

An important telegram

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065344  
MDADAN 4897

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FM WASHINGTON  
TO DESKBY 280900Z FCO  
TELNO 2601

ADVANCE COPY

OF 272255Z OCTOBER 88  
INFO IMMEDIATE WARSAW  
INFO PRIORITY OTHER EAST EUROPEAN POSTS, MOSCOW, BONN  
INFO PRIORITY UKDEL NATO

US/EASTERN EUROPE  
SUMMARY

1. WHITEHEAD'S UPBEAT ASSESSMENT OF TRENDS IN EASTERN EUROPE NOT GENERALLY SHARED HERE. ON POLAND, THERE IS UNEASINESS ABOUT THE GOVERNMENT'S APPROACH TO THE ROUNDTABLE PROCESS, AND ABOUT THE POSSIBILITY OF FURTHER STRIKES BEFORE LONG. NO PROSPECT OF AN EARLY SHIFT IN US POLICY ON AN IMF AGREEMENT FOR POLAND. MORE GENERALLY, THIS ADMINISTRATION LIKELY TO LEAVE TWO THOUGHTS FOR ITS SUCCESSOR: THE NEED TO GIVE EASTERN EUROPE A HIGHER PRIORITY AND TO AGREE A BROAD STRATEGY WITHIN THE ALLIANCE (MAINLY TO RESTRAIN THE GERMANS): AND THE POSSIBILITY OF DISCUSSING EASTERN EUROPE WITH THE RUSSIANS.  
DETAIL

2. YOU MIGHT FIND IT USEFUL TO HAVE A SUMMARY OF CURRENT THINKING ABOUT EASTERN EUROPE IN THE ADMINISTRATION, PARTICULARLY ON POLAND, IN ADVANCE OF THE PRIME MINISTER'S VISIT THERE.

3. NSC CONTACTS TELL US THAT WHITEHEAD REPORTED TO THE PRESIDENT ON 25 OCTOBER ABOUT HIS RECENT VISIT TO EASTERN EUROPE. AS IN HIS BRIEFING OF THE NORTH ATLANTIC COUNCIL (UKDEL NATO TELNO 385) HE WAS GENERALLY UPBEAT ON THE PROSPECTS. BUT AT THE SAME MEETING, JUDGE WEBSTER APPARENTLY MADE CLEAR THAT THE US INTELLIGENCE COMMUNITY WERE MUCH LESS SANGUINE ABOUT THE TRENDS. WEBSTER UNDERLINED THAT ALTHOUGH MANY OF THE EAST EUROPEAN LEADERS TALKED PLAUSIBLY ABOUT REFORM, THERE WAS LITTLE ACTION. ECONOMIC CONDITIONS CONTINUED TO DETERIORATE, MOST WORRYINGLY IN YUGOSLAVIA. EVEN IN HUNGARY, GROSZ HAD FAILED TO LIVE UP TO HIS EARLY BILLING AS A STRONG LEADER. THE SENSE OF DRIFT IN ECONOMIC REFORM WAS COUPLED WITH MOUNTING POPULAR PRESSURES FOR CHANGE, STIMULATED IN PART BY GORBACHEV'S DRIVE FOR REFORM WITHIN THE SOVIET UNION.

4. IN THE CASE OF POLAND, WEBSTER APPARENTLY TOOK THE LINE (WHICH CONTACTS IN THE EUROPEAN BUREAU AT STATE HAVE SEPARATELY ECHOED) THAT THE GOVERNMENT SEEMED NOT BE SERIOUS ABOUT PURSUING A REAL DIALOGUE WITH SOLIDARITY. THE APPOINTMENT OF RAKOWSKI HAD BEEN A SIGNIFICANT SETBACK, GIVEN HIS STRONGLY ANTI- SOLIDARITY RECORD. THE DELAY IN GETTING THE ROUNDTABLE TALKS UNDERWAY WAS INCREASING

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THE PRESSURE ON WALESIA FROM HIS OWN FOLLOWERS. IT WAS IMPOSSIBLE TO PREDICT WHEN THE PATIENCE OF THE YOUNGER ELEMENT WITHIN SOLIDARITY WOULD WEAR OUT, BUT THE LONGER THE STALEMATE CONTINUED THE GREATER THE PROSPECTS FOR A FURTHER WAVE OF STRIKES AND UNREST. CIA WERE NOT RULING OUT THAT THIS COULD COME BEFORE THE END OF THE YEAR. LEDSKY, THE SENIOR NSC OFFICIAL TRAVELLING WITH WHITEHEAD, HAS ALSO TOLD US IN CONFIDENCE THAT HE DID NOT SHARE THE LATTER'S VIEW OF PROSPECTS IN POLAND. LEDSKY CAME AWAY WITH THE DISTINCT IMPRESSION THAT GOVERNMENT OB DURACY COULD WELL PRODUCE MORE TROUBLE IN THE NEAR FUTURE.

