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Summary record of a meeting of the Council held at the NATO Headquarters,
Brussels on Thursday, 13th April 1989 at 3.00 p.m.

PRESENT

Chairman: Ambassador M. Guidi

BELGIUM

Mr. P. Thuysbaert

CANADA

Mr. G.S. Smith

DENMARK

Mr. O. Bierring
Mr. Egelund

FRANCE

Mr. G. Robin

GERMANY

Mr. N. Hansen
Mr. von Ploetz
Mr. Hoeynck

GREECE

Mr. V. Zafiropoulos

ICELAND

Mr. E. Benediktsson
Mr. R.T. Arnason

ITALY

Mr. F.P. Fulci
Mr. F. Cardi
Mr. Amari

LUXEMBOURG

Mr. G. de Muyser

NETHERLANDS

Mr. J.G.N. de Hoop Scheffer

NORWAY

Mr. B. Kristvik

PORTUGAL

Mr. A. Vaz-Pereira
Mr. J. de Lemos
Godinho

SPAIN

Mr. J. de Ojeda
Mr. Fuentes

TURKEY

Mr. Ü. Ünsal

UNITED KINGDOM

Sir Michael Alexander

UNITED STATES

Mr. J. Kornblum
Mr. Simons

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I. DEVELOPMENTS IN POLAND

1. The CHAIRMAN opened the meeting by recalling that this was not the first occasion on which the Council had met to discuss events in Poland in recent years. However, it was certainly the first opportunity for the Council to look at Poland in the light of recent positive events there. He therefore welcomed Mr. Tom Simons, Deputy Assistant Secretary for European and Canadian affairs, who was certainly no stranger to NATO Headquarters, and extended a warm welcome to those experts who were present from other capitals.

2. The Council was of course well aware of recent visits to Poland by the Norwegian State Secretary and by the Prime Minister and Foreign Minister of Belgium. The French Foreign Minister was due to visit Warsaw on the 17th April and other high-level visitors from Allied nations would follow in the coming months. In view of the recent agreement on trade union pluralism and political reforms, Western interest in Poland's future was quickening, and the present consultations would therefore be more than timely. He then invited Mr. Simons to take the floor.

3. Mr. SIMONS (United States) welcomed the opportunity afforded by this Council meeting for consultations with the Allies. Copies of his intervention had already been circulated and he therefore planned simply to touch on some of the main themes.

4. The successful conclusion of the Round Table talks in Poland on April 5th represented an important development in East-West relations. Certainly it was an important development for the Poles themselves, and for all the major elements of Polish society which had participated in the talks - the Government, the Church, and most particularly, for Solidarity, which had maintained its ideals and structure intact over 7 long years of repression and illegality. It had now successfully negotiated this result as an equal in the Communist system and with a Communist Government. Clearly, the result was a mixed one with more success in the political field than in the economic one, but there was no doubt that it constituted a major step forward on the road to democratisation and liberalisation which the West had constantly encouraged and pressed upon Communist Governments for decades. The political reforms which had been agreed would, if fairly implemented, represent a change in the Communist system which would have been unthinkable even a short while ago. On the economic side however, much still remained to be done and the economic negotiations themselves had been much more contentious. It was evident that major work on economic stability remained before Poland. Nevertheless, the United States position on Poland was not that successful economic reform would be required before assistance from the West could be considered but rather that political reform would be necessary which would then provide the underpinning for successful economic reform; this was probably also the

position of most of the nations present around this table. That political reform now seemed to have resulted from the Round Table talks. Successful reform in Poland was of course exciting for the Poles themselves, but it also had broader indications for the West. Whilst most of the Allies had welcomed the Round Table result and had expressed sympathy and understanding for the progress made, they had not gone any further - most were indeed still considering the specific steps which would be needed and which would constitute an adequate response to Poland. The Western nations shared many hopes with the Poles but the challenge which recent developments posed to the West was somewhat different from the challenge faced by the Poles themselves. Clearly, the first challenge would be a direct one, with all the major participants in the Round Table talks calling on the West to provide economic support, and arguing that such support would be necessary if democratisation and the progress toward pluralism which had now been agreed was to be sustained.

5. In September 1987, during the visit of then Vice-President Bush, Lech Walesa had told him that if the Polish Government moved towards pluralism, including the re-legalisation of Solidarity, then the United States should support an International Monetary Fund (IMF) stand-by programme, loans by the World Bank and by the International Bank for re-construction and development, debt re-scheduling, and various other economic steps. In March 1989, Walesa had told a group of senior visiting Americans, including David Rockefeller and John Whitehead that, in order to succeed, the Round Table reforms would require Western economic support for Poland. In that same month, Solidarity spokesman Onyszkiewicz had told Western Ambassadors in Warsaw that if the Round Table agreement were signed, Solidarity "will ask that the West consider extending credits and re-scheduling debts". The United States expected that following Lech Walesa's trip to Rome to meet the Pope later in April, Solidarity would make a public appeal for Western economic support. Given the ugly and worsening economic situation in Poland, its past record of poor performance and economic reform and also given the West's own very limited and constrained circumstances, this direct challenge would be a very serious one, and would lead toward indirect, but even more serious challenges.

6. The first such challenge arose from the credibility of the political approach which almost all of the Allies had adopted with regard to Poland in recent years; certainly, as far as the United States was concerned, during his 1987 visit to Poland, then Vice-President Bush had told General Jaruzelski and Lech Walesa that the United States would respond quickly and imaginatively in all fields, including the economic one, to a significant domestic reform of the kind which had now developed. During her spectacular 1988 visit to Poland Mrs. Thatcher had spoken along the same lines. More broadly the conclusion of the

Round Table talks would challenge the credibility of the policy approach which the West had pursued toward the Eastern European Nations for over four decades. Of course, Poland was distinct and special in its history, in the problems it faced, and in the solutions it would seek to develop, and Western responses would need to take that special character into account. Poland was also a European country situated on the other side of a continent, the division of which continued to constitute the root of Western problems. The alien, Stalinist system which had been imposed in the post-war period was in turn at the root of Poland's current problems, and it was against this system that the Poles were struggling. The West had defined Communism as a totalitarian system of absolute control; the Poles had now moved beyond that system and although the Round Table had delivered something short of democracy the reforms which it would hopefully bring about would be far from the Communism which the West had known and opposed. This was of potentially historic importance both to the Allies and of course to the Poles, and it was this challenge which both President Mitterrand and Chancellor Kohl had recognised when they had greeted the Round Table agreement as "an important step on the long way which must lead to the overcoming of the division of Europe, the strengthening of co-operation and the maintaining of peace".

7. The West therefore faced multiple challenges coming directly from Solidarity and other elements of Polish society for economic input and economic assistance. The Allies would also face challenges to their resources and to their wisdom as well as challenges to the credibility of their policy approaches to Poland over recent years. The credibility of the Western approach to the division of Europe over four decades would also be challenged, as would Western ability to articulate a common democratic vision for the future of Europe, including the East.

8. The United States believed that the West was well equipped conceptually to respond adequately to these challenges. The Report of the Political Committee on Eastern Europe (C-M(88)69), which had been discussed over the course of many months in 1988 and which had subsequently been presented to Ministers provided the Allies with a flexible, comprehensive, and sound framework for addressing these challenges. The analysis contained in the Report respected the individuality of each East European Nation and the individual interests and decision-making authority of each of the Allies. It also registered substantial common ground and reflected common interests on the Western side. The following elements seemed to be particularly relevant. Firstly, the Report underlined that the political division of Europe lay at the heart of the Allies' security problem; therefore, support for the development of human rights and fundamental freedoms, the elimination of barriers, and the promotion of intra-state co-operation had long been essential parts of Alliance policy. The West's strategy of encouraging liberalisation remained valid, and the Allies should highlight their

values of freedom and openness which formed the basis of the Alliance and which were in themselves indispensable to the success of efforts towards political and economic reform in Eastern Europe. The Report also underlined that the West had no interest in increasing the potential for instability in the East - however, neither was it interested in propping up un-representative or unpopular regimes. This referred particularly to economic ties where it was stated that financial flows should encourage efficiency and not insulate inefficient systems from the need for change. Economic ties should continue to be conducted on commercially sound terms and primarily for mutual advantage, but they might also offer important opportunities to encourage positive change. One opportunity might be for members of the Alliance, where feasible and if considered politically appropriate, to use prospects of increased economic ties as incentives for meaningful steps towards political and economic reforms. The Report recommended that Western nations intensify and broaden contacts at all levels and with all sectors of the population. Furthermore, they should exploit all possibilities to use official contacts to encourage the opening process and should recognise that unofficial contacts might prove the best avenue for disseminating Western values and ideas. The Report concluded that positive Western engagement along these lines, reflecting and building on the Harmel approach, would advance the West's aims of a more stable and productive East-West relationship and the promotion of more liberal and democratic governments and societies.

