Poland in December 1981 added urgency to these undertakings, since the Alliance needed to send a unified signal that continued repression in Poland would not be cost-free.

The President immediately decided to implement economic sanctions against the USSR by embargoing U.S. origin oil and gas equipment destined for the Soviet energy industry. In June 1982, with no movement toward reconciliation in Poland and insufficient allied unity on a response to this situation, the President extended these sanctions to include U.S. subsidiaries and licensees located abroad. This decision temporarily crippled progress in the construction of the USSR's major gas export pipeline. Intensive allied consultations were then undertaken at the ministerial level with a view toward achieving the President's goal of forging a durable allied consensus on the security dimensions of East-West trade.

The positive outcome of these ministerial deliberations led the President to decide in November 1982 to lift the oil and gas equipment sanctions, but only after the allies had agreed to undertake urgent work programs in the key strategic trade areas, including enhanced Western energy security, which were to be completed by the Williamsburg Summit in May 1983. Progress was swift in coming. The practice of offering subsidized credits was eliminated by an understanding achieved within the OECD. An agreement signed by some 25 nations in the International Energy Agency in May 1983 also represented a major accomplishment for the Administration. The language of that agreement effectively deprives the USSR of major European participation in construction of the anticipated second strand of the Siberian gas pipeline which is currently underway or

will be imminently. If abided by, this agreement will not only block Soviet domination of Western Europe's gas markets but will also deny the USSR between \$5 to \$10 billion in annual projected hard currency earnings from the second strand in the mid- to late 1990s and beyond.

I think it is important to emphasize that the mission of the Poland-related sanctions was not, as was so often reported in the world press, to block the first strand of the Siberian gas pipeline project. The Administration was aware that the first pipeline was a fait accompli. The Administration's extension of the Poland-related sanctions represented a last-resort, tactical decision by the President to penalize Soviet repression in Poland and to forge a new consensus within the Alliance on the security aspects of East-West economic relations. All of the security-minded objectives which the President outlined to his counterparts in Ottawa in 1981 were achieved.

POLICY PRESCRIPTIONS

I would like to use the remainder of this talk to offer some specific policy recommendations which address each of the three legs of the strategic trade Triad.

First, on technology transfer, I recommend the continuation of the effort to quantify the impact on the West of what these losses mean to our long-term security, to our taxpayers, and our intensive efforts to reduce the U.S. budget deficit. The potential Gramm-Rudman trigger mandating reductions in our own defense expenditures adds urgency to this task. The infrastructure of COCOM, the multilateral organization which controls strategic technologies, must be substantially bolstered from its woefully inadequate present status. In addition, an expanded array of incentives and disincentives should be brought to the table by the U.S. in negotiations with the allies and neutral countries in an effort to finally subordinate commercial benefit to our common security. The U.S. should also continuously develop new methods designed to assist the tracking and identification of stolen technology so that would-be diverters will operate in an uncertain environment.

In the area of Western energy security, the Administration should send an early signal to the allies that despite the fall in demand for Soviet gas, we will insist that the May 1983 International Energy Agency agreement be strictly observed, particularly when the Soviets begin to contact Ruhrgas, Gaz de France, and others for below-market second strand gas deliveries during a future period of increased demand. In addition, the positive direction of the current negotiations for the accelerated development of the Norwegian Troll gas field, as a substitute for Soviet gas, should be politically reinforced at the highest levels. The Administration should also do

49

whatever it can to defuse the dangers inherent in West Berlin becoming 100 percent dependent on Soviet gas stemming from an agreement signed in 1982 and the likelihood that Turkey will become approximately 95 percent dependent on Soviet gas if current negotiations with the USSR come to fruition. Also, allied willingness to provide the West's most sophisticated oil and gas equipment and technology to the USSR and actively assist in the extraction, processing, and transmission of Soviet energy resources should be, in some way, factored into allied efforts to increase emigration from the USSR and achieve equal and verifiable reductions in nuclear weapons. The other elements of the Triad should likewise be considered in this context.

Finally, the Administration can play an important role by examining the practice of untied or so-called balance of payments lending to potential adversaries and scrutinizing the extent to which the Soviets rely on interbank deposits. Certain principles or guidelines should also be considered for voluntary adoption by the Western banking community, if they have not already been instituted. Specifically, each loan to a potential adversary should have an identified and verifiable purpose--be it an equipment purchase, a specific project (with loan drawdowns calibrated to project expenditures) or a short-term commodity transaction such as grain. Every loan should have a maturity that is strictly matched against the duration of the underlying transaction. For example, a grain transaction should be financed with a maximum loan maturity of 180 days rather than 3 years which would otherwise de facto provide the Soviets with 2 1/2 years of cash for their discretionary use. Finally, U.S. banks should aggregate their interbank deposit exposure to all Soviet-owned entities and periodically report these aggregate exposures to U.S. bank regulators, if they are not already doing so. The same practices should be applied to East European entities. In this connection, I am not arguing for the discontinuation of interbank activity with the USSR--only that specific information be developed on the amounts and the proper use and maturity of such deposits.

