

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Country Files: Poland - Correspondence 01

Folder ID: 1775060

Series: Country Files

Dates: 08/01/1981 - 07/01/1986

Subfonds: Records of President A. W. Clausen

Fonds: Records of the Office of the President

ISAD Reference Code: WB IBRD/IDA EXC-09-3965S

Digitized: 03/22/2023

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK

Washington, D.C.

© International Bank for Reconstruction and Development / International Development Association or

The World Bank

1818 H Street NW


Washington DC 20433


Telephone: 202-473-1000

Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

CLAUSEN'S! Poland

 **Archives**

 **1775060**

A1990-013 Other #. 16 Box #209499B
Country Files: Poland - Correspondence 01

DECLASSIFIED
WBG Archives

OFFICE MEMORANDUM

DATE: June 17, 1986

TO: Memorandum for the Record

FROM: *ell* Philippe Nouvel, Division Chief, EM1DA

SUBJECT: POLAND - Mr. Clausen's Meeting with Mr. Stanislaw Nieckarz,
Minister of Finance (June 13, 1986, 12 P.M.)

1. Those attending were: Messrs. Wapenhans, Thahane, Lari and myself for the Bank; Messrs. Nieckarz (Minister of Finance), Boniuk (Counselor, Financial Affairs), Karcz (Director, Foreign Department, Ministry of Finance) and Ilczuls (National Bank of Poland) for the Polish Government.
2. Mr. Clausen welcomed Mr. Nieckarz. He congratulated Poland on its joining the IMF and said he was looking forward to Poland rejoining the Bank shortly.
3. Mr. Nieckarz thanked Mr. Clausen and expressed his hope that Poland and the Bank would develop an active relationship which would permit Poland to benefit from Bank technical assistance and advice and also to get access to the Bank's financial assistance.
4. Mr. Clausen, referring to Poland's difficult situation, said it was crucial that Poland develop a strategy that would center around restoring creditworthiness and improve efficiency and growth, particularly in the export sector, in order to increase revenues in convertible currencies and therefore boost Poland's capacity to face its huge debt burden.
5. Mr. Nieckarz agreed with these objectives, and mentioned they would be highlighted in Poland's next Five-Year Plan (1986-90), currently in its last stages of preparation.
6. Answering Mr. Clausen's and Mr. Wapenhan's queries on Poland's situation vis-à-vis its Western creditors, the Polish delegation explained that agreement had been reached with commercial banks to reschedule 95 percent of capital and interest payments due over 1986 and 1987. Regarding

cc: Mr. Clausen's office

Cleared with and cc: Mr. Lari

cc: Messrs. Stern (SVPOP); Wapenhans (EMNVP); Thahane (SEC), Dewey (EMP);
King, Ms. Loos (EM1)

June 17, 1986

public creditors, a new agreement with the Paris Club had been reached in principle, but its finalization would take some time--probably up to the fall. Despite these agreements, there was still a gap in foreign exchange of about \$600 million in 1986 which could not be met by further import compression, but hopefully could be filled by new commercial credits--although they were slow to materialize. The delegation then commented on the effect on agricultural exports of the Chernobyl explosion. The EEC ban on imports of Polish agricultural products was now lifted, but it would probably continue to affect consumers' willingness to buy Polish products. The delegation also noted the good performance over the recent years of agriculture, which had been a main contributor to Poland's GDP growth. According to the delegation, GDP had increased by 4.5 percent annually during the last three years, and was forecast to increase by about 3 to 4 percent forecast in 1986.

7. Mr. Clausen commented that the Bank would be pleased to assist Poland develop a suitable development strategy, but stressed that the formulation of that strategy was the responsibility of Poland. While the Bank would also be pleased to consider supporting Poland's strategic development with some financial assistance for specific projects in the future, it was not likely that a first Bank loan would be made before the beginning of FY88. Mr. Clausen inquired about the prospects for Poland to obtain IMF assistance in the near future.

8. Mr. Nieckarz said that Poland was seriously considering asking the IMF for a standby agreement, but that it was premature to quote any amount. Regarding Bank financial assistance, Mr. Nieckarz said he understood well the Bank's position, but hoped it would not take too much time for Poland to start borrowing from the Bank.

9. Mr. Clausen said that Poland might benefit from looking at the example of Hungary, with which the Bank had developed an effective and harmonious relationship over the past few years. Although each country was unique and Poland's situation differed much from Hungary's the experience gained by Hungary would probably be of much interest to Poland. Mr. Nieckarz acknowledged this, adding he hoped that later the development of the relationship between the Bank and Poland could be cited also as an example. He regretted he would not be able to sign the Bank's articles of agreement on June 27, as he had to be in Warsaw for discussions on the budget and the Five-Year Plan.