9. Turning to elements of the United States response which were presently under consideration, he stated that his Authorities considered the report on Eastern Europe (C-M(88)69) a sound conceptual framework for developing an Allied policy response to the challenges and opportunities presented by the Round Table agreement in Poland. In that sense, the United States considered that Poland currently constituted a test case for the adequacy of the policy approach as set forth in the Report. Deliberations within the United States Government had in any event been guided by that approach both with respect to the overall review of United States policy toward Eastern Europe and to the specific consideration of the United States response to the Round Table agreement. Neither set of internal deliberations was yet complete and no decisions had yet been taken. It was therefore a particularly opportune moment for him to consult with member nations in this Alliance setting and the United States would welcome any information from the Allies on their responses to developments in Poland. At this stage he informed Representatives that his notes contained a number of preliminary themes as far as the United States review of policy towards Eastern Europe in general was concerned. He would not go through them all during the meeting, but hoped that they might prove useful as background information, providing as they did a setting for the approach which the United States was seeking to take towards Poland. He would however take this opportunity to describe the various elements of a

package response which was currently under urgent consideration in Washington, and which included both a number of unilateral steps and a number of others which could only be taken in consultation with other interested parties.

10. In terms of the unilateral steps which the United States could take, he mentioned the following. Firstly, the United States was considering seeking legislation to make Poland a beneficiary of the United States Generalised System of Preferences (GSP). This System eliminated tariffs on imports from developing nations. Poland would certainly fall within the legal criteria for such assistance, although legislation would be required. Secondly, the United States was considering seeking legislation to make Poland eligible for insurance coverage by the Overseas Private Investment Operation (OPIC). OPIC provided insurance on non-commercial risk on private investment abroad, and also had limited direct lending authority. The adoption of such measures would recognise the new importance of the private sector in Poland and the new legal framework created for it by the Poles. It would also recognise the progress made to improve workers rights, specifically with regard to the re-legalisation of Solidarity.

11. The United States was considering three other steps with specific regard to private sector involvement. In terms of its East European Policy in general and of Poland in particular, the United States recognised that with the limited resources of governments the private sector would play an increasingly important role and would give greater scope for the opening up of economies to private enterprise. Thus, the United States would offer the negotiation of a small business agreement to facilitate direct contact with Poland's emerging private business sector. Secondly, the United States would support expanded training and exchange programmes targetted at the emerging independent and private sectors in Poland. Lastly, the United States would declare Government support for creative swaps of debt for equity, for example the use of debt obligations for supporting environmental protection projects. These were all areas which would be managed by the private sector but which could be greatly encouraged by statements of government support.

12. Turning to multilateral steps, the United States was considering the following options and would of course welcome Allied views. Firstly, as the Round Table accords were implemented, the United States would hope that Poland could work with the IMF to develop a stand-by programme subject to IMF standards. Secondly, once such a programme had been agreed, the United States would wish to work with its partners in the Paris Club to develop a sustainable programme for re-scheduling Poland's official debt. Thirdly, with the implementation of the Round Table accords and the negotiation of an IMF stand-by, the United States hoped that Poland would be able to work with the World

Bank and the IBRD to conclude economically-viable and export-orientated project loans. As he had noted earlier, final decisions had not been made on the elements of the package; however, the United States believed that this range of options fell within the parameters of the approach as defined in C-M(88)69, and would constitute, if so decided, a positive contribution to a sound response by the West to important new opportunities. As such, he would particularly welcome comments on the programme.

13. In conclusion, he would invite the Allies to look not only to the near term but also to the medium term. Of course it was not the Council's task at this meeting to consider in detail its approach to the forthcoming Summit meeting. However, the Allies should consider the relevance of the Polish challenge, their responses to it, and what they would be telling Europe and the world at the Summit. The approach set forth in C-M(88)69 contained a number of concepts which could provide very useful guidelines for the Alliance's public statement on that occasion, and he then went on to recall the following main themes to be stressed. Firstly, that the political division of Europe lay at the heart of the Alliance's security problem and that an essential part of Alliance policy was to encourage the development of freedom in Eastern Europe. The Allied approach to Eastern Europe should highlight Western values of freedom and openness as indispensable to the success of reform. The Allies should treat each East European country as an individual nation, encouraging tangible steps toward internal reform, whilst making clear the negative effect which the continuing denial of human rights would have on relations. Economic ties which had the effect of simply propping up inefficient Eastern economies were not in the West's interests; rather, members of the Alliance, where feasible and politically appropriate, should use prospects for increasing economic ties as incentives for meaningful steps towards economic reform which, to be effective, would have to be accompanied by political reform and greater practical respect for human rights. The United States considered that when taken together with the Alliance's active strategy in other areas, notably defence and arms control, this framework could lay the foundation for a Western vision of the future of Europe. The United States would therefore hope to see these ideas reflected in any discussion of the Declaration which would be issued after the NATO's Summit meeting in May, and would hope also to be able to work closely with its Allies to make such goals a reality.

14. The CHAIRMAN thanked Mr. Simons for having shared his Government's views on recent Polish events with the Council and for having outlined the various unilateral and multilateral steps which were being considered. He then opened the floor for discussion.

15. The ITALIAN REPRESENTATIVE firstly wished to thank Mr. Simons very much for his most interesting exposé on United States views on Poland. He then went on to give the floor to Mr. Amari, the Director for Eastern Europe affairs in the Italian Foreign Ministry.

16. Mr. AMARI (Italy) stated that his Authorities were very much in agreement with Mr. Simon's analysis of Poland and of the consequences which recent events in that country would have both for the Polish people themselves and for the West. Italy considered the agreements reached on the 5th April by the Government and Solidarity to signal a new chapter in Poland's history. At the same time, the Agreement constituted a compromise which could bring greater internal stability to Poland, as well as offering a firm base which would have to be taken into consideration by any future Polish Government. The Agreement would also grant juridical and political guarantees to Polish citizens which were unprecedented in the East.

17. As far as the content of the Agreement itself was concerned, he wished to make the following observations. Firstly, the recognition of Solidarity and the other Trade Unions constituted a clear victory for Walesa, as the United States had pointed out. Solidarity was now recognised as a fundamental component of the Trade Union landscape in Poland and had been able to assert itself as a social movement and to become part of the new power structure in Poland. In Italy's view, the main advantage of political reform was the recognition of a stable role for the opposition, something which was unprecedented in the East. Despite the fact that the Government had reserved for itself a secure majority this main advantage also held true as far as the new Senate was concerned, where the opposition could win a majority of seats in the next elections. The Senate would also have the power of control over the laws agreed by the Sejm, which could approve them only with a qualified majority. As far as the economic reforms were concerned, Italy considered that the involvement of Walesa in the Government's future austerity plan was clearly the price he had had to pay for the Agreement. This was the most delicate aspect of the entire experiment, since Solidarity would have to co-operate with the régime to enable Poland to improve its economic situation. Walesa would be faced with the difficult task of conveying to the Polish population the same sense of trust that he had expressed publicly regarding the political will of the Government to bring about changes in Poland.

18. As far as the Eastern bloc as a whole was concerned, the Agreement reached in Poland confirmed that the new course in Moscow was producing its first fruits. Of course the Soviet Union would respect the results of the Round Table and would be interested in the outcome of the experiment; however, the Poles would be given no blank cheques - the Soviet Union had simply shifted the limits of its tolerance. As far as the West was concerned, Italy considered that the Allies should

consider democratisation in the East, albeit Socialist style, an irreversible process, and should draw the appropriate conclusions in terms of supporting the efforts of the Socialist societies to bring about their most ambitious aims, especially in the economic field.

19. As far as Italy's intentions were concerned, he informed the Council that on the 12th April Mr. Andreotti had talked with the Polish Ambassador to Italy, who had indicated the following three areas in which Poland was most interested: the Club of Paris; credits by the World Bank and IMF; and further involvement by the private sector. Italy had always maintained a position of understanding towards Poland and had always sought to facilitate solutions which could combine Polish demands with the principles of the Club of Paris. His Government intended to continue on the same line. As far as credits by the World Bank were concerned, Italy agreed with the United States that the financing should be given on a case-by-case basis for worthwhile projects. Turning to IMF credits, Italy also agreed with the United States that no obstacle should be placed in the way of the conclusion of a stand-by agreement provided that the Polish Government undertook to adopt a plan of economic reform. Finally, with respect to private sector involvement, he informed the Council that during his visit to Poland in May 1989 President Cossiga would sign an agreement for the promotion and protection of investment which, in Italy's view, would create a favourable framework for the establishment of joint ventures, especially as far as small- and medium-size enterprises were concerned.

