

THE WHITE HOUSE
WASHINGTON

6824

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Meiczyslaw Rakowski, Prime Minister of Poland (U)

PARTICIPANTS:

The President
 James A. Baker, III, Secretary of State
 John Davis, Ambassador to Poland
 John H. Sununu, Chief of Staff
 Brent Scowcroft, Assistant to the President for National Security Affairs
 Roger B. Porter, Assistant to the President for Economic and Domestic Policy
 Marlin Fitzwater, Assistant to the President and Press Secretary
 Robert Zoellick, Counsellor to the Department of State
 Margaret Tutwiler, Assistant Secretary for Public Affairs, Department of State
 James Dobbins, Acting Assistant for European Affairs, Department of State
 Curt Kamman, Deputy Assistant Secretary for European Affairs, Department of State
 Dennis Ross, Director, Policy Planning Staff, Department of State
 Condoleezza Rice, Director of European and Soviet Affairs, National Security Council (Notetaker)
 Interpreter

Meiczyslaw Rakowski, Prime Minister
 Kazimierz Olisiak, Deputy Prime Minister and Minister of Agriculture
 Ireneusz Sekula, Deputy Prime Minister
 Tadeusz Olechowski, Minister of Foreign Affairs
 Mieczyslaw Wilczek, Minister of Industry
 Andrzej Wroblewski, Minister of Finance
 Andrzej Wojcik, Vice Minister of Foreign Economic Relations
 Jan Majewski, Vice Minister of Foreign Affairs
 Jan Kinast, Polish Ambassador to the United States

Edmund Pawiak, Director General, Council of
Ministers and Secretary to the Prime
Minister

Kazimierz Duchowski, Director of Department
III (The Americas), Ministry of Foreign
Affairs

Krzystof Litwinski, Interpreter
Notetaker

DATE, TIME
AND PLACE:

July 10, 1989, 3:15 p.m. - 3:45 p.m.
Council of Ministers

Prime Minister Rakowski opened the meeting with comments on the President's speech to the Polish Parliament. He said that he found the speech permeated with realism and that he personally valued nothing more highly than realism. Poland has entered an historic phase of radical and profound change. Within months a new legal and governmental system would be in place and Poland would begin the road to economic reforms to free production of dogmatic approaches. The Prime Minister cited two major stumbling blocks to reform: the time factor -- the reforms need to bear fruit quickly; and the barrier of the peoples consciousness and receptivity to free market reforms. The latter barrier, he said, opens the way to conflicts and social strains. Poland's chief problem, according to the Prime Minister, is to introduce reforms while avoiding serious unrest. Every responsible politician has to take into account the public's mood. (Ø)

The Prime Minister continued, saying that socialism had caused a demobilization of society in which hard work was no longer appreciated because an egalitarian philosophy dominated the minds of the people. Moving away from those precepts requires courage and the Prime Minister thanked the President for his encouragement of the private sector. He pointed out that while a robust private sector is key, the very existence of private enterprise implies differentiation of material standards and leads to jealousy among the population. He noted that the Cabinet has been accused of giving the nation's material wealth over to private hands. Prime Minister Rakowski opined that it would be a full generation before Poles accepted the consequences of stratification of wealth. (Ø)

The Prime Minister remarked that some in Poland thought that President Bush would come with a blank check for the Polish people. He said that he was pleased that the President did not because the check would bounce. The point is not to get Western aid in the sense of untied credits but to convince the West to create the conditions for Poland's reform. This means encouraging the World Bank and the IMF to display flexibility in order to facilitate repayment later. Poland needs breathing

space and would be pushed to the brink of conflict if that space is not provided. He stated that Poland's leaders know that economic and political reform must go hand in hand because one without the other is a recipe for a social explosion. He went on to say that the economic errors of the past constitute a closed chapter but that Poland's leaders knew that they could not repeat those mistakes. (Ø)

The Prime Minister then turned to the political situation, which he characterized as filled with emotion and hope. The issue, he said, is whether all forces in Parliament display common sense. Poland is trying to move to a new foundation without spilling blood. While both the Soviet Union and China have experienced violence, Poland has so far succeeded in carrying out a bloodless revolution. The Prime Minister noted that many of the reforms that were voluntarily launched could not have gone forward without Jaruzelski but that not everyone one is willing to admit that. He remarked that only history can write the final story of Jaruzelski and Walesa. If no blood is spilled, they will be judged great historical successes. (Ø)

The President stated that he agreed completely with the statement that economic reformers must always be cognizant of political circumstances. He said that it was not his intention to encourage the Polish government to do things that would break the treasury. The President related Jaruzelski's story of the labor union's demands for five years paid maternity leave for pregnant mothers. That story, he said, drove home to him the demands that are being made upon the regime. (Ø)

The President went on to say that the West will help but that the United States with a \$150 billion deficit cannot present Poland with a blank check. But the United States can help to create a propitious atmosphere internationally and help in innovative ways with the Polish economy. (Ø)

The President promised to avoid hot rhetoric but to encourage essential reforms while speaking up for principles of democracy and free enterprise. He said that the United States desperately wants to see Poland succeed and will encourage sound macroeconomic reform. (Ø)

The President remarked that Jaruzelski is a controversial but widely respected figure in the United States. There is a level of recognition that he is trying to lead Poland to new era. He continued saying that he was not in Poland to pit Bush against Gorbachev but to lend genuine support for reform; the United States wants to see perestroika succeed in the Soviet Union too. (Ø)

Prime Minister Rakowski thanked the President for his prudence and said that he had tried to use his time to express the historical significance of the moment. He remarked that people

SECRET

~~SECRET~~

are tired of the age-old tensions and looking for a better life. There is now a possibility to relieve those tensions thanks to the realistic view of President Bush and of Gorbachev. He said that Poland does not wish to disturb either the U.S. or the U.S.S.R. He closed, reiterating both Poland's need for Western support and his support for Jaruzelski who he characterized as a man of stature and the right person for the current period. (P)

SECRET

~~SECRET~~