10. The meeting then adjourned.

PNouvel:mh


June 12, 1986

Mr. Thahane

The following members from the Polish delegation will come to your office at 11:45 a.m. on Friday, June 13, 1986 for a meeting with Mr. Clausen at 12:00 noon:

- Mr. Stanislaw Nieckarz, Minister of Finance of the Polish People's Republic since October, 1982. Age 45.
Arrival: June 10, from Warsaw via New York
Departure: June 15, to New York
- Mr. Zbigniew Karcz, Director of the Foreign Department, Ministry of Finance
Arrival: June 9, from London
Departure: June 15, to New York

Mr. Andrzej Ilczuk, Deputy Director of the Foreign Department, National Bank of Poland
Arrival: June 10, from Warsaw via New York
Departure: June 16, to New York

Mr. Jan Boniuk, Financial Counsellor to the Embassy of the Polish People's Republic in Washington

The Minister wants to Meet Mr. Clausen because he will not be signing the Bank's Articles on June 27th. Mr. Karcz will probably sign on the 27th, although this is not official.



Helen

Could you pass this to
Tom for Tomorrow's meeting.

I'll accompany the delegation:
Hopefully Philippe Nouvel, Swedish chief I have asked to attend.
will attend from the Region. Tue. 6/12/86

OFFICE MEMORANDUM

DATE: June 12, 1986

TO: Mr. A. W. Clausen
(through Mr. E. Stern) *ad*

FROM: W. A. Wapenhans, Vice President, EMENA *Wg.*

SUBJECT: POLAND - Your Meeting with Mr. Stanislaw Nieckarz,
Minister of Finance (June 13, 1986, 12 P.M.)

Tom
In addition to the suggested points, you should make it clear that we do not envisage a large lending program at this stage. You might refer

1. Mr. Nieckarz is in Washington to sign the Articles of Agreement of the IMF. He will probably be accompanied to the meeting with you by Mr. Karcz, Director of the Foreign Department of the Ministry of Finance, who is Poland's chief negotiator for debt rescheduling under the Paris and London Clubs, and by staff from the Embassy (either Mr. Ludwiczak, Charge d'Affaires, or Mr. Boniuk, Financial Counsellor). On the EMENA side, I will be accompanied by Messrs. Lari, Director, and Nouvel, Division Chief. *to the approximately \$200 million limit on Hungary, to give the Poles some perspective*

2. Topics that May be Raised by Mr. Nieckarz: We have not had an indication of the topics to be raised by Mr. Nieckarz but it seems likely that he will:

- (i) Express his satisfaction that Poland is rejoining the IBRD, assuming the IBRD Governors approve Poland's membership (Poland was a member between 1946 and 1950);
- (ii) Express his hope that the IBRD and Poland will quickly develop an active relationship and that the IBRD will play an important role in helping Poland put its economy back on track and restore its creditworthiness, through provision of a substantial program of assistance--both technical and financial; and
- (iii) May provide a brief updating of Poland's economic and financial situation, and present his country's plans and prospects. (Poland's next Five-Year Plan (1986-90) is in the last stages of preparation.)

Cleared with and cc: Mr. Lari (EM1)

cc: Messrs. Thahane (SEC); Dewey (EMP); King, Ms. Loos (EM1)

88
6/13

3. Background for Your Discussion: Poland has still not recovered from the events in the early 1980s that disrupted its economy and systems. While the economy is now close to the level it had attained in 1979, the progress of recovery was very slow and shaky because of the social unrest, leading to incapacity to implement the reform program that had been decided in 1981/82 and aimed at improving efficiency and growth, and restoring the external and internal balances. During that period Poland got very few credits from the West, while export performance was very sluggish, and was forced to engage in a series of rescheduling exercises with both the Paris and the London Clubs. Poland's debt in convertible currencies is now about \$30 billion (about 70 percent public and 30 percent private), i.e., about 35 percent of GDP and about five times convertible currencies exports. ^{1/} The debt service ratio was over 100 percent in 1981 and 1982, but decreased to 52 percent in 1984 as a result of rescheduling. Inflation ran very high in the early 1980s, but is now down to 10-15 percent.

4. Prospects for 1986 are dim as a result of decreased competitiveness of the export sector due to underinvestment and lack of modernization in the past years, which are negatively affecting export performance. Its exports of agricultural products to the West will also be affected by low prices and the effects of the Chernobyl explosion. It is conceivable that Poland may not be in a position, towards the end of the year, to meet its obligations vis-à-vis its Western creditors, and thus may ask for another urgent rescheduling. If that were the case, one might anticipate that Poland would be asked first to negotiate an arrangement with the IMF. (There will be an Article IV mission in July, and possibly a standby mission towards the end of the year.)

5. IBRD Current Plans Given the above situation, we have planned to proceed cautiously in initiating our relationship with Poland. We had in the past six months a number of informal contacts with Polish representatives (in particular Mr. Karcz), participated in the last pre-membership IMF mission, sent one staff to analyze Poland's GNP per capita, and lately (May) sent a small mission of an exploratory nature to initiate the dialogue, discuss the next steps and prepare the first economic mission. This first--small--economic mission is presently in the field. Its main objective is to determine whether there is a prima facie case for Poland's economy to recover, and to outline to the Government the most important development issues. (Mr. Lari will join that mission at its end.) Based on the results of that mission, we will prepare for senior management review a paper outlining a possible strategy of assistance, which could be discussed with the Polish delegation during the Annual Meetings when the Poles can be expected to present their development strategy, and explain in some detail how they intend to tackle the issues identified by the June mission. We would then field a full economic mission and start identification of possible projects for IBRD financing. We do not anticipate any lending before FY88 but we

^{1/} Poland's debt to countries belonging to the Council of Mutual Economic Assistance (CMEA) is only about \$3 billion, although about half of its external trade is with those countries.

should have an intensive economic and sector work program. It should be noted that the Poles have extremely high expectations--and probably unrealistic--of their association with the Bank and our initial contacts either here or through a small exploratory mission last month to Warsaw have focussed to a large extent on explaining our modus operandi and possible approach.