20. The NORWEGIAN REPRESENTATIVE stated that the historic agreement which had been concluded between Solidarity and the opposition on the one hand and the Polish Authorities on the other represented an unprecedented achievement in the dynamic and far-reaching process of change and reform which was now sweeping Eastern Europe. For the first time, the West had witnessed what amounted to a constructive and genuine dialogue between the existing Communist regime and the opposition in a Warsaw Pact nation. True, the outcome of this new relationship between rulers and the ruled fell short of introducing fully democratic principles and institutions, and the significance of the Agreement could ultimately be judged only through practice and implementation. Nevertheless, there was a new beginning, one that boded well, and one on which Solidarity and the democratic forces of Poland could build. A process had been set in motion and it was the West's responsibility, within the limits of its possibilities, to assist and to see to it that this process succeed. Against this background, he wished to express the appreciation of his Authorities for the United States initiative in requesting this Council meeting, which provided the opportunity for discussing Western responses to the Polish challenge. In the wake of the introduction of martial law, in January 1982, NATO nations had outlined a policy with regard to Poland and had set standards and baselines which would have to be set before relations with that nation

could be normalised. These requirements had now been met and the time had come for the Allies to act and to respond promptly and positively. As its point of departure the Norwegian Government foresaw a policy which would aim at an overall strengthening of the dialogue and practical co-operation with Poland. This policy should be constructed in such a way as to generate further reform and change, whether in the political or economic field.

21. In the political field, Norway foresaw a further intensification of bilateral contacts. In a relatively short space of time Norway had received visits at the level of Defence Minister and Minister for the Environment, and the Polish Foreign Minister was expected to visit Norway. Recently, talks had taken place at the level of State Secretary/Deputy Minister between the two Foreign Ministries. Parliamentary contacts had continued and at a recent bilateral round table discussion in Oslo members of the opposition, i.e. Solidarity, had been included in the official Polish Delegation. Norway would maintain these contacts. During such talks with Polish Representatives a keen interest had been expressed in developing ties with Western Europe and Western multilateral institutions, such as the European Community, the European Free Trade Area (EFTA) and the Council of Europe. Where possible and appropriate Norway considered that it would serve the West's long-term interests to facilitate Poland's association with Western and other international fora. In order that the fledgling Polish experiment with a more democratic form of government might be developed further, the crucial factors would obviously be economic growth and social stability. In particular, it seemed important that the question of the heavy debt burden be addressed. Furthermore, the West's efforts should be tailored to open Poland to the world economy and make it more export orientated. In bilateral discussions on the restructuring of Poland's debt to Norway his Authorities, commensurate with falling interest rates in Norway, had indicated that they might adjust these rates accordingly in the Polish case. At the Paris Club and in other relevant fora Norway would work towards restructuring agreements which might ease the burden for Poland and thus contribute to economic progress. Endeavours in this field should of course be based on existing guidelines. As the Polish economy moved away from central planning towards market orientation the West should encourage investment and joint ventures. Several Norwegian companies were currently discussing such projects with their Polish counterparts. The question of transfer of knowledge in the field of management and environmental protection constituted other important fields of co-operation. Norway would continue its discussions with Poland on what might be done in a bilateral context during a forthcoming meeting of the Polish-Norwegian Mixed Commission in mid-May.

22. In conclusion, he underlined that Poland had embarked on a new political course which, if successful and allowed to develop, could have a decisive impact on the future course of events in Eastern Europe. It remained for the Allies, through an active policy of prudence and firmness combined with initiative and flexibility, to do what they could to keep Poland on the right track towards pluralism and democracy.

23. The GERMAN REPRESENTATIVE stated that before passing the floor to Dr. Hoeynck, the Deputy Assistant Secretary for Central and Eastern European Affairs in the German Foreign Office, he wished to underline the satisfaction of his Authorities at this Council meeting which offered the opportunity for consultation amongst Allies. Beyond the immediate cause of this discussion, namely the historic Round table meeting and agreement which had been reached in Poland, he had been most interested in Mr. Simon's statement and was greatly comforted by the high degree of consensus which had already become apparent amongst the Allies with regard to Poland. For various evident reasons, Germany had an important role to play in this area. He then passed the floor to Dr. Hoeynck who would share with Representatives the views of the German Government on this matter.

24. DR. HOEYNCK (Germany) opened by expressing his great pleasure at being able to participate in these Council deliberations. He had listened with great attention to the statements which had been made around the table and was pleased to say that there was almost no point with which the German Government would differ. He had particularly appreciated the analysis which had been provided by the United States and supported the overall approach explained by Mr. Simons which was taking shape as the policy of the United States Government. The Federal Republic would also welcome strong statements of this nature from the highest levels of the United States Administration.

25. There was perhaps one area where he would take issue with Mr. Simons, and this was when he had stated that the challenge facing the West was different from that facing the Poles. Clearly this challenge was different, but political reform in Poland appeared to be easier to bring about than economic reform, and this situation was perhaps also true for the West. It was relatively easy for the Allies to make political statements and to try and do everything possible to direct the course of Polish policy to the extent possible. However, it would not be easy for the West to support such political statements by economic and other actions. Basically, the West appeared to be faced with the following three questions: firstly, what was the actual situation in Poland?; secondly, what were the prospects for future development there?; and finally, how should the West react? As far as the first two were concerned, the statement which Mr. Simons had already made provided an extremely accurate and concise picture of the situation, with which Germany fully concurred. Similarly, Germany also

agreed that the reforms currently taking place in Poland were without precedent in any Warsaw Pact nation. It was sometimes very easy for the West to take for granted such developments in the Eastern bloc; however, thinking back only one year, who would have thought that Mr. Walesa would have been one of the leading and accepted figures of the official Polish establishment? It was important to recognise the amount of change which had already taken place and which was still developing. With respect to the current situation in Poland and the opening up of that nation to the outside world, he informed the Council that in 1988 the German Embassy in Warsaw had issued 800,000 visas to Poles who had wished to travel to Germany; unfortunately, 40,000 of those Poles had wanted to stay in the Federal Republic and had asked for asylum there.

26. Turning to prospects for Poland's future development, he again agreed fully with previous speakers that the current situation appeared to offer the chance for an historic change. One of the most important yardsticks for the success of the new policies in Poland would be whether or not the Poles could maintain stability. The Round table talks had set about this issue quite realistically and had built in a number of steps so that evolutionary developments would not turn into revolutionary ones. It would be in the interests of neither the Poles themselves nor of the West for the situation to get out of control. One element to add to the picture which had already been drawn was that Solidarity would now be operating side-by-side with official trade unions, which might give rise to very fierce competition - indeed, something of this had already been seen. The Polish Government, and Mr. Rakowski in particular, was known to be very afraid of the instability which might arise from rivalry between the Unions.

27. He then turned to the most difficult question facing the West and the main reason for this consultation, namely how should the Allies react to the developments in Poland? At the outset, he would differentiate between the two mainstreams of reform, the political and social sides, and the economic side. One factor which had been underlined in all the statements which had been made was the interdependence of these two factors. He wondered in fact whether interdependence was a strong enough term - the political and economic reforms were in fact very strongly intertwined and his own personal feeling was that either both would succeed or that neither would; this underlined the importance of the economic side. As far as political developments were concerned, and with some hesitation, he would suggest the following areas where support and help could be provided to the Poles. The time lag between the end of the Round Table discussions and the elections was extremely short, with the first two elections taking place on 4th June. Given that there was practically no established structure for an election campaign by those organisations which had previously had no possibility of participation, he wondered whether it

might be possible for the West to assist, either with advice or possibly in a more substantive way, via the Trade Union movement or via party affiliations. Clearly this was a thorny area but the Council was the appropriate forum in which the Allies could consider this matter. Such assistance should not be limited to the election day itself; when a more democratic structure developed, the Poles would need much more advice and the Allies should try to establish appropriate points of contact within their own nations to cover any questions which might be asked.

28. Turning to the economic side, he stated that the Federal Republic basically shared the views which had been expressed by previous speakers. Everyone agreed that Western help was a pre-requisite for the success of the overall reform process in Poland. One of the main reasons why the West should now try to use its economic instruments was the credibility factor; since the beginning of the 1980s, and as the Permanent Representative of Norway had already pointed out, Western nations had indicated that they would be ready to help Poland if some kind of genuine understanding in that nation was brought about. That understanding now seemed to exist, and in fact developments had gone much further than the West could have imagined. Another reason for the West now making use of its economic possibilities to assist Poland was to underscore that the Allies would stand by their previous statements. It was essential not only to make statements but, in the context of the West's relationship with Poland, to honour them as well. Such Western support could lead to a much higher degree of democratisation and freedom in Poland. One additional point to be made and in specific relation to the situation of the Federal Republic, as a close neighbour of Poland, was that in the medium- and long-term it would be very difficult to support the West's aim of the freer movement of people, ideas and goods if there were dramatic differences in living conditions between nations. In this regard he recalled his earlier statement with respect to the number of visas which had been allocated to Poles in 1988, and pointed out that in each month of 1989 there had been an increase of 40% to 50% in requests for visas. With Poland becoming more open to the West and with each Polish citizen now having the right to hold a passport permanently, differences in living standards would mean a greater movement of population. In terms of the CSCE process therefore, the German Government considered there to be an immediate link between the second and third Baskets of the Helsinki Accord. This was another prime reason for making use of the economic instruments to hand to help the Poles.