5. ON THE QUESTION OF WHAT US AND WESTERN POLICY SHOULD BE IN THESE CIRCUMSTANCES, THE NSC TELL US THAT THE MEETING WITH THE PRESIDENT REACHED NO NEW CONCLUSIONS. STATE ADD THAT THEY HAVE BEEN URGING BOTH SIDES IN POLAND NOT TO OVERREACT TO THE DIFFICULTIES THAT WERE BOUND TO OCCUR IN GETTING THE ROUNDTABLE TALKS STARTED. THE MAIN POLICY LEVER AVAILABLE TO THE US REMAINS A MORE FORTHCOMING ATTITUDE TOWARDS AN IMF STANDBY AGREEMENT (SBA). ON THAT, OUR CONTACTS CONFIRM THAT THE US LINE HAS NOT CHANGED SINCE BUSH'S VISIT TO POLAND IN SEPTEMBER 1987: IE THAT IT IS UP TO POLAND TO IMPLEMENT AN ECONOMIC REFORM PROGRAMME AND TO CONVINCING THE IMF THAT THERE IS A GOOD ECONOMIC CASE FOR AN SBA: IN THOSE CIRCUMSTANCES THE US WOULD CONSIDER AN SBA POSITIVELY, ALWAYS PROVIDED THAT GENUINE EFFORTS AT NATIONAL RECONCILIATION WERE ALSO UNDERWAY.

6. WHITEHEAD APPARENTLY TRIED TO GET THIS CHANGED IN A SLIGHTLY MORE POSITIVE DIRECTION BEFORE HIS OWN RECENT VISIT TO WARSAW, BUT FAILED. ACCORDING TO THE NSC, TREASURY SECRETARY BRADY REMAINS HIGHLY SCEPTICAL ABOUT AN SBA FOR POLAND. HE BELIEVES: (I) THAT POLISH ECONOMIC REFORMS HAVE NOT GONE NEARLY FAR ENOUGH TO JUSTIFY AN SBA ON ECONOMIC GROUNDS (II) THAT TO INTRODUCE A POLITICAL ELEMENT INTO THE EQUATION WOULD REQUIRE MUCH GREATER CONFIDENCE THAN AT PRESENT EXISTS THAT THE NATIONAL RECONCILIATION PROCESS WILL GET SOMEWHERE. BEHIND THESE TECHNICAL CONCERNS THERE IS AN UNDERLYING WORRY (SHARED BY OTHERS IN THE ADMINISTRATION) THAT THERE WOULD BE STRONG OPPOSITION IN CONGRESS AND AMONG POLISH-AMERICAN COMMUNITY IF THE ADMINISTRATION WERE TO MAKE ECONOMIC CONCESSIONS TO JARUZELSKI IN ADVANCE OF AN AGREEMENT WITH SOLIDARITY.

7. THE OBVERSE IS THAT IF THERE WERE REAL ECONOMIC AND POLITICAL PROGRESS IN POLAND, THE ADMINISTRATION WOULD QUICKLY FIND THEMSELVES UNDER PRESSURE FROM SOLIDARITY, THE CHURCH AND THE POLISH-AMERICANS TO FALL IN LINE ON AN IMF AGREEMENT. OUR CONTACTS BELIEVE IN THOSE CIRCUMSTANCES THAT THE NEW PRESIDENT, WHETHER BUSH OR DUKAKIS, WOULD BE LIKELY TO AGREE, NOT LEAST IN THE HOPE OF TURNING A FRESH PAGE IN US RELATIONS WITH POLAND. BUT AT PRESENT THAT SCENARIO IS GENERALLY

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REGARDED HERE AS LESS LIKELY THAN CONTINUED STALEMATE, FOLLOWED AT SOME POINT BY A FURTHER FLARE-UP.