Suggested Answers and Topics you may Wish to Raise

6. You may wish to express your pleasure at having Poland likely to again become a member of the Bank.

7. Regarding the possibility of a program of assistance to Poland, you may wish to allude to the very difficult situation Poland is in to explain that we need to make a progressive, thorough assessment of Poland's economy and prospects to determine, whether, and how, the Bank could help Poland restore its economy and its creditworthiness. You may want to stress that this will require major efforts by, and good cooperation amongst, all concerned.

8. In that context, you may wish to inquire about the prospects for Poland to implement its reform program--which is in many ways similar to the Hungarian one--and stress that it is crucial to rapidly improve efficiency and growth of exports to convertible currencies, and that the Polish Government may wish to concentrate on the related elements of the reform as a first step. You may wish to express your hope that the plan currently under preparation will recognize those needs, and draw an effective strategy and reform program to achieve the objectives of efficiency, growth and restored creditworthiness.

9. You may also wish to allude to the approach that we have delineated for the coming months--the Poles are aware of it--and express some hope that the results of our June mission will be positive and permit the discussion of the elements of a longer-term relationship and program of assistance, during the Annual Meetings in Washington.

PNouvel:mh

Mr. Stanislaw Nieckarz
Minister of Finance

Mr. Nieckarz is 45 years old. He has served as Minister of Finance in the Government of Poland since 1982. Prior to that he was Deputy President of the National Bank of Poland.

June 12, 1986

OFFICE MEMORANDUM

DATE: June 12, 1986

TO: Mr. A. W. Clausen
(through Mr. E. Stern)

FROM: W. A. Wapenhans, Vice President, EMENA

SUBJECT: POLAND - Your Meeting with Mr. Stanislaw Nieckarz,
Minister of Finance (June 13, 1986, 12 P.M.)

1. Mr. Nieckarz is in Washington to sign the Articles of Agreement of the IMF. He will probably be accompanied to the meeting with you by Mr. Karcz, Director of the Foreign Department of the Ministry of Finance, who is Poland's chief negotiator for debt rescheduling under the Paris and London Clubs, and by staff from the Embassy (either Mr. Ludwiczak, Charge d'Affaires, or Mr. Boniuk, Financial Counsellor). On the EMENA side, I will be accompanied by Messrs. Lari, Director, and Nouvel, Division Chief.

2. Topics that May be Raised by Mr. Nieckarz: We have not had an indication of the topics to be raised by Mr. Nieckarz but it seems likely that he will:

- (i) Express his satisfaction that Poland is rejoining the IBRD, assuming the IBRD Governors approve Poland's membership (Poland was a member between 1946 and 1950);
- (ii) Express his hope that the IBRD and Poland will quickly develop an active relationship and that the IBRD will play an important role in helping Poland put its economy back on track and restore its creditworthiness, through provision of a substantial program of assistance--both technical and financial; and
- (iii) May provide a brief updating of Poland's economic and financial situation, and present his country's plans and prospects. (Poland's next Five-Year Plan (1986-90) is in the last stages of preparation.)

Cleared with and cc: Mr. Lari (EM1)

cc: Messrs. Thahane (SEC); Dewey (EMP); King, Ms. Loos (EM1)

3. Background for Your Discussion: Poland has still not recovered from the events in the early 1980s that disrupted its economy and systems. While the economy is now close to the level it had attained in 1979, the progress of recovery was very slow and shaky because of the social unrest, leading to incapacity to implement the reform program that had been decided in 1981/82 and aimed at improving efficiency and growth, and restoring the external and internal balances. During that period Poland got very few credits from the West, while export performance was very sluggish, and was forced to engage in a series of rescheduling exercises with both the Paris and the London Clubs. Poland's debt in convertible currencies is now about \$30 billion (about 70 percent public and 30 percent private), i.e., about 35 percent of GDP and about five times convertible currencies exports. ^{1/} The debt service ratio was over 100 percent in 1981 and 1982, but decreased to 52 percent in 1984 as a result of rescheduling. Inflation ran very high in the early 1980s, but is now down to 10-15 percent.

4. Prospects for 1986 are dim as a result of decreased competitiveness of the export sector due to underinvestment and lack of modernization in the past years, which are negatively affecting export performance. Its exports of agricultural products to the West will also be affected by low prices and the effects of the Chernobyl explosion. It is conceivable that Poland may not be in a position, towards the end of the year, to meet its obligations vis-à-vis its Western creditors, and thus may ask for another urgent rescheduling. If that were the case, one might anticipate that Poland would be asked first to negotiate an arrangement with the IMF. (There will be an Article IV mission in July, and possibly a standby mission towards the end of the year.)