29. It was now of crucial importance for the West to agree on a form of economic co-operation with Poland which would be concrete, economically viable, taking account of current limited possibilities, and which would be targetted on realistic prospects for progress. The question of speediness could not be underlined strongly enough. The Round Table discussions had now finished, and the elections would be

held very soon. After that time, the new Polish Government and structure would start to function and the West could not afford to wait for too long. Initial steps were needed as soon as possible, which was why the Federal Republic so much appreciated the United States initiative to hold this reinforced Council meeting. Economic co-operation was one of the ties which could serve to link the West more closely with Poland. Certainly, it would be very important to identify an intermediate solution for Poland's \$39 billion debt problem - 65% of this was held by nations represented in the Paris Club, 25% was held by banks, and in this respect he noted that a third of the debt was held by German banks and by the German Government. The Allies had many possibilities to assist, both bilaterally and multilaterally, and previous speakers had rightly mentioned such fora as the EEC and the EFTA. The Council of Europe was also important, albeit more in the political sense. Such means of assistance were all interdependent to a certain extent - in most instances, government guarantees could only be given if the beneficiary satisfied the requirements of the Paris Club, and this in turn usually functioned only with the stand-by agreement of the IMF. The Allies were therefore faced with a thorny problem, even more so since the IMF and the Paris Club were closely interlinked and since national Ministries of Finance might not always take the same views as their colleagues in other Ministries. The West would have to provide the necessary political impetus to developments in Poland. Clearly, finding a solution to Poland's debt problem would be very difficult. Poland was one of the world's high-debtor nations and the West could not afford to identify a solution to Poland's problem which might then act as a precedent for the other high-debtor nations. Poland would have to follow the general pattern as far as debt re-scheduling and possibilities for improving bilateral conditions for economic co-operation was concerned. In some nations, however, conditions for bilateral guarantees for loans were not governed by law but by statutory government decisions, and it might be possible for some Allies to resolve the situation more quickly than others.

30. Previous speakers had all given indications of individual national actions as far as Poland was concerned. He planned to do the same but would ask for the Council's understanding; it would be difficult for him to be very specific in this area, given that the German Government was currently negotiating a package with Poland on bilateral political and economic issues to normalise their relationship. He would however mention those currently under consideration; firstly, in the bilateral field, the German Authorities had been told by Poland, as had all the Allies, that the most important element was fresh money. Clearly this was what Poland needed and it was therefore of the greatest importance that the Paris Club try to bring about an "orderly debt situation" for Poland which would allow member governments to guarantee further loans. In this regard he informed the Council that the Paris Club had met on 11th April and had made certain statutory declarations

towards Poland, which had been friendly and most constructive. However in practical terms the meeting had not led very far; Poland still had a number of conditions to fulfill and had not yet signed the declaration of 19th December 1987. Basically however the Paris Club meeting was considered to have been quite successful, and more impetus was now needed to guarantee further loans to Poland. Guarantees of investment would be one of the possible areas of interest to both Germany and Poland and, like Italy, Germany planned to sign an agreement for the protection of investment. This would be quite difficult to do as far as Poland was concerned, but nevertheless the German Authorities considered that it would be possible. There was one specific factor as far as the German/Polish relationship was concerned in that in 1975 the German Government had allocated a special loan of DM 1 billion to Poland under the political conditions prevailing at that time. The Government was now considering the possibility of Poland repaying part of this loan in zloty rather than in hard currency. Germany was also considering giving support for training and small businesses in Poland and would also try to motivate the private sector there.

31. This, then was the spectrum of assistance currently under consideration. Germany wanted to act on careful analysis as far as economic and political conditions were concerned and not simply on wishful thinking, and was convinced that if all the Allies followed the paths which had been sketched out at this meeting then they would be able to provide the necessary assistance to, and improve co-operation with, Poland. In the long-term this would serve to counter the division of Europe, thereby marking another success for the Alliance.

32. The NETHERLANDS REPRESENTATIVE recalled that in his opening statement the Chairman had underlined that this was a timely consultation on Poland. He saw this meeting as part of a continuous process and recalled that on 11th January 1982 the Alliance had held a similar meeting when members had co-ordinated a number of principles concerning a dialogue between the Polish Government, Trade Unions and the Catholic Church. Clearly in the interim, the situation had greatly changed and there was now all the more reason for the Council to investigate the possibilities and to identify the kind of support that the Allies could give to the reforms in Poland. The Netherlands could agree with much of what had already been said and he underlined in this respect that the Round Table discussions in Poland had marked a significant step towards democracy. The Allies would have to support further developments in that nation pragmatically and realistically. The future policies of both the Polish Government and Solidarity itself were still not as clearly defined as the Allies would have hoped. Of course, this being said, the elaboration of the Round Table agreement itself was of the essence. As Mr. Amari had stated earlier Solidarity's situation was now a very delicate one; the Trade Union had been forced to make a number of concessions especially in the economic field, and it

could well be that Walesa himself would have some difficulty in maintaining support, especially from the younger followers of Solidarity who perhaps felt that there had been too many concessions. The Allies would have to follow developments in this area very closely.

33. Possibilities in the economic field had already been touched on, and Mr. Simons had made a number of points with regard to multilateral efforts. The Netherlands Authorities were currently dealing with these matters in an effort to co-ordinate the actions of the various Ministries involved, and once these consultations had been completed, he would transmit the Netherlands suggestions to the Council. As far as economic developments in Poland and possible support from the West was concerned, the Netherlands considered that in the long-term it would be very important for the West to take into account the results of the negotiations on a Trade Agreement between Warsaw and the European Community. In this regard, he pointed out that the EEC had a mandate which did not go as far as did that for Hungary but which offered broader possibilities than did the mandate for Czechoslovakia or East Germany.

34. The report of the Political Committee on Eastern Europe (C-M(88)69) was indeed an extremely useful document, as Mr. Simons had already pointed out, and it demonstrated how different the approaches of individual Allies could be. It also demonstrated the importance of consultation between Allies in order for each to be aware of what the others were doing and to co-ordinate their general approach towards Poland. Given the importance of such consultations Poland would have to remain permanently on the Council's Agenda.

35. The DANISH REPRESENTATIVE stated that, heeding advice from earlier occasions on which the Council had been reinforced by representatives from capitals, he had agreed with Mr. Egelund, who was in charge of the Eastern European division of the Danish Foreign Ministry that he should be the sole spokesman for Denmark on this occasion.

36. He wished to add his thanks to those of his colleagues who had commented on the timely United States initiative to discuss "the Polish problem" following the conclusion of the Round Table Conference on 5th April. He had used the term "the Polish problem" because the West was so used to considering Poland as such. However, it might now be that Poland had reached a turning point and that an opportunity had been afforded which the West and Poland should not fail to grasp. Many uncertainties still remained, of course, the most important being whether or not the implementation of political reform and trade union pluralism would be accompanied by a strong and determined economic and social reform policy. Thus far, the Poles had issued only declarations of intent. This being so, the opportunity to discuss these problems in the Council was even more welcome.

37. He had been greatly impressed by the analysis offered by the United States which he had found both fair and balanced. Denmark could subscribe to most of it without reservation. He would therefore mention simply a few essential points as far as the position of the Danish Government was concerned. The courageous step towards national reconciliation which had finally been taken by the Polish Government merited Allied expressions of support and encouragement; for the most part these had already been made. Politically, Denmark considered that a further intensification of the dialogue with Poland at all levels was now needed - in fact the Danish Government had begun such a dialogue before the Round Table Conference and now intended to further step up the process.

38. Economically, Denmark considered the most efficient form of support that could be offered at this juncture was debt re-scheduling, and the Danish Government would display as much flexibility as possible both in bilateral and in multilateral negotiations on this subject. This approach had the added advantage of not creating false expectations in other East European nations, since the Polish debt burden was generally recognized to be in a category of its own. Turning to the negotiations with the IMF, he stated that Denmark shared the view that the usual standards would have to be applied. Generally, he believed that a demonstration of will and ability to carry out the necessary economic programmes would have to precede negotiations on a stand-by arrangement. However, in the case of Poland, Denmark was ready to be flexible as to the timing of negotiations in relation to the results of the economic reform process. Turning to the negotiations between the European Community and Poland on an agreement on trade and economic co-operation, Denmark considered that closer economic co-operation between the Community and Poland could provide an important impetus towards the much-needed modernization of Polish industry.

