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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Bielecki of Poland

PARTICIPANTS: The President
Nicholas F. Brady, Secretary of the Treasury
Lawrence Eagleburger, Acting Secretary of State
John H. Sununu, Chief of Staff
Robert M. Gates, Assistant to the President and Deputy for National Security Affairs
Thomas Simons, Ambassador to Poland
David C. Gompert, Special Assistant to the President for European and Soviet Affairs
Richard Kauzlarich, Acting Assistant Secretary for European Affairs
Robert L. Hutchings, Director for European Affairs

Jan Krzysztof Bielecki, Prime Minister
Ewa Piwowar, General Director, Office of Council of Ministers
Ryszard Wojtkowski, Director, Prime Minister's Office
Kazimierz Dziewanowski, Polish Ambassador
Jacek Siwicki, Deputy Minister of Privatization
Jerzy Makarczyk, Deputy Foreign Minister

DATE, TIME September 11, 1991, 2:23 - 3:15 p.m.
AND PLACE: Cabinet Room

The President: Let me extend an official welcome to you and your entourage. We started to talk in the Oval Office about the situation in Poland, the Soviet Union and the Baltic states. I told the Prime Minister that we are involved and will stay involved in Poland. We have a sincere and genuine interest in Poland's success. I also asked the Prime Minister to extend my best regards to the President. So, welcome. (e)

Prime Minister Bielecki: Thank you for your kind words. Let me start with the unexpected. I have a letter from my President, a very warm letter, inviting you to come to Poland in the next year -- without any precise date, because we know how difficult it is for you to find even a few seconds. It is a very warm letter because the Polish people, including the common people, like you and have very warm regards for you. (e)

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The President: I will accept the letter with pleasure and the great hope that I will be able to accept. I don't know how I could have a better visit than my last one. The hospitality was wonderful. I don't know what my travel plans will be, but I appreciate the invitation very much. (U)

Prime Minister Bielecki: Let me mention two levels of possible assistance, cooperation and help of the U.S. First, and most important, is the presence of the U.S. in Poland -- not only investment and capital but also support for the process of Polish reform and the challenge of building democracy and a modern society. Your personal role in this is extremely great. Your commitment and strong support in 1989 became a reality. We are now able to build an independent democratic society. Now the question is how to promote these values to the east. The process started in Poland, then there was Czechoslovakia's Velvet Revolution and the fall of the Berlin Wall. Then revolution came to Bulgaria, Romania, Albania, and so on. Now it has come to the Soviet Union. (C)

I must say, for me the Soviet Union doesn't exist. It must be converted to a collection of sovereign states with their own anthems, armies and maybe their own currencies. We may discuss how to promote these values in the east and strengthen democracy and a market philosophy, because this is becoming a significantly great region of some 20 countries, maybe more. Your leadership is very important. These countries also look to the Polish example. I fear some other dangers of chaos and anarchy because of the lack of knowledge of how to go forward and how to combine freedom and responsibility. They are undertaking something new, and the role of Poland could be helpful. (C)

This is level number one, where Polish security is also important. When we are members of the family of the democratic community, we will feel secure. We are also developing cooperation with our neighbors, Czechoslovakia and Hungary, as well as with Germany and our eastern partners -- Lithuania, Byelorussia and the Ukraine. When decisions are considered by the G-7 or you, we would like to participate. We have plans about how Poland could help by itself, but also we would like to be included in general approaches provided by the leaders of the world. (C)

The President: Are you speaking mainly of food aid, anticipating a bad winter? (U)

Prime Minister Bielecki: We were staggered by figures told us by the leaders of the Ukraine. They are potentially able to supply the whole Soviet Union, but today even the Ukraine suffers. (C)

Acting Secretary Eagleburger: Distribution is also a problem. (C)

Prime Minister Bielecki: Yes. Natural ties have broken down. I think this winter it will not be a question of great financial

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assistance, because they have no program yet, but of humanitarian aid. (C)