5. IBRD Current Plans Given the above situation, we have planned to proceed cautiously in initiating our relationship with Poland. We had in the past six months a number of informal contacts with Polish representatives (in particular Mr. Karcz), participated in the last pre-membership IMF mission, sent one staff to analyze Poland's GNP per capita, and lately (May) sent a small mission of an exploratory nature to initiate the dialogue, discuss the next steps and prepare the first economic mission. This first--small--economic mission is presently in the field. Its main objective is to determine whether there is a prima facie case for Poland's economy to recover, and to outline to the Government the most important development issues. (Mr. Lari will join that mission at its end.) Based on the results of that mission, we will prepare for senior management review a paper outlining a possible strategy of assistance, which could be discussed with the Polish delegation during the Annual Meetings when the Poles can be expected to present their development strategy, and explain in some detail how they intend to tackle the issues identified by the June mission. We would then field a full economic mission and start identification of possible projects for IBRD financing. We do not anticipate any lending before FY88 but we

^{1/} Poland's debt to countries belonging to the Council of Mutual Economic Assistance (CMEA) is only about \$3 billion, although about half of its external trade is with those countries.

should have an intensive economic and sector work program. It should be noted that the Poles have extremely high expectations--and probably unrealistic--of their association with the Bank and our initial contacts either here or through a small exploratory mission last month to Warsaw have focussed to a large extent on explaining our modus operandi and possible approach.

Suggested Answers and Topics you may Wish to Raise

6. You may wish to express your pleasure at having Poland likely to again become a member of the Bank.

7. Regarding the possibility of a program of assistance to Poland, you may wish to allude to the very difficult situation Poland is in to explain that we need to make a progressive, thorough assessment of Poland's economy and prospects to determine whether, and how, the Bank could help Poland restore its economy and its creditworthiness. You may want to stress that this will require major efforts by, and good cooperation amongst, all concerned.

8. In that context, you may wish to inquire about the prospects for Poland to implement its reform program--which is in many ways similar to the Hungarian one--and stress that it is crucial to rapidly improve efficiency and growth of exports to convertible currencies, and that the Polish Government may wish to concentrate on the related elements of the reform as a first step. You may wish to express your hope that the plan currently under preparation will recognize those needs, and draw an effective strategy and reform program to achieve the objectives of efficiency, growth and restored creditworthiness.

9. You may also wish to allude to the approach that we have delineated for the coming months--the Poles are aware of it--and express some hope that the results of our June mission will be positive and permit the discussion of the elements of a longer-term relationship and program of assistance, during the Annual Meetings in Washington.

PNouvel:mh

Mr. Stanislaw Nieckarz
Minister of Finance

Mr. Nieckarz is 45 years old. He has served as Minister of Finance in the Government of Poland since 1982. Prior to that he was Deputy President of the National Bank of Poland.

June 12, 1986

OFFICE MEMORANDUM

CONFIDENTIAL

DATE June 17, 1985

TO Mr. W.A. Wapenhans, EMNVP o/r

FROM Eugenio F. Lari, Acting EMNVP

EXTENSION 32445

SUBJECT POLAND--Reactivation of Membership

DECLASSIFIED

FEB 04 2019

WBG ARCHIVES

Mr. Clausen

Tom-

I see no reason not
to proceed as proposed.
OK with you?

ES

6/19

6.20.85
agree!
A

1. At his request, Mr. Boniuk, Commercial Counselor of the Embassy of Poland, came to discuss the reactivation of Poland's membership in the World Bank. His main request was for Bank's participation in the IMF membership mission which is now tentatively scheduled for September 11 of this year. He feels that, since the Bank may require some different data from the ones requested by the Fund and may need to have discussions with some different people, the participation of a Bank economist in the IMF mission will be timely and useful. In the meantime, he will provide us with data given to the Fund, which he will send to the Paris Office to be forwarded to my office, and with the latest statistics and calculations of the Polish GNP per capita which he will send to Mr. Baneth, copy to me.

2. Mr. Boniuk went on to describe briefly the economic situation in Poland, the Government financial and economic restructuring plans, and the latest development in the external debt restructuring. Nothing that he said goes beyond what the IMF told us and what can be read in the press. Mr. Boniuk also indicated that he would hope that, after the current financial crisis in Poland is overcome and after Bank staff have become acquainted with the economic problems and prospects in the country, the Bank will be able to provide advice and financial support for the restructuring of the economy in Poland, in say, two years time. He indicated that his authorities would welcome participation in future work on Poland of Polish staff who would have the advantage of knowing the Polish language and to some extent the current Polish situation and institutions.

3. I, of course, stressed the need for information and analysis and the issue of per capita GDP. Mr. Boniuk appeared to be well aware of these issues and realistic in terms of expectations regarding assistance from the Bank.

4. I suggest that we respond positively to the Polish request and, subject to agreement with the IMF colleagues (I spoke with Brian Rose, Deputy Director of the European Department, before and after my meeting with Mr. Boniuk), after they firm up their membership mission, we do participate in this mission with one economist, probably Timothy King.