39. Finally, in the bilateral field, Poland had always played rather a large role in Denmark's trade with Eastern Europe. Thus, in the Danish business community there was considerable expertise and interest available which would be encouraged, together with the implementation of an economic reform programme in Poland. In conclusion, Denmark believed that a positive and carefully balanced approach should henceforth now be adopted by the West; this would hopefully help to consolidate the encouraging developments which were now taking place in Poland.

40. The CANADIAN REPRESENTATIVE agreed with previous speakers that this was an opportune moment to discuss developments in Poland and therefore joined his colleagues in welcoming the United States initiative to hold this reinforced Council meeting. He went on to underline Canada's agreement that C-M(88)69 provided an excellent basis for the consideration of Allied policy to Poland in the light of the

recent developments there. Having analysed Poland's problem in the aforementioned document and having commented on possible Allied responses to changes in that country the Alliance had now seen those changes take place and had welcomed them. Therefore, it now remained for the Allies to make their deeds accord with their words; this would certainly not be easy. The Round Table Agreement had altered the political landscape of Poland and, on the basis of the new national consensus, should lead to significant liberalisation and democratisation of the Polish political system. Of course this represented a decisive break with the post-war order. It was important to underline both the consequence of what was happening in Poland and the fragility of these changes, and in this respect he shared the views expressed by Dr. Hoeynck that there was a linkage between political change and economic change. Clearly, the type of changes which were currently taking place in Poland accorded with the Allied interest in achieving a peaceful and democratic transformation of Eastern Europe. Therefore, whilst recognizing that the solution to Poland's problems could only come from the Poles themselves the West should encourage and support their efforts. As the Foreign Minister of Canada had observed in his statement on the Polish accords, the economic and political reform in Poland would have to go hand in hand. However, these two hands would not always pull in the same direction, and the central problem facing the Polish leadership would be how best to manage the inherent tension between the requirements for political stability and the demands of economic reform.

41. Moving to economic reform, he pointed out that Poland was still without any clear plan - the economic sections of the accords provided little more than a notional indication of the direction in which the nation intended to move economically. A real economic programme could only be expected to emerge later in the Summer when a more representative government and parliament were elected. Solidarity's own position on economic reform was at best unclear and, as it began to form, it would presumably reflect the Union's judgement as to what its members and the general public would bear. The agreement of Solidarity to the 80% indexation formula, given the prospects for an inflation rate that could reach 100% in 1989, gave some indication of the extent to which Solidarity believed that economic sacrifices were acceptable. Looking at the balance between economic and political reform and recognising, as the Allies all did, the kind of structural adjustments which needed to take place, this particular aspect of the Accord was an important one, since it indicated an acceptance, at least on the part of the Solidarity leadership, that there would have to be a reduction in the living standards of the Poles. Canada was concerned at growing suggestions that Solidarity might be looking to shift the burden of these economic adjustments to the Western nations. Reports that Walesa was planning a high-profile "selling" campaign in the West and that he would seek the endorsement of the Pope for Poland's request for massive

aid might well put Western Governments in the difficult position of appearing unresponsive to appeals from an organization which they had always championed as the true voice of the Polish people. The programme ultimately approved by the Polish Government would have to reflect sound economic practice and, as previous speakers had already indicated, Western assistance should foster such an approach. Canada joined those who felt that it would be fruitful to broaden the focus of such assistance beyond the purely financial to include other relevant aid, such as management training and practical help in establishing new financial instruments and ventures in the private sector. Such efforts should aim to ensure that past inefficient use of financial resources should not be repeated in the future. This being said, Western Governments would not be able to avoid being asked for financial assistance; thus, Canada firmly believed in the value of co-ordinating Allied views and approaches. The United States had made a number of significant proposals for unilateral and multilateral action to assist Poland. In fact, Canada had already responded to the United States during consultations which had taken place earlier this year in Ottawa. At that meeting his Authorities had indicated that they had already provided Poland with a draft text for a bilateral foreign investment assurance agreement. Canada was also ready to complete its bilateral rescheduling agreement with the Polish Government as soon as Polish representatives were ready to meet on that subject. Thirdly, Canada supported a further re-scheduling by the Paris Club of the Polish debt as soon as bilateral agreements were concluded and an IMF stand-by agreement was in place. Fourthly, Canada would welcome private sector development in Poland and would support additional international finance co-operation lending. With regard to an IMF programme, the Canadian Government believed that the Executive Board should consider a tranche stand-by programme for Poland, provided that the Polish Government normalised its relations with official creditors and subject to an assessment by the IMF of the progress achieved in implementing economic reforms. He underlined that this was still only preliminary thinking and that further positions would be elaborated after this consultation, following the forthcoming visit of the Polish Foreign Minister to Ottawa and in the light of consultations that would take place in other economic fora. In conclusion, he wished to echo Mr. Simons' suggestion that the Allies look on the forthcoming Summit Declaration as constituting one of the direct means of conveying the Allies' approach to Eastern Europe and in particular to the recent developments which had taken place in Poland.

42. The UNITED KINGDOM REPRESENTATIVE underlined the important point that this was the first time that the opposition in a Communist nation had been given an institutional role and offered the chance to influence policy. The questions which followed on from this development had already been addressed by previous speakers, namely how the political reforms would be implemented, what would follow, and what

would happen on the economic front. These were all questions for the Poles themselves; for its part, the West would have to identify the challenges which would emanate from Poland and the Allies' response. As far as the problems facing the Poles were concerned, the fact was that no-one, including the Poles themselves, had any real idea of how the new system would work; taking an example, he pointed out that the wide powers given to the new President and hurriedly agreed by Solidarity towards the end of the Round Table talks were already causing considerable concern in Poland. It was clear that the Communist Party was trying to safeguard its leading role, which meant that there could be trouble ahead. As both Italy and the Netherlands had already stated, Solidarity itself faced an acute dilemma; obviously, the Authorities now expected it to deliver what it had promised in terms of worker performance, defusing potential strikes and assisting the Government in enacting the painful economic measures. The more Solidarity helped in this way then the more it would risk losing its credibility with the very workers it represented. As the Permanent Representative of the Netherlands had already pointed out, there was every evidence that radicals in Solidarity at the factory level were criticising Walesa himself. At the same time, and as Dr. Hoeynck had already pointed out, the official Trade Unions in Poland were evidently trying to outbid Solidarity for support amongst the workforce. In short, there were all sorts of uncertainties ahead on the political side.

43. Turning to the economic sector, he pointed out that the main problem with the outcome of the Round Table talks was that nothing of substance had been agreed, with perhaps one notable exception which he would return to later. On the economic side the agreements had consisted simply of vague principles and issues. The United Kingdom agreed with Mr. Simons that the West had always proceeded on the assumption that the Poles would have to sort out their political problems in order to reach a consensus on which they could then base their economic reforms. However, the United Kingdom now considered that it would be essential for the Poles to reach agreement on an economic policy which could win the support of the international community and of the various international financial institutions - the West should not suppose that such confidence could simply be imposed by various governments trying to do the Poles a favour. As the United States had stated, the Poles had always argued that international support for their economic recovery would be needed and had emphasised that long-term debt rescheduling and the restitution of export credits by the West would be necessary. Basically, the United Kingdom response to that claim had not been changed by the Round Table agreements. The United Kingdom had consistently told the Poles that they should first negotiate and begin to implement an IMF agreement before any consideration could be given to their proposals. This was the normal approach in dealing with debt problems in any part of the world and as previous speakers had already pointed out, Ministries were interested in ensuring that the proper

precedents were followed. An IMF agreement on the usual standards would ensure that the Poles were taking the appropriate measures to bring their economy back into balance, and to sort out their budget deficit and their balance of payments. If there was no IMF agreement on the usual standards and if it did not achieve the objectives which he had outlined then it would not be accepted by the commercial lending institutions in the West as the kind of assurance that they would need for new lending. In other words, the West faced something of a conundrum as far as the IMF was concerned; a weak IMF programme would be neither in Poland's interest nor in the interest of the West. On the other hand, a full IMF programme might well prove out of reach. Coming back to the one exception in the Round Table accords which he had mentioned earlier, he observed that the one agreement of substance which had been reached was that dealing with wage indexation; it was precisely this kind of agreement which would be very difficult, if not impossible, to square with the sort of corrective measures which the IMF would require. The West would therefore have to use its imagination and hope that intermediate steps could be identified which could move the IMF and Poland gradually towards a full relationship.