These proposed principles to govern financial flows to potential adversaries are prudent from a commercial as well as security perspective, and therefore, it is hoped, will not present major problems for the Western banking community. The Administration should urge our allies, through the OECD, to monitor the implementation of similar guidelines. In the event that the Administration and Congress are disappointed by the lack of allied cooperation in adopting these commercially prudent lending principles, more information should be gathered to determine the respective levels of allied involvement in untied, non-transparent financial flows to potential adversaries and what, if anything, should be done about it. To illustrate why we need a coordinated allied approach to this issue, we should ask the allies whether they view it as appropriate to make available even \$10 million in untied Western cash to Colonel Qadhafi for his sole discretionary use. This particular issue brings to mind the sound advice offered by

50

John Le Carre in his novel The Honorable Schoolboy, which is embodied in three simple words--"Follow the money."

In conclusion, there do not have to be any "losers" in the West as a result of these policy recommendations. Legitimate, non-strategic trade can go forward and expand; the U.S. can continue to streamline and expedite its export licensing procedures and trim the COCOM list of controlled technologies, where indicated, to ensure enhanced U.S. export competitiveness; Western loans can continue to support specific trade transactions and projects; and incentives for greater Soviet geopolitical cooperation can be created through expanded East-West economic and commercial relations. Nevertheless, we simply cannot avert our eyes from those economic and financial practices which are deleterious to our long-term security interests; nor can we side-step the need to develop a more comprehensive picture of how the Soviet Union funds itself and its global activities.

I would hope that the U.S. security community, The Heritage Foundation, and other like-minded organizations will dedicate more resources and talented people to undertake further analyses of these issues. I would also recommend that consideration be given to the establishment, through legislation, of an Assistant Secretary of Defense for International Economic Security specifically to deal with the critical security aspects of trade and energy relations, and global finance. If properly structured, such a new position need not interfere or overlap with existing positions or functions which are, for example, responsible for the complex issue of technology transfer.

Finally, it is imperative that we successfully come to terms with the enormous Western contribution to the economic and financial vitality of the Soviet Union and its client states, particularly at a time of budget-related austerity at home.

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POLAND

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Treas.

POLISH MEMBERSHIP IN THE IMF

QUESTION:

Has the United States decided to abstain in the IMF's vote on Poland's membership in the Fund? If so, why?

ANSWER:

- The U.S. has abstained in the IMF Board of Governor's vote on Polish membership in the IMF. This abstention reflects reservations about Poland's membership in the IMF.
- Moreover, the 1983 U.S. IMF quota legislation requires the United States to oppose IMF loans to communist dictatorships unless certain criteria have been met.
- It is unclear that these criteria could be met by Poland. We therefore considered that it would be inappropriate to support membership when we were not in a position to support a possible request for IMF financing by Poland.

BACKGROUND:

The IMF Board of Governors is currently voting on Poland's application for IMF membership. Once a quorum is established, a simple majority of votes in support of Poland's bid will be needed for Poland to gain membership. The deadline for voting is May 27. The U.S. has roughly 20 percent of the IMF voting power.

Among the obligations of IMF membership are:

- Agreement to pursue economic and exchange rate policies which assure orderly exchange arrangements and to consult with the IMF on its policies;
- An undertaking to exchange foreign currency reserves for all balances of its currency used by the IMF;
- Avoidance of restrictive or discriminatory trade and exchange practices without prior IMF approval; and
- Provision of extensive information on its economy and balance of payments which would enable the IMF to monitor the applicant's compliance with its obligations.

The criteria under the 1983 U.S. quota legislation are: whether the adjustment program would provide the basis for correcting balance of payments difficulties; reduce constraints on capital and labor mobility; and is in the best interests of the majority of the people in that nation.

EB # 2
in lieu
of Treasury

POLISH MEMBERSHIP IN THE IMF

ANSWER:

- The U. S. has abstained in the IMF Board of Governors' vote on Polish membership in the IMF. This abstention reflects concern that it would be difficult for Poland to exercise effectively the rights and obligations of IMF membership considering that country's serious economic problems and in the absence of a fundamental commitment to structural reform.

- The 1983 U. S. IMF quota legislation requires the United States to oppose IMF loans to communist dictatorships unless certain criteria have been met.

- It is unclear that these criteria could be met by Poland. We therefore considered that it would be inappropriate to support membership when we were uncertain whether we would be in a position to support a possible request for IMF financing by Poland.

EUR
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DRAFT STATE DEPARTMENT PRESS GUIDANCE

POLAND JOINS THE IMF

Q: CAN YOU CONFIRM THAT THE UNITED STATES ABSTAINED ON THE IMF BOARD OF GOVERNORS' VOTE ADMITTING POLAND TO THE IMF? IF SO, WHY?

A: --Yes, the United States abstained. The White House statement on Poland of August 3, 1984 stated that the U.S. would consider a Polish application to join the IMF "...on its merits, including Poland's willingness to fulfill the obligations of IMF membership."

--The United States participated actively in the IMF Executive Board's study of Poland's membership application.