EFLari:nsp

cc: Mr. Stern ✓

Mr. Baneth, EPDDR

Messrs. Nouvel/Simmons, EMI

WSJ
3/6/85

Lech Walesa, Loan Adviser

Poland

A

Look who's banking on the Soviet Bloc. Lending by Western banks to the communists tripled in 1984, to \$3 billion. Bank of America, Citicorp, Manufacturers Hanover and Bank of Tokyo lead a syndicate that has recently raised a credit line to East Germany to \$500 million from an initial \$150 million. Japanese and European banks last Friday made a loan to the Soviet Union at just one-quarter point above LIBOR.

The bankers insist they are reentering the communist market with caution, which is plausible enough when you consider how much doubtful paper they still possess from their lending binge of the 1970s. During that decade they loaned the Soviet Bloc about \$90 billion. Most of this was guaranteed or otherwise subsidized by Western governments unable to resist East Bloc offers to buy large quantities of Western goods with their credits.

Part of last year's activity was simply refinancing of shaky debt. But banks, multilateral lending agencies and governments could get overcommitted once more. They might benefit from the advice of a man who understands the risks all too well.

We're speaking of Lech Walesa, leader of Poland's outlawed Solidarity labor union. His union has prepared a position paper in connection with Poland's recent efforts to rejoin the International Monetary Fund—efforts favored by many of Poland's creditors as a further way of getting themselves bailed out.

If the IMF lets Poland in and grants it credit, it presumably will attach conditions, just as it does for other sick nations. But Mr. Walesa thinks the conditions should be totally different from the ones the IMF imposes on capitalist countries. Poland

already has plenty of austerity. The IMF should instead demand social change that would give Polish workers greater incentives to produce, Solidarity argues. Otherwise, Poland will never pay its debts.

The IMF has been careful to say that although it recommends economic reforms it doesn't interfere with the "internal politics" of member countries. But it is simply protecting the sensitivities of sovereign leaders when it pretends to an absence of political content in its conditions. It can protect Gen. Jaruzelski's tender psyche if it wishes, but it can't legitimately claim to be helping Poland through a period of economic adjustment without paying heed to the Solidarity argument. Poland cannot restore economic growth, and hence become an acceptable banking risk—particularly in light of the huge sums it already owes—until it addresses the bitter resentments of its work force. It cannot do that without introducing political reforms, that is to say a substitution of democratic process for the present communist military rule. And if it is not willing to make some honest commitment in that direction, it should not be given new credit, IMF or otherwise.

The Walesa approach suggests a new Realpolitik for East-West economic relations. Detente was a kind of Surrealpolitik, with Western governments offering credits and subsidies without regard to the inherent instabilities of communist countries. The only reforms that can make those countries good risks are necessarily political, and in the absence of true political reform, those bankers trudging back to Warsaw and Moscow are just asking for more of the same trouble they had before.

THE WORLD BANK

ROUTING SLIP		DATE: Feb. 9, 1982	
NAME		ROOM NO.	
Mr. Clausen		E-1227	
APPROPRIATE DISPOSITION		NOTE AND RETURN	
APPROVAL		NOTE AND SEND ON	
CLEARANCE		PER OUR CONVERSATION	
COMMENT		PER YOUR REQUEST	
FOR ACTION		PREPARE REPLY	
X INFORMATION		RECOMMENDATION	
INITIAL		SIGNATURE	
NOTE AND FILE		URGENT	
REMARKS:			
FROM: HMKoelle			
ROOM NO.: E-832		EXTENSION: 74541	

February 3, 1982

Mr. Nicholas Schaus
P.O. Box 1982
Farmington, CT 06032

A

Dear Mr. Schaus:

Thank you for your letter of January 21 to Mr. Clausen in which you express concern over his statements on the situation in Poland. Mr. Clausen is away in California, but before leaving he has asked me to reply

He made his remarks at a panel discussion in Tokyo on January 15 and they were reported in the press. However, Mr. Clausen did not discuss the status of American loans to Poland -- it would be inappropriate for him to do so in his capacity as head of an international institution owned by 141 member governments.

Rather, Mr. Clausen expressed his more general view that patience and cooperation among all holders of Polish debt as well as changes in Poland's economic policies which have led to this situation, would contribute to the reestablishment of a viable economy in Poland, which is also clearly in the interest of the international community.

As to the World Bank, Mr. Clausen underlined that it does not have political ideologies -- it follows pragmatic economic objectives, and its mission is to be a catalyst for economic development in Third World countries.

Sincerely,

M.P. Benjenk
Vice President
External Relations

HMK:apz

cc: Mr. Clausen w/incoming and attachments
Mr. Vogl

TOK/WN-ITT

LDW40 TOKYO 25 2155

/8/10

- 7 -

✓ It's important to focus on the fact that some central banks recognize that co-finance with World Bank reduces risk. For example, The Bank of England in recent months has indicated that if one of its clearing banks cofinances with the World Bank, the legal lending limits of the clearing bank is not called into play, that (the cofinancing) can be done on top of the lending limit. It's a practical consideration worthy of keeping in mind.