8. ON FUTURE US POLICY, TOWARDS THE REGION, THE NSC TELL US THAT THEY WILL BE IDENTIFYING EASTERN EUROPE IN THEIR TRANSITION PAPERS AS A PRIORITY FOR ATTENTION BY THE INCOMING ADMINISTRATION. THEY ACCEPT THAT THE REGION HAS BEEN GIVEN TOO LITTLE ATTENTION BY THE US IN RECENT YEARS. THEY ARE ALSO CONCERNED BY SIGNS OF SOME DISARRAY IN THE ALLIANCE'S APPROACH, IN PARTICULAR WHAT THEY SEE AS GERMAN ENTHUSIASM FOR NEW CREDITS. THERE IS CONCERN BOTH IN THE NSC AND IN STATE THAT SOME ALLIES WILL BE TEMPTED TO REPEAT THE MISTAKES OF THE 1970S BY EXTENDING LARGE SCALE CREDIT TO THE EAST EUROPEANS IN THE HOPE OF ENCOURAGING ECONOMIC REFORM. THE AMERICANS BELIEVE FIRMLY THAT THIS IS BACK TO FRONT, AND THAT THE WEST SHOULD HOLD OUT FOR REFORM BEFORE HELPING THE EAST EUROPEAN REGIMES TO EASE THEIR ECONOMIC DILEMMA. THEIR POSITION IS OF COURSE DICTATED PARTLY BY BUDGETARY REALITIES: THE AMERICANS HAVE FEW IF ANY FUNDS AVAILABLE FOR NEW LENDING TO EASTERN EUROPE. BUT THERE IS ALSO THE POLITICAL REALITY THAT CONGRESS AND THE EAST EUROPEAN COMMUNITIES HERE REPRESENT A STRONG LOBBY AGAINST UNREQUITED GESTURES TOWARDS EAST EUROPEAN GOVERNMENTS. AGAINST THAT BACKGROUND, THE TRANSITION PAPERS ARE LIKELY TO SUGGEST THAT THE NEW ADMINISTRATION SHOULD MAKE A RENEWED EFFORT TO AGREE (PREFERABLY WITHIN THE ALLIANCE) A MORE COHERENT WESTERN APPROACH TO EASTERN EUROPE.

9. ANOTHER IDEA WHICH MAY BE BEQUEATHED TO THE INCOMING ADMINISTRATION IS RAISING EASTERN EUROPE IN THE REGIONAL ISSUES DIALOGUE WITH THE SOVIET UNION. SHULTZ HAS APPARENTLY RESISTED THAT, ON THE GROUND THAT IT WOULD BE TANTAMOUNT TO RECOGNITION OF SOVIET HEGEMONY OVER THE REGION. BUT OTHERS IN STATE AND THE NSC BELIEVE THAT THIS CONSIDERATION HAS LESS FORCE NOW THAT THE US AND SOVIET UNION REGULARLY DISCUSS OTHER REGIONS, AND THAT IT WOULD BE LEGITIMATE TO DISCUSS EASTERN EUROPE AT A GENERAL LEVEL, GIVEN THE POTENTIAL OF A CRISIS THERE TO DERAIL US/ SOVIET RELATIONS. IT WOULD NEED THE MOST CAREFUL PRESENTATION BOTH TO THE RUSSIANS AND IN EASTERN EUROPE. THE MAIN PURPOSE WOULD BE TO KEEP UP PRESSURE ON THE RUSSIANS TO GIVEN THE EAST EUROPEANS AS MUCH ROOM FOR MANOEUVRE AS POSSIBLE IN LOOKING FOR WAYS OUT OF THEIR ECONOMIC PROBLEMS. IT WOULD ALSO ENABLE THE AMERICANS TO PUT DOWN SOME MARKERS ABOUT THE DISASTROUS CONSEQUENCES FOR US/SOVIET RELATIONS OF ANY SOVIET INTERVENTION IN EASTERN EUROPE. THE NSC ADDED THAT THESE IDEAS WERE BY NO MEANS FULLY FORMED AS YET, BUT THEY BELIEVE THAT THIS IS AN ISSUE WHICH THE NEW PRESIDENT SHOULD AT LEAST CONSIDER (AND DUKAKIS HAS ALREADY MADE CLEAR IN PUBLIC THAT HE WOULD DO SO).

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COMMENT

10. IT IS WIDELY ACCEPTED HERE THAT THE NEXT ADMINISTRATION WILL NEED TO PAY MORE ATTENTION TO EASTERN EUROPE. BUT GIVEN THE PRESSURE ON RESOURCES, ANY EXPECTATIONS AMONG EAST EUROPEAN GOVERNMENTS OF AMERICAN LARGESSE ARE LIKELY TO BE DISAPPOINTED. DOUBTS ABOUT AN IMF AGREEMENT FOR POLAND HAVE IF ANYTHING BEEN STRENGTHENED BY THE EXPERIENCE IN YUGOSLAVIA. THE IDEA OF US/ SOVIET DISCUSSION OF EASTERN EUROPE IS SEEN BY SOME HERE AS ONE CONTRIBUTION WHICH THE US ARE UNIQUELY PLACED TO MAKE TO THE TASK OF SECURING FOR THE EAST EUROPEANS AS MUCH ROOM FOR MANOEUVRE AS POSSIBLE IN TACKLING THEIR PROBLEMS.

11. SINCE THE ABOVE WAS DRAFTED, SIMONS (DEPUTY ASSISTANT SECRETARY IN EUR) HAS ASKED THE MINISTER TO CALL ON 31 OCTOBER TO DISCUSS THE ISSUE OF AN IMF AGREEMENT FOR POLAND IN THE LIGHT OF THE WORK UNDERWAY IN NATO ON A PAPER COVERING EASTERN EUROPE. WE SHALL REPORT FURTHER AFTER THAT AS NECESSARY.

ACLAND

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