--The U.S. decision to abstain reflects our concern for Poland's serious economic problems and inability thus far to implement the reforms enacted in 1982. The U.S. concluded that it would be difficult for Poland to exercise effectively the rights and obligations of IMF membership in the absence of a more fundamental commitment to structural reform.

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Cleared:EUR/EEY:HMalin
EUR/EEY:RKKuchel
EB:Minton

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TO PAULA -
From Peter

Washington Watch

Clyde H. Farnsworth

Polish View On New Loans

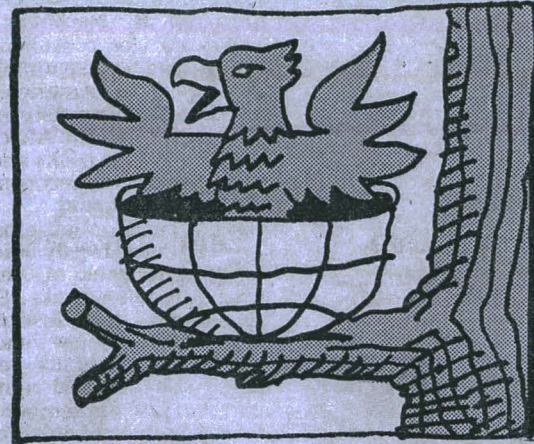
WASHINGTON
ALTHOUGH Poland has just become the 151st member of the International Monetary Fund and will soon join the World Bank as well, the Warsaw Government is unlikely to draw any money from either institution this year.

"I think it would be very difficult" to get a loan in 1986, acknowledged Zbigniew Karcz, director general of the foreign department in the Ministry of Finance. He added that "maybe we can say more about our borrowing intentions" following an I.M.F. mission to Warsaw on July 14.

The mission will look at the results of market-oriented Polish economic changes that increase the autonomy of state enterprises, emphasize profitability and market pricing and restore to banks the task of checking creditworthiness of borrowers. "In the old system," said Zdzislaw Sadowski, Under Secretary of State in the Office of the Council of Ministers, "banks were just like gasoline filling stations. Whoever came in would just get a fill-up." Mr. Sadowski, who is also president of the Polish Economic Society and one of the fathers of the economic revisions, added that "we are changing the very logic of the system."

He and Mr. Karcz accompanied Finance Minister Stanislaw Niecekarz for the signing ceremonies last Thursday at the State Department. It was a low-key visit. They saw no senior American officials, and were received only by a protocol officer. Later they spoke to a few reporters.

While lifting its veto of Polish membership back in 1984, Washington abstained in the actual vote in the executive board two weeks ago to ease opposition to Polish membership in Congress and, to signal unhappiness with the Polish changes, no American officials were available to greet the Poles.



Stuart Goldenberg

Poland's I.M.F. quota was set at nearly \$800 million, entitling it to borrow around \$2 billion, provided it meets I.M.F. conditions. What it might get from the World Bank is uncertain. The Polish Government is currently preparing proposals for World Bank project assistance, Mr. Karcz said.

Poland's debt to industrial country creditors was placed at \$31.3 billion. It needs \$3 billion a year to keep up with interest payments, but in each of the last two years it has been \$1 billion short and had to borrow or reschedule to make up the difference, Mr. Karcz reported.

Treasury's Presence at Parley

Treasury Secretary James A. Baker 3d and Deputy Secretary Richard G. Darman have reconsidered and probably will not go to a privately sponsored monetary conference June 28-29 in Zurich, according to others in the Administration.

Mr. Baker and Mr. Darman are the authors of the policy-coordination agreement at the Tokyo summit meeting. Organizers of the Zurich affair, David Smick and Richard Medley, former Congressional aides who have established an office they call Global Monetary Projects, had hoped the

Treasury officials would present some new details about policy coordination, and in particular about coordinating the exchange rates of currencies.

Part of the reason for Mr. Baker's and Mr. Darman's likely absence seems to be that they want to keep close to the tax-revision deliberations in Congress. Another reason may be that they have some scruples about lending credibility to that side of the monetary debate that favors the gold standard or setting target zones to stabilize currencies, which appears to be the leaning of many of the economists, business executives and officials of some other governments expected in Zurich.

The Treasury may dispatch its Assistant Secretary for International Affairs, David C. Mulford, to Zurich, but the absence of the others could mean that the exchange-rate questions will hang fire at least until the World Bank and International Monetary Fund meetings here in September.

Publication Focusing on Fed

With all the changes in policy and personnel at the Federal Reserve, a need might be there for a publication dealing with nothing but that. So Paul Weaver, a former Fortune magazine reporter here, is starting a publication called Fed Fortnightly. Economists whose support he has been soliciting say Mr. Weaver wants to concentrate on Fed policies, not on the technical esoterica that is the fodder of Wall Street newsletters.

Briefcases

President Reagan, at ceremonies Wednesday at the White House Rose Garden, will make private-sector initiative awards to 30 businesses and associations that have put into effect projects ranging from drug abuse education and increased public awareness of missing children to community economic revitalization and job training.

John Ochs, press secretary to former Agriculture Secretary John R. Block, will become Washington public affairs manager of the Ford Motor Company. His predecessor, Bob Waite, is moving to Toronto as product information manager for Ford of Canada.