44. The United Kingdom had regularly told the Poles that they should start servicing their past loans in accordance with the 1987 Paris Club Agreement. In the United Kingdom Governments' case these loans totalled over £1 billion, and there had been no repayment at all of any of this debt, despite the fact that bank lending was being properly serviced by the Poles. Frankly, unless there was some movement on both issues i.e. the IMF programme and the official debt repayment, then creditors would continue to be reluctant to re-schedule more debt and to resume credit guarantees to Poland. The United Kingdom considered that it would not be appropriate to dilute established Western policy on credit and debt, although at the same time he recognised that the right signal would have to be conveyed to the Poles. The West would have to make it plain that the new and historic era which had opened up in Poland was welcomed and that as Mr. Simons had stated, the West was conscious, that much had been said by its political leaders in the past which would not be forgotten by the Poles. The United Kingdom therefore believed that the West would have to seek to devise a range of economic measures as far as possible in concert with one another. At this juncture, he wished to point out how much he had welcomed this discussion and the United States initiative in proposing such a reinforced Council meeting. He very much hoped that there would be other similar discussions in the future. A range of economic measures should be devised for the Poles which would form a graduated response to political and economic progress in Poland. In fact the United Kingdom was already developing a management training programme for Poland, and considered that more could be done with regard to training and scholarships. The United Kingdom also saw possibilities in the trade field, and in the promotion of investment and lending by

international agencies. Doubtless there were also many other areas which could be considered. The United Kingdom Authorities were considering a number of options and hoped and expected to be able to make a worthwhile contribution to assist the Poles whilst not jeopardising prospects for a well-based strategy for the longer term. As he had stated earlier, he hoped that it would be possible for the Council to hold further discussions and to exchange views on policies and proposals which might advance these objectives. In conclusion, he stated that he had noted with care the last point of Mr. Simons' remarks as far as references to these kind of problems in the Summit Declaration were concerned. He was sure that the Council should continue to work on this.

45. The SPANISH REPRESENTATIVE recalled that not very long ago the Council was defending the thesis that Poland should not be singled out for the imposition of severe conditions by the West since, despite what had been happening there at that time, it remained one of the most liberal of the Eastern European régimes. The situation had now changed of course and Spain welcomed the timely initiative of the United States to hold this reinforced Council meeting to discuss recent positive developments in Poland. He had heard many persuasive presentations and important suggestions, all of which his Authorities would consider most carefully.

46. As the Representative of the nation which currently held the Presidency of the EEC, he took the opportunity to remind the Council that on 6th April the EEC had issued a joint declaration welcoming the outcome of the Round Table accords and expressing the hope that a rapid conclusion could be reached to the negotiations for a trade and co-operation agreement between Poland and the EEC. He then passed the floor to Mr. Fuentes, the Head of the Eastern European Department of the Spanish Ministry of Foreign Affairs who was no newcomer to the Council and who had significant experience of Eastern European affairs.

47. Mr. FUENTES (Spain) opened by expressing his agreement with the views expressed by Mr. Simons. This Council meeting provided the Alliance with an excellent opportunity to react to the historic developments which had taken place in Poland. Since the end of the Second World War the Poles had striven to achieve what they actually now seemed to have obtained. The latest developments meant that the West would have to take an urgent decision with regard to Poland and in this respect he recalled that the Foreign Minister of Spain had made a declaration on 6th April which had followed the lines of the Joint EEC Declaration made on the same day. Of course declarations on their own were no longer enough and, as the Poles themselves had said on many occasions, after making many declarations and giving much excellent advice, the West would now have to do something more. Action was needed both on the economic and political level although certainly Poland was

in greatest need of economic support. The Poles had continuously asked for such support over the past months and had addressed their requests on many occasions to Spain as current President of the EEC. The Poles had basically made the following three requests: firstly for financial and technical support; secondly for a reference to the Club of Paris; and thirdly for political support - for example through state visits to Poland or through visits from Prime Ministers or Foreign Ministers. The proposals outlined by Mr. Simons had mainly referred to the first two requests and basically had concentrated on the financial area. As far as the twelve members of the EEC were concerned, the Council was already well aware of the actions being undertaken; the first round of negotiations to reach an accord with Poland had begun on 20th March and it was hoped that the accord could be concluded before the end of June 1989. The Poles hoped for an early agreement although it was not yet possible to say whether all of their demands would be met.

48. He then went on to comment on the three specific unilateral steps mentioned by the United States. Turning firstly to the private sector, he pointed out that this area was included in the Community's negotiations with Poland. On a purely bilateral basis Spain considered private sector involvement feasible and was ready to undertake negotiations with Poland in this respect. Clearly, emphasis would be placed on Poland providing facilities for Spanish businessmen travelling there. Moving on to the United States Generalised System of Preferences (GSP), he foresaw no basic problems but pointed out that as presently constructed the system was intended mainly to cover developing nations. Poland clearly was not a developing nation but rather a nation which had been badly developed, and this point might have to be inserted into the system before it could apply to the Polish case. With respect to the Club of Paris he stated that he had been somewhat struck by the intervention of his German colleague; given that that nation held one third of Poland's total debt it would perhaps be out of place for other nations and particularly Spain with an outstanding loan of only US \$150-200 million to Poland to be overly generous. The West needed to be prudent; nevertheless he had detected a tendency amongst the sixteen nations present to show more generosity towards Poland in the Paris Club. He also agreed that a stand-by programme from the IMF was needed.

49. In conclusion, and given the consensus which appeared to exist around the table, he would urge the Allies to act quickly and decisively as far as Poland was concerned; such action would be necessary if Poland's latest attempt at a more open and westward-looking society was not to fail once again.

50. The FRENCH REPRESENTATIVE stated that his Authorities shared the sense of satisfaction which had been expressed by previous speakers with regard to the outcome of the Round Table talks in Poland. This had already been conveyed to the Poles by the French Government either

bilaterally, or in the framework of the EEC Declaration or by means of the joint declaration issued by President Mitterand and Chancellor Kohl. Clearly the Round Table accord marked an historic development in Poland and corresponded to Western views regarding the need for a solution based on an agreement between Solidarity and the Polish Authorities. Of course, the Round Table agreement was a compromise, albeit an historic one, and as with all compromises it did not solve each and every problem. Furthermore, it represented a compromise which had been reached only after long and arduous work by all sides, and there were a number of outstanding problems. Firstly, there were political problems - for example what would be the reaction of the party hardliners, and what would be the reaction of the Polish young people in Solidarity, most of whom were very impatient for reform? What would be the reaction of the Polish population, which was so disillusioned and disappointed after the many years of crisis? In that context it would be interesting to note the level of participation in the June elections and to find out if the Round Table accord would enable Poland to rise up out of its passivity. Then there were the economic problems which were considerable. Certainly much depended on what the Poles themselves would do, but much would also depend on what the Western nations were prepared to do, and in this respect, there were a number of ways of regarding the linkage between the political and the economic factors. Clearly, the West's readiness to help the East European nations would be conditioned by the political evolution of the latter. However, it was one thing to base Western action on the political evolution in such nations, but it was quite another to make a direct linkage between economic assistance and the timely realisation of the West's objectives. Even as far as the first kind of linkage was concerned there was often considerable advantage in keeping it implicit as opposed to explicit. Another way of looking at the linkage between political and economic reform was to see it in relation to what was happening in Poland itself, and in this regard he took up the analysis made by the German Representative and underlined that political democratisation and economic reform in Poland were inextricably linked and the two would either succeed together or fail together. Therefore, if the West wanted political democratisation in Poland to proceed it would have to assist economic recovery. In this respect and as Mr. Fuentes had just pointed out, it was no longer sufficient for the West simply to make statements; the Allies would have to honour their past rhetoric and act quickly. Of course, economic recovery in Poland did not depend solely on the West, but a certain number of elements would require Western support especially as far as Poland's major debt problem was concerned. In this regard, a distinction needed to be made between bilateral and multilateral aid. Turning to the former, he stated that in February 1989 France had signed an agreement with Poland for the protection of investment; a visit to Poland in October by a number of French industrialists was also envisaged. France was in the process of defining a co-operative programme with Poland in the field of management training. On the

political level, as the Chairman had stated in his opening remarks, the French Foreign Minister would visit Poland the following week. This visit was itself intended to pave the way for a visit by President Mitterand in the near future.

51. Turning next to multilateral aid, he stated that his Government would of course encourage the conclusion of the negotiations currently underway between the EEC and the Polish Government for a trade and co-operation agreement. As had been stated by a number of previous speakers, before the Club of Paris could enter into a re-scheduling agreement the December 1987 accord would have to be signed by Poland and a stand-by programme between the IMF and Poland would also have to be agreed. On 19th April, France intended to enter into negotiations for a bilateral consolidation agreement with Poland. As far as the IMF was concerned, his Government hoped that it would soon be possible to reach agreement on a stand-by programme. Once these two steps had been taken, the question of new credit guarantees to the Poles could be examined. France hoped that the World Bank and other international financial institutions would be able to agree to accord loans to Poland on a case-by-case basis for the realisation of economically-viable projects. As far as France was concerned, the points outlined by Mr. Simons earlier had either already been completed or were in the process of being so.