Another issue which I have already discussed with the Secretary of the Treasury and Secretary Mosbacher concerns our relations with the international institutions, especially the international financial institutions. We are very advanced in our transition toward a market economy, but we have problems of understanding from them. They, especially the IMF, adopted a set of measures which was needed during our period of stabilization. But now they have no vision of how to go forward. For example, we would like to have certain support for the solving of our housing problem because housing needs long-term help. My question is whether it is possible to get some guarantees. This would be more important than capital. (C)

I hope that after the elections, by the end of October, Poland will be stronger and even more decisive. So these are my two areas of problems or expectations. (C)

The President: How long do you think it will be before the republics could be viable? (C)

Prime Minister Bielecki: As of now they have no program, so we cannot judge. They want to establish everything at once, but, of course, that is impossible. (C)

The President: Maybe, since you mentioned the international financial institutions, I could ask Secretary Brady to say a word about that. (C)

Secretary Brady: I talked yesterday with the Prime Minister not only about the IMF, but about other institutions. We believe he has a legitimate point of view. The IMF especially has no real experience with an economy dedicated to the transition from command to market. This is a new set of problems for them. Mr. President, the Prime Minister said yesterday that he sought to find people for his central bank -- perhaps Poles in the U.S. who could be put on the spot in the central bank. We are trying to help in that regard. (C)

The President: Perhaps Larry Eagleburger could say a few words about our assistance efforts. (U)

Acting Secretary Eagleburger: First, the Prime Minister knows very well what we are doing in Poland. He was on the Enterprise Fund Board until he left to take a bigger job. Our \$200 million dollar grant for the stabilization fund remains available to you. You might consider adding it to the Enterprise Fund. We are going forward to Congress with a substantial assistance program for central and eastern Europe. Poland will be the largest recipient for very good reason. Poland does offer important lessons for the Ukraine, for example. Our assistance program runs the gamut. We hope to do more, although we now have three new countries -- Latvia, Lithuania and Estonia. But the President made it very clear to us that whatever is done for the

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Soviet Union must not come out of the hide of central and east European assistance. (C)

The President: You mentioned a housing guarantee program. We are working on that and I understand there will be \$25 million available for Poland in the first year. We have also been working through OPIC on insurance programs. Have they been making progress? (C)

Prime Minister Bielecki: There is a dangerous gap between the activities of these institutions and the commitments of private businessmen. The problem is how to push private business to Poland. That is why I raised the guarantee program. This is very important in Germany, for example. When Hermes provides a \$2 billion DM guarantee, this helps push business in. This is also what Exim Bank did for Boeing in Poland. Businesses look for some guarantee, some protection, because they realize that Poland is at the front line of an unexpected revolution. We didn't close our border as did Havel, but we can't serve as a special zone for millions of refugees. That is why I raised the first issue and why it is so important to us. Otherwise, perhaps 7 to 10 million visitors may come calling and decide to stay, or those who are there already may decide not to go back. (C)

The President: You might tell this group what you were telling me about people selling bottles of vodka for the equivalent of two to three months' salary in the Soviet Union. (C)

Prime Minister Bielecki: We have internal convertibility, thanks to you, so they can buy hard currency at any corner and can sell whatever products they have for hard currency. (C)

The President: What do they have in their pockets when they come? Rubles? (C)

Mr. Makarczyk: Goods, Mr. President. (U)

Prime Minister Bielecki: They have a strong black market supported by the KGB and GRU. Our secret police also needs cooperation with CIA because we suffer from the illegal injection of communist capital via Poland to western Europe. Our secret police are not well trained for that. (C)

The President: We might be able to do more. Let me ask Bob Gates about that. (U)

Mr. Gates: Yes. It is amazing how much cooperation is going on already. (C)

Acting Secretary Eagleburger: Maybe you talked about this in the Oval Office, Mr. President, but there is real concern in eastern Europe about the refugee issue and the security issue. The Prime Minister told me this is a major popular concern. The point I made was that their surest security guarantee is the U.S. presence in Europe and a reformed NATO. (C)