If we can reduce inflation rates in major industrialized countries contributing to major global inflation, and high inflation means high interest rates, interests rates can be reduced. I know that that is the point of the Reagan administration when it says its greatest contribution to the Third World development can come from the reduction of its rate of inflation and therefore the attendant fall in rates of interests. As has been pointed out, for every percentage drop in interest rates, the debt-servicing burden of countries can be reduced by billions of dollars. It is important that we have a more stable economic environment in the future. The economic environment has been exacerbated in recent years, there is much that we can do as individual nations, individual institutions in those nations and as individual citizens -- to have an awareness and understanding of the global situation and each one of use can find a way to contribute to the reduction of the risks and reduction in the wide swings of levels of economic well-being in countries around the world.

(Okita) Would a default by an East European country trigger confusion in the international financial system?

(Clausen) A default by any country -- whether it is in the East or the West, the North or the South -- always has been an unpleasant and negative impact on the global economic scene. Very clearly, the questioner is raising the focus on the difficult economic problem of Poland at the moment. Even the elements are not cooperating with the situation because of the severity of the winter that is impacting upon the citizenry and economic condition of that country. Therefore, it is going to be very difficult.

I can't tell you any more than what everyone has already read in the newspapers, i.e., external debt is in the order of magnitude of \$25 billion and this is to governments, it is not to the West's financial institutions. Poland is not a member of the Fund, neither is it a member of the Bank. It is a member of COMECON. It has indebtedness to its neighboring countries within the Eastern bloc. But it also has obligations to the Western world where it has borrowed funds in recent years from commercial banks throughout the world, primarily in Europe, and from the U.S. and Japan. Very clearly, a default would cause an impact on the international monetary system as we view it and know it today. A default merely means I cannot pay my bill and it's due now. The magnitude of debt owed to the Western world is not known precisely. We can speculate but we cannot know precisely because information is not available, under their practices of disclosure, for our understanding and analysis.

But in those situations, if we have cooperation among debtholders and find a basis upon which to set the economy right, if we can help the nation establish an economic policy framework in the light of the very difficult political situation and the expression of the forces coming from the peoples of the nation vis-a-vis the kind of government and kind of economic policies that those peoples desire, I believe there can be found for the long-term resolution of the problems. How many times have we seen nations which are "on the ropes" and technically "dead?" I can give a couple of examples. Argentina is one. Turkey was another 18 - 24 months ago. Turkey is a dramatic example of a crisis case.

TOK/WN-ITT

LDW41 TOKYO 25 2155

/9/10

- 8 -

It has done a lot to reduce its temperature. Its temperature is still above normal; when the temperature falls from 106 to 101, we tend to think it has recovered. Well, normal is still below that (i.e., 101).

I think there are opportunities for cooperation among the creditor nations. It's going to take governments, and it's going to take an infusion of monies to keep the patient alive on the short-haul so that we can effect a long-term cure. It's going to take cooperation from creditors to be patient when we can see there is a strategy -- a plan of action -- by governments and peoples combined to provide the solutions for the indigenous country. It is in our interest to help cause those things to occur. And that, I realize, is very difficult. It is too precise to talk about the eastern bloc, or conditions in Poland in particular. But I would say insofar as the World Bank is concerned, the World Bank does not and must not have political ideologies. Its only objective should be pragmatic economic objectives. Our mission as an instrumentality of governments is to provide for and to be the catalyst for economic development of Third World countries. Even when we are dealing with countries that are "centrally planned economies" as differentiated from democracies or more democratically managed economies than centrally planned, the fundamental purpose is to raise the standard of living of peoples. For example, the Bank's loans to Romania and Yugoslavia are for agricultural projects that will motivate response from individuals, from farmers. The Bank's first loan and credit to the People's Republic of China was for education, education of individuals, the people.

I think it's important that the multilateral financial institutions are supported by their member governments because I think we are in a better position to get appropriate policy ^{than the} bilateral approach for official development assistance.

(Okita) There is another question from the floor: Does the UNU intend to play the role of providing information which would be useful as teaching material for grasping the current state of the global economy?

(Soedjatmoko) At the Board meeting a month ago the UNU obtained approval to engage in research for external economic matters. This is a new field of activity for the UNU. Since the UNU is a voluntary international research organization and not a government institution, there is scope for conducting research from a fresh, new viewpoint.

(Nakajima) Global consensus is a precondition for the materialization of the GIF concept I proposed, so I hope the World Bank will regard it warmly. I also hope the UNU will conduct research from a different angle.

(Okita) I would like to ask Mr. Clausen about financing the increasing energy requirements of the Third World.

(Clausen) The World Bank has three priorities which I think the world can join in: (1) Agriculture and rural development, because for the poorest countries in the world which far outnumber the developed countries, agriculture and the need for food is of paramount importance. We are populating ourselves far more rapidly than we ought to, and we are populating ourselves in the poor nations of the world. (2) Energy: It is impossible to have an accelerated growth in matters economic without at the same time increasing one's consumption of energy because development carries along with it ~~had~~ in hand increased consumption of energy. So many of the developing countries today are using a tremendously disproportionate amount of their foreign exchange earnings to pay for the cost of importing energy. Some nations as much as 80, 85%, -- even 90% in one case. So, the World Bank is ...