52. The BELGIAN REPRESENTATIVE intended to add only a few points, since he was broadly in agreement with most of the previous interventions. Again, echoing previous statements, he underlined that the timing of this meeting had been particularly well chosen. As the Chairman had already pointed out in his introductory remarks, the Belgian Prime Minister and Foreign Minister had recently visited Poland and had returned with the clear impression that positive changes were taking place there. This situation contrasted with developments in other East European nations where for the most part changes had taken place almost imperceptibly. Positive change in Poland could be pinned down exactly, to the point when the Poles had re-legalised Solidarity. Poland was a unique case as far as Eastern Europe was concerned especially since developments there had been supported by the vast majority of the Polish population. It was also very clear that without Western support Polish reforms would not go very far. The Poles were therefore waiting for some support from the West but their expectations or demands were very far-ranging, and were so great perhaps that they might pose problems, especially since, as the United Kingdom Representative had pointed out, there still remained significant political and economic uncertainties. The Belgian Government considered that the West should react favourably to developments in Poland; in this regard he pointed to the close links between Belgium and Poland going back to the liberation of Belgium following World War II, in which Polish forces had played a decisive role, and, to the links between the

Trade Unions of the two nations. The Poles had asked in the first instance that the West assist them as far as their debt problem was concerned, and Belgium had undertaken to negotiate a bilateral accord in the framework of the Club of Paris. Poland had also asked Belgium to look favourably on a possible consolidation agreement, although as far as the Belgian Government was concerned, this would depend on the successful conclusion of a stand-by programme with the IMF. Poland had also asked for commercial credit although obviously this would have to be examined more closely by the Ministries concerned. Furthermore, Belgium had signed an accord for the guarantee of investment with Poland. The Belgian Ministers who had visited Poland had been struck by the Poles' desire to enter into all possible forms of European or international co-operation and they had also indicated their great interest in the on-going negotiations with the EEC. Similarly, Poland had underlined its desire to reinforce links with the Council of Europe and with the European Parliament. It seemed that Poland wished to move towards greater co-operation with Europe, thereby anchoring itself more firmly with the West.

53. With reference to the list of measures enumerated by Mr. Simons earlier, he wished to take this opportunity to confirm that the Belgian Government looked on these measures favourably although obviously they would need more examination by the relevant ministries. Clearly, the Poles needed Western help and such help should be given in a timely and co-ordinated fashion. The West should recognise that Poland was a unique case in Eastern Europe in that the communist system was not as popular there as it was elsewhere, and in that Poland preferred not to look towards the Soviet Union for assistance. This discussion in the Council had been both timely and useful and in conclusion he stated that every effort should be made to assist Poland and to make such assistance as broadly based as possible.

54. The GREEK REPRESENTATIVE firstly wished to join previous speakers in thanking the United States Delegation and particularly Mr. Simons for their initiative in calling for this timely discussion in the Council. Greece particularly appreciated the opportunity this afforded for an early consultation on Western attitudes towards an important Warsaw Pact nation which had gone through a long and painful process. In view of the fact that many of the points he had wanted to raise had already been dealt with by previous speakers he intended to make simply a number of very broad remarks.

55. In an ever-changing Eastern European environment the current developments in Poland were indeed very significant. On the one hand the aspirations of the Polish people had now been expressed in concrete political terms as stipulated in the Round Table Agreement, which should lead to substantial progress towards the democratisation and the liberalisation of the régime. On the other hand, moderate and mature

leaders in Poland had acknowledged the real limits of their room for manoeuvre. The result was on the table and was wholeheartedly welcomed. The present discussion echoed the lines which the Greek Authorities had always advocated as far as Poland was concerned, and which had been justified by the recent course of events. Of course, the entire Polish population would have to take part in this process; this would be an important pre-requisite for the success of the recent agreement and it would also be necessary for the basic interlocutors of the Round Table to continue to adopt a spirit of moderation and renovation.

56. Developments in the rest of the Eastern European nations also appeared to be proceeding - one had only to follow recent events in the Baltic states, in Hungary, even in Czechoslovakia, not to mention Yugoslavia. What was really at stake in those states was the very nature of the régimes that had been established in the aftermath of World War II. However, over-emphasis by the West on the need for deep and far-ranging political and social change might jeopardise future prospects for the peoples of Eastern Europe. A cautious approach in terms of expectation and demand would be more than advisable. Therefore, in order to boost the morale of the populations of these nations and to encourage change, the West should consider a constructive approach by means of well-structured and open-minded economic policies with parallel political, cultural, parliamentary, and other contacts, not merely at the state-to-state level but also amongst non-governmental, independent organizations and citizens. Such a new and comprehensive approach would enable the East European populations to judge the West's values and way of life in an even better light. Thus, in its quest to lift the barriers dividing Europe, the West should not simply limit its aim to further promoting relations with Poland but should also look to the other Eastern European nations in the context of meaningful dialogue and constructive co-operation.

57. The LUXEMBOURG REPRESENTATIVE stated that his Authorities fully shared the views which had already been expressed around the table and supported the call for action to assist the Poles following the Round Table Agreement. Clearly the West could not afford to drag its heels in responding to Poland's requests for help, despite the fact that there was still considerable uncertainty as to future developments in that country. With respect to the Polish economy, he observed that one of the many burdens on the Poles arose from the fact that output from a certain number of industries - for example ship building - was reserved solely for the Soviet market, and was paid for at exchange rates which were very unfavourable to the Poles. He wondered whether it might be possible to point out to the Soviets that such a situation was no longer in their own long-term interests.

58. Moving on to the private sector, he stated that approval by the United States Congress of new legislation to make Poland eligible for the GSP and the OPIC could have an enormous impact and might encourage other nations and financial institutions to come to Poland's assistance; could Mr. Simons give any indication as to when the United States might adopt such legislation?

59. The CHAIRMAN observed that Mr. Simons' briefing had given rise to very many interventions and questions, and he invited him to take the floor and to address the points which had been raised during the discussion.

60. Mr. SIMONS opened by expressing his appreciation for the richness of the discussion as well as for the very high degree of common ground in the approaches of the Allies which had become apparent during this meeting. This discussion would certainly be of great help to the United States Government as it proceeded with its deliberations. The meeting had been a timely one since these deliberations were now quite urgent, as many speakers had already observed.

61. Turning to the question posed by the Permanent Representative of Luxembourg regarding the GSP and the OPIC, he stated that although it was likely that new legislation could be introduced there were still a number of uncertainties, mainly because of opposition to the two systems which had nothing whatsoever to do with Poland. Referring to a point which had been made earlier by Mr. Fuentes, he pointed out that under the terms of the GSP, Poland legally qualified as a developing nation. However, the entire system of generalised preferences was unpopular mainly because of difficulties in the definition of a developing nation. Both the GSP and the OPIC required certification concerning workers' rights which of course was of considerable interest to Trade Union Federations within the United States. On the basis of preliminary soundings of opinion it appeared that legislation in favour of Poland might be acceptable; however, the final attitude of the AFLCIO, the major United States Trade Union Federation had not yet been determined. Nonetheless, there was a feeling in the United States Congress, as indeed there was in the United States public and around this table that developments in Poland constituted a major step forward for that nation and merited a substantial response from the West and at least some effort to overcome objections that might otherwise pertain.

62. Going on to make a number of more philosophical comments with regard to the situation which faced the West, he stated that one of the few views with which he had disagreed was the statement by Mr. Amari that developments in Poland were part of an irreversible process. The United States considered, as it did with regard to the Soviet Union, that a great many of the positive changes which were now taking place there were reversible although obviously the political cost of so doing

was rising every day. The West should use the limited means at its disposal to encourage further progress in this direction and should not consider there to be any natural limit to the changes. For once, both East and West appeared to be in agreement that the Stalinist status quo in Eastern Europe was inherently unstable, and that the situation which had pertained there in the 1960s and the 1970s was a cause of instability rather than a guarantee of stability. However, the West's aim was not to recreate another kind of stability per se; the Allies had no interest in encouraging instability but saw the need for the process of change to be open-ended and determined by the wishes of the people themselves. However, the Soviet Union was probably seeking change which would create another situation of stability in which vital Soviet interests could be preserved.