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The President: Do you think that is generally agreed by the people of Poland and other countries in the region? (C)

Prime Minister Bielecki: There is no doubt. Maybe not in France, but in eastern Europe the support is very strong. (C)

The President: We sometimes worry about public pressures in France or Germany. Our intention is to have a strong NATO and not let some other security institution weaken it. We are having a dispute now regarding our bases in the Philippines. We worked out an agreement that was signed by the government. Now their Senate is voting against it. I think they believe they will get the price higher that way, but many people here, perhaps myself, will say that if you don't want us, then we'll go. Europe is different. But the pressures could come. I want you to know that the Administration is committed to staying and to keeping an active NATO and a strong role in European security. We can resist the pressure, but it is very important that we work constructively together. (C)

Mr. Makarczyk: It is the firm stand of Poland, shared by Czechoslovakia and Hungary, that the main pillar of our security is NATO and the U.S. presence. Relations with the Soviets are better now. I have been involved in negotiating for troop withdrawals and the new treaty with the Soviet Union. (C)

The President: Who are you negotiating with? (C)

Mr. Makarczyk: The new ones haven't appeared yet, but I am glad about those who disappeared -- like Kvitsinsky. (C)

The President: Let me ask you a question, Mr. Prime Minister, about agriculture and your relations with the EC. Are they getting more difficult? (C)

Prime Minister Bielecki: I can answer in one sentence. During the coup, relations were excellent; but after the coup, they returned to normal. The EC has imposed protectionism, especially on agriculture, textiles and steel. Unfortunately, the structure of production in Poland is mainly in those areas. It is a question of some small access to the EC market. We were very close during the coup, but afterwards everyone went on vacation. France, especially, refused better access on agricultural products. Today we heard President Mitterrand changed his mind, that he was always for Poland and will complete negotiations before the end of the month. (C)

The President: May I ask you another question? The EBRD -- are any deals working? Is it doing anything? (C)

Prime Minister Bielecki: A few times we exchanged views with Secretary Brady about this. The answer is simple. It is an important institution, but it cannot be chaired by a politician. It needs a businessman. Attali is a politician. That is why his first initiative was to lift the ceiling on Soviet lending. (C)

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The President: Our position, which we brought up at the G-7, is that if you lift the cap for the Soviet Union, what about eastern Europe, which the Bank was set up to help? Do you go to the bank with projects? Do they help? (C)

Prime Minister Bielecki: Getting a decision is an exhausting job. We asked in March for an office in Poland but still there is no office. The mistake of heavy institutions is that they look for huge projects, which inevitably take time for study, instead of small ones with good prospects. So the present result is almost zero. That is why the Enterprise Fund is a much better solution. \$50 US dollars for venture investment is better than \$500 million of the other kind. (C)

The President: What about the shipyard? Has Mrs. Johnson pulled out? (C)

Prime Minister Bielecki: I know the situation well. Mrs. Johnson asked me to work on her behalf. That was before I became Prime Minister. The problem is that Mrs. Johnson is not good in business. Also, this is the first project in Poland and Solidarity's expectations were too high. They thought the shipyard was of the greatest value. It would have been a very good project and a perfect example of the transformation of Poland, but we couldn't come to agreement. (C)

Governor Sununu: What's happening at the shipyard now? (U)

Prime Minister Bielecki: They have a good investment banker who is looking for solutions. Let me add one more thing regarding access to the U.S. market connected with our fishing agreement and access to the Bering Sea. This must be undertaken by the Congress and your office. (U)

Ambassador Simons: Poland allowed the agreement to expire. We are now looking at it. (U)

The President: I am sorry that our time is up. I enjoyed our meeting. I hope you have a good trip to the EDU. I went to its first meeting in London. Good luck. We will try to follow up on these ideas and I appreciate your President's invitation. (U)

-- End of Conversation --

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