Koelle:—

Form No. 89
(2.66)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

ROUTING SLIP

Date

Jan. 27, 1982

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Benjenk

Mr. Vogt

This is a hasty

one by

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

XX

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

Remarks

*Mr. Martin: could we just
send transcript of what AW
Clemen did say? FU*

Olivier Lafourcade

Remarks on Poland

From

2472

SCHAUS

A STRONG VOICE FOR REAGAN

January 21, 1982

Mr. A. W. Clausen, President
World Bank
1818 H Street, N.W.
Washington, D.C.

Dear Mr. Clausen:

Your recent public statements regarding the status of American loans to Polish banks has me greatly concerned.

American banks enjoyed higher than normal interest rates and subsequent increases in earnings from loans made to Poland. When those loans were in good standing, they contributed to the banks earnings.

Those loans are now in default and you are publicly trying to rally financial support for communist Poland so that these bad loans will be bailed out and the American banks will be saved from their mistake.

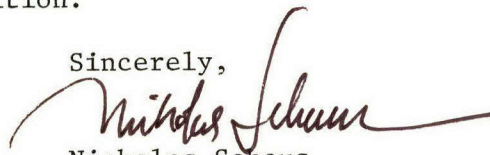
I believe you are making a serious error in placing the bottom line of these banks above all considerations. Please do not foist upon American citizens the notion that by making these loans whole and correcting a past gross error in judgement, you are, in fact, humanitarian and doing the Polish people a favor. Your plea, if successful, would do just the opposite. If Poland's \$27 billion dollar loan were renegotiated and placed in good standing, the pressure would be taken off Poland's totalitarian communist government and Russia.

Clearly, the banks did not underwrite those loans when they made them. Care was not taken to insure that the recipient of the loans would use the proceeds in a productive capacity in Poland. In fact, a case can be made to show that the proceeds of the loan were funneled through Poland to Russia and used to build-up military defenses.

For us to continue now to assist in the rape of Poland is unconscionable. I pledge that when I am in the United States Congress I will do everything in my power to introduce legislation which will protect the bank stockholder, depositor, and the Federal Deposit Insurance Corporation from being subject to the avarice of the banking policies which have been manifest in the Polish loans.

By recommending to make more funds available to the repressive communist borrower, you are indirectly insuring the longer term enslavement of 36 million Poles. I urge you to reconsider your position.

Sincerely,


Nicholas Schaus

RECEIVED

1982 JAN 26 PM 1:26

OFFICE OF THE PRESIDENT

RECEIVED
JAN 26 1982
207116

Poland

12-17-81
A

President Reagan at his press conference this afternoon gave the Russians a clear warning not to interfere in Poland. He said, however, that he is not prepared to discuss at this time the options and initiatives he might take in the event of Soviet involvement. But he stressed that the U.S. is not so naive as to believe that the latest Polish developments have not been determined in Moscow. U.S. food shipments to Poland have been suspended.

In the strongest terms the President deplored events in Poland. He said he had unconfirmed reports of killings in Poland. He said thousands of people have been arrested and many beaten, that there is massive coercion, violation of human rights and " we view the current situation in the gravest terms."

He said America's allies, as well as the U.S. itself have warned the Russians. He said the U.S. will continue to support Poland, but " the Polish people must be free to solve their problems themselves."

He added in an ominous warning that two years ago freedom was lost in Afghanistan and this Christmas it is at stake in Poland.

U.S. Budget

He said it is important to be consistent in policy and the tax cuts will stimulate productivity and in time boost Government revenues and it would be wrong now to try and counter recent economic trends with damaging tax increases.

We stick with our tax program. We will not increase taxes.

The President added nothing new in response to questions concerning the economy, Libyan threats, possible wrong-doing by Administration officials.

Mr Clausen's office
*File*599
OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Attila Karaosmanoglu, Director, EM1 *AK*

SUBJECT: POLAND - Meeting of the Polish Delegation with Mr. Clausen

DATE: November 13, 1981

1. A Polish Delegation visited Mr. Clausen on November 10, 1981 to present a letter of application for re-entry to the Bank. The Delegation consisted of:

Ambassador Romuald Spasowski
Polish Ambassador to the U.S.

Mr. Zbiniew Karcz
Director of External Affairs, Ministry of Finance

Professor Raczkowski
Economic Adviser to Ministry of Finance

Mr. Zawadzki
Economic Counselor.

Messrs. Chaufournier and Karaosmanoglu were also present in the meeting.

2. Mr. Karcz, leader of the Delegation, expressed his apologies for the inconvenience created by their unannounced move to apply for re-entry to the Bank. He recalled that Poland had been trying to re-enter the Bank since 1956 and especially regretted the fact that they could not have entered two years ago. In view of the previous frustration of their efforts due to a premature news leak, they now had chosen to submit their application in Washington without advance announcement and the necessary preparatory work to avoid the risk of further postponement. They hoped that the fact that Poland is a member in good standing in all United Nations organizations with the exception of the IMF and the IBRD would reflect favorably on the Bank's review of their application. Poland's desire to return to the Bank was linked to recognition of the increased interdependence of the economies of the world and the common opinion of the Polish people that the aims of the IMF and the Bank are similar to those of Poland. Mr. Karcz also added that in connection with their negotiations with 16 governments and 460 banks, Poland had agreed to supply necessary information on external debt, balance of payments and other aspects of the economy. He therefore did not expect that any difficulties would arise regarding statistical follow-up or willingness to release data for their membership in the Fund and the Bank. He noted that there may be some technical difficulties in the comparability of data.