63. One of the main points which had struck him from this discussion was the level of agreement around the table that the West was dealing with a real process of political change in Poland. Of course everyone recognized the realities of this process, the real political and economic problems which still faced Poland and the differing views as to how to resolve these. Certainly the West would have to deal with considerable shifts and changes in this process over time, but nevertheless the Allies should not be too preoccupied with these uncertainties when it came to formulating their own positions; uncertainties could too often be used as an excuse for inaction, whereas they were more than natural to a process which, on balance, appeared to be going in the right direction. In the aftermath of the conclusion of the Round Table Agreement he expected that there would be a radicalisation of the political process in Poland, with both parties to the Round Table accords losing some support - previous speakers had already talked of the impatient young workers on the Solidarity side and there was also the matter of the hardliners in the Communist Party. There would probably be a bleeding of support out to the radical wing, including to the official Trade Unions which would try to outbid Solidarity on a workers' defence programme; in fact, the official unions were currently calling for 100% indexation. However, such developments were in themselves a natural part of the process, and should not be seen as the kind of instability which the West ought not to encourage. Indeed, the achievements of the Round Table accords could be seen as a factor for a consolidation of opinion. Clearly, the West would have to await the results of the elections in June, but in this respect he pointed out that the West's own electoral systems were an element of stability, and a similar kind of effect could take place in Poland. He did not want to give rise to any kind of over-optimism as far as Poland's future prospects were concerned but the Round Table Agreement and the processes which it had set in motion represented a step forward not only in terms of the past but also in terms of the guarantee for a process of political and economic change in Poland which would much more closely resemble the situation in the West. He had himself indicated to

a number of Poles that both Solidarity and the Polish Government appeared to be turning into a kind of political coalition of the sort the West was much more familiar with. In nations with a two-party system such as the United States both parties were no more than gigantic coalitions of disparate elements and fields of interest; if Polish society was evolving in that direction it could only augur well for the West. He concluded by thanking Representatives for what had been a most enriching discussion of recent developments in Poland.

64. Turning next to Romania, he stated that he had wished to take the opportunity of this Council meeting on Poland to make a few brief remarks also on the present situation in Romania, which seemed to be preoccupying the West more and more. Romania stood at the other end of the East European spectrum from Poland; while the latter was experimenting with reform and reaching out to the world, Romania was still experimenting with un-reconstructed domestic Stalinism, at the cost of considerable self-isolation from the world. The exhaustion of the Stalinist system appeared to be a problem common to both nations; what differed was their reaction, and this illustrated the increasing diversification of the nations of Eastern Europe, under pressure for change generated by this exhaustion. The West should certainly make clear which end of the spectrum and which experiment it favoured and supported, but the Allies should also underline that this was not what they had in mind when they spoke of differentiation. The West's policy objective ought not to be to increase the isolation of the Romanian people from the outside world, and the Allies should not accept the argument that the Romanians somehow deserved Ceausescu. Rather, Western efforts should be bent on bringing the Romanians back into the family of nations, or at least leaving the door open for them to do so in the future, on the basis of movement back to Europe and to the kind of values and support for freedom which the West had consistently upheld over the years. Admittedly, this was easier said than done in view of the strong dictatorship in Romania, which had been called "socialism in one family."

65. As was the case with each nation around this table, United States relations with Romania were deteriorating. The United States had an old and broad relationship with that nation, dating back over twenty years and spanning a variety of issues. Human rights had been an important component of this relationship for over fifteen years; during his own time as Minister-Counselor in Bucharest in the mid-1970s, the United States had introduced concerns about the treatment of the Hungarian minority in Romania into its policy approach. This had been a relative break with traditional policy, which had concentrated primarily on strategic considerations. Since at least that time therefore, human rights had been an integral part of United States/Romanian relations and would continue to be so. Relations had been deteriorating in all fields; largely as a result of the emphasis placed by the United States on human rights issues, Ceausescu himself had renounced

most-favoured-nation tariff treatment in February 1988. For its part, the United States had deferred a new meeting of the joint economic commission and had also postponed a tour d'horizon at deputy-assistant-secretary level because of the Romanian Government's harassment of the signatories of a letter denouncing the Romanian régime. However, the United States insisted that the onus for this deterioration should lie with Ceausescu; this was an important political point to make, and the Western nations should insist that Romanian isolation was the result of his policies and not of their own desires or intentions. The Romanian leadership currently insisted that it wished to improve bilateral relations, but what was actually being suggested was high-level visits which would serve merely to give that leadership visibility. The United States approach was that a return to high-level visits and contacts would have to start from the ground up, with concrete progress first being made on specific issues of concern, starting with human rights. Thus far, the Romanian leadership had been unwilling even to begin making improvements. Of course, the United States would not identify any kind of list of improvements which the Romanians would have to make to re-establish normal relations; relations at this point would require changes so broad and deep as to be unrealistic and impossible. However, in the meantime it was worth pointing out that Romanian dissenters had developed a new courage and cohesion compared to the past, just as they had in Czechoslovakia and Bulgaria, and this was something which had not happened previously before in the post-War period. Of course, in Romania this movement still had no link with the workers, dissention still being an elite phenomenon in that country, but the movement now included old party members with credentials as good as those of Ceausescu himself. This was a development worth watching and supporting, and in order to do so the United States considered it important to maintain official contacts at less than assistant-secretary level in order to be able to press its concerns on the Romanians, to maintain some leverage on Romanian performance in areas of concern to the United States, and, in the longer perspective, to keep the door open to a future when Romania could return to the family of nations. The Allies should also keep up this pressure internationally and in this respect he pointed out that a statement from the Economic Commission for Europe was currently under consideration. However, it was not only joint action which was necessary and in Romania's case specifically the West should be aware of the importance of the European Neutral and Non-Allied Nations (NNAs). Considerable value should be attached also to bilateral and individual protests and pressures vis-à-vis Romania, partly so that the Romanians could not say that they were facing united Western or NATO pressure upon them. In conclusion, he stated that he would appreciate any comments or information from nations around the table either at this meeting or perhaps in the framework of the Political Committee.

66. Dr. HOEYNCK stated that all present were aware of the difficulties of the current situation in Romania and in a number of cases individual ambassadors had been recalled to other capitals for reporting. In this context he stated that the West German Ambassador to Romania would return to Bucharest the following day. Mr. Simons had stated that he would not wish to draw up any kind of list which would help to bring relations between Romania and the West back to normal; he agreed but considered nevertheless that there were certain aspects which were important and which could be seen as pre-conditions for the re-establishment of contacts with Romania at the sub-cabinet level. In this context, he would mention the following. Firstly, it was of the utmost importance for the West to do everything possible to protect the Romanian dissidents, who were in very great danger. Most of the six signatories of the open letter to Ceausescu were now being held in isolation in Romania. The West German Ambassador to Romania was trying to meet Mr. Manescu, and he knew that Ambassadors from other Allied nations were acting in the same way. Secondly, the dissociation of Romania from the basic elements of the Vienna Concluding Document was unacceptable and it might be possible for the West to make Romanian acceptance of these elements a condition for returning to sub-cabinet level contacts. He had mentioned these two cases simply as examples of what the West could ask of Romania; certainly both could be carried out by the Romanians in the current situation.

67. Mr. SIMONS agreed with the points made by Dr. Hoeynck, but stated that the issue which he had wished to stress earlier was that in joint or even bi-lateral statement with nations such as Romania it was important not to deal with just one or two elements. The West had to deal with a variety of concerns, and should transmit its political message accordingly. Secondly, as far as the CSCE process was concerned, it would be important for the Allies not to talk only in terms of Romania but also of the other Socialist nations which had a poor or deteriorating record of human rights - for example Czechoslovakia and Bulgaria.

68. The CHAIRMAN wished to thank Mr. Simons once again for his very informative briefings; he had seen from the richness of the responses how timely and useful this meeting had been. The Developments in Eastern Europe and particularly in Poland would doubtless be on the Council agenda again in the future.

69. The COUNCIL:

- (1) noted with appreciation the information provided by Mr. Simons, United States Deputy Assistant Secretary for European and Canadian Affairs, on recent developments in Poland, the challenge these posed to the West and possible Allied bilateral or multilateral responses thereto;

- (2) noted the views expressed during the ensuing discussion and agreed to continue to monitor the progress of political and economic reform in Poland;
- (3) noted further information provided by Mr. Simons on the situation in Romania.

N A T O R E S T R I C T E D

II. BRIEFING BY SECRETARY OF STATE BAKER TO THE COUNCIL

70. The CHAIRMAN stated that Permanent Representatives would all have seen the letter dated 11th April from the Acting Permanent Representative of the United States, informing the Council that Secretary Baker would like to stop in Brussels to brief the Council immediately following the Moscow Ministerial Meeting. He would be available for such a briefing on the morning of 12th May, at a time which had not yet been established. He was sure that Permanent Representatives would very much welcome these consultations and hoped that there would be no problem with the date. He would be grateful if delegations could inform the International Staff at the earliest opportunity as to which Foreign Ministers planned to attend the meeting.

71. The UNITED STATES REPRESENTATIVE stated that his Delegation would circulate details of Secretary Baker's visit as soon as these were available.

72. The COUNCIL:

- (1) noted that United States Secretary of State Baker would brief the Council during the morning of 12th May 1989 on the results of his Moscow Ministerial Meeting;
- (2) requested delegations to inform the International Staff at the earliest opportunity as to which Foreign Ministers planned to attend the meeting.

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