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NATIONAL SECURITY COUNCIL

WASHINGTON, D C 20506

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Polish Prime Minister
Waldemar Pawlak

PARTICIPANTS: U.S.

Ambassador Madeleine Albright
Ambassador Nicholas Rey
Elaine Shocas, Chief of Staff to Amb.
Albright
Daniel Fried, NSC Director for CEE
Jamie Rubin, Director of Communications for
Ambassador Albright

Polish

Prime Minister Waldemar Pawlak
Ambassador Jerzy Kozminski
Roman Adamczyk, Chef de Cabinet
Stanislaw Popiolek, Undersecretary of State
Ministry of Telecommunications
Cieslaw Jermanowski, Deputy Chairman
of the Commission on Sports
Maciej Kozlowski, Americas Department
Director, MFA

DATE, TIME: 17:15-17:50, October 22, 1994
AND PLACE: Pawlak's Suite - Hyatt, Buffalo, New York

Prime Minister Pawlak said he welcomed the meeting and the chance to exchange views. He wanted to speak about economic cooperation, security issues including NATO and PFP, and other aspects of relations. Economic ties were developing well: trade was balanced and investment was growing. Still, there was room for more growth, especially joint ventures to promote exports from Poland to third countries.

Ambassador Albright opened by congratulating Pawlak on his recent approval of the next tranche of Polish state firms for mass privatization. This demonstrated the GOP's commitment to economic reforms, even in the face of some popular misunderstanding. The U.S. was aware that the average person often did not feel the benefits of reform. Poland had nevertheless made considerable progress and the U.S. supported Poland in this effort. Specifically, the U.S. would support

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Poland's membership in the OECD, reaccession to the GATT and entry into the EU. The U.S. would implement President Clinton's initiatives from July and was considering how to move beyond them.

Albright noted that she had spoken to President Walesa about security issues. Poland seemed to have absorbed President Clinton's message from July: that NATO's expansion was not a question of whether but when and how; it was important maintain momentum and develop practical military cooperation. The United States also was grateful for Poland's participation in the Haiti coalition and this would have an impact on relations. The U.S. was now talking to its NATO allies about next steps. No country outside NATO could veto NATO's expansion but all countries in NATO could. She had no specific timetable to offer. The U.S. was working on the issue and some elements were coming into place. Though Poland wanted to move faster, all sides still had to be careful.

Pawlak responded that Poland appreciated U.S. support for its OECD membership and other forms of economic integration. Privatization was a complex issue. The process had to move ahead but it was important to avoid "unnecessary social emotions." There were many potential paths to privatization and many solutions. Solving it was one of the "charms of politics."

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Albright agreed that the situation in Russia was delicate. Yeltsin had had a good year but faced difficulties still. The world must not isolate Russia or make it feel like an outlaw, lest it become an outlaw. Nevertheless, it was important to

support the independence of the non-Russian NIS. Ethnic problems in many of the NIS were very serious and some elements in Russia wanted to take advantage of the situation. The U.S. was careful and realistic about Russia: we understood that the U.S. and Russia would disagree on some issues. Iraq was a recent case. The key issue was how to manage the devolution of Russia from an imperial to a normal nation. This was not easy. As it worked with Russia, the U.S. would not forget Poland's importance nor Poland's role for the future.

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Albright affirmed that the U.S. was closely engaged in security issues concerning Central Europe; she had read Zbigniew Brzezinski's ideas about ways to expand NATO and strengthen NATO's relations with Russia. She asked Pawlak about developments within CEE, especially Slovakia after its elections. The U.S. was concerned over developments over there; the outgoing government had taken important steps on reform.

Pawlak responded that a new government in Slovakia could well include former PM Meciar, but that HZDS would not be able to "be too aggressive" having fallen short of a majority. President Kovac was important as well and he was likely to remain. Pawlak noted that regional cooperation was proceeding. A Visegrad Four heads of government meeting was being planned and would prepare for the enlargement of the Central European Free Trade Area to include Slovenia. This would bring CEFTA and the associated Visegrad group down to the Mediterranean from the Baltic.

Pawlak gave an upbeat assessment of Poland's economic outlook. Economic growth was strong and might reach 5% for 1994. The fiscal outlook was good with pressure on the budget not as great

as it had been. Poland was promoting exports, savings and investment, including through income tax incentives. It planned to increase spending on housing, education and infrastructure and saw increased exports as the best long-term way to cut unemployment. Efforts to reform pensions and unemployment compensation would continue. In the shorter term, the government would help local governments finance public works.

Albright observed that these plans seemed to go in the right direction. Closing the meeting, she presented Pawlak a letter from President Clinton.

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