3. Mr. Clausen expressed satisfaction over the fact that Poland understood the information requirements that would result from membership to the Bank. Mr. Karcz repeated his confidence in this regard since the Government had thoroughly discussed this issue and had recently begun to publish detailed balance of payments, reserve and short-term debt statistics.

November 13, 1981

At the present time no legal obstacles exist in meeting the information requirements of the Fund membership or the information that may be required by the Bank. Mr. Clausen found the Polish move for application for membership very encouraging and recognized it as a most important step. He hoped that the application process would reach a favorable conclusion. Mr. Karcz noted that the ambassadors of 16 countries had been informed Monday (the day before) about the application of membership in the Fund and the Bank and that Poland had received favorable responses regarding this move.

cc: Mr. Clausen's office
Messrs. Stern, Chauffournier

AK:sap

OFFICE OF THE PRESIDENT

NOV 18 1981

RECEIVED

RECEIVED

1981 NOV 16 PM 3:57

OFFICE OF THE PRESIDENT

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: November 13, 1981

FROM: Attila Karaosmanoglu, Director, EM1 *AK*SUBJECT: POLAND - Meeting of the Polish Delegation with Mr. Clausen

1. A Polish Delegation visited Mr. Clausen on November 10, 1981 to present a letter of application for re-entry to the Bank. The Delegation consisted of:

Ambassador Romuald Spasowski
Polish Ambassador to the U.S.

Mr. Zbiniew Karcz
Director of External Affairs, Ministry of Finance

Professor Raczkowski
Economic Adviser to Ministry of Finance

Mr. Zawadzki
Economic Counselor.

Messrs. Chaufournier and Karaosmanoglu were also present in the meeting.

2. Mr. Karcz, leader of the Delegation, expressed his apologies for the inconvenience created by their unannounced move to apply for re-entry to the Bank. He recalled that Poland had been trying to re-enter the Bank since 1956 and especially regretted the fact that they could not have entered two years ago. In view of the previous frustration of their efforts due to a premature news leak, they now had chosen to submit their application in Washington without advance announcement and the necessary preparatory work to avoid the risk of further postponement. They hoped that the fact that Poland is a member in good standing in all United Nations organizations with the exception of the IMF and the IBRD would reflect favorably on the Bank's review of their application. Poland's desire to return to the Bank was linked to recognition of the increased interdependence of the economies of the world and the common opinion of the Polish people that the aims of the IMF and the Bank are similar to those of Poland. Mr. Karcz also added that in connection with their negotiations with 16 governments and 460 banks, Poland had agreed to supply necessary information on external debt, balance of payments and other aspects of the economy. He therefore did not expect that any difficulties would arise regarding statistical follow-up or willingness to release data for their membership in the Fund and the Bank. He noted that there may be some technical difficulties in the comparability of data.

3. Mr. Clausen expressed satisfaction over the fact that Poland understood the information requirements that would result from membership to the Bank. Mr. Karcz repeated his confidence in this regard since the Government had thoroughly discussed this issue and had recently begun to publish detailed balance of payments, reserve and short-term debt statistics.

November 13, 1981

At the present time no legal obstacles exist in meeting the information requirements of the Fund membership or the information that may be required by the Bank. Mr. Clausen found the Polish move for application for membership very encouraging and recognized it as a most important step. He hoped that the application process would reach a favorable conclusion. Mr. Karcz noted that the ambassadors of 16 countries had been informed Monday (the day before) about the application of membership in the Fund and the Bank and that Poland had received favorable responses regarding this move.

cc: Mr. Clausen's office
Messrs. Stern, Chauffournier

AK:sap

Application for
Entry

1956

There was not much

hot fusion ~~and~~ time

Belong to all UN
organizations except IMF
& IBRD.

Union Krayls

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

November 10, 198;

Mr. Clausen:

The members of the Polish Delegation, who are
to call on you at about 12 noon are:

Ambassador Spasowski
Polish Ambassador to the U.S.

Mr. Zbiniew Karcz
Director of External Affairs
Ministry of Finance

Professor Raczkowski
Economic Adviser to Ministry of Finance

Mr. Zawadzki
Economic Counsellor

As we agreed I shall take the delegation to your
office as soon as they finish with Mr. de Larosière
and I shall send a message to the Board Room for you
to come to join us.

The World Bank

November 10, 1981

Mr. Clausen,

POLAND

This morning I referred to some earlier history of our relations with Poland. Here is an extract of "The World Bank since Bretton Woods" published by Brookings, pages 170 - 171, which you may find interesting.



Roger Chaufournier



Poland and Czechoslovakia

The Polish government first approached the Bank in the autumn of 1946 with a request for \$600 million. The Bank's resources at the time were obviously inadequate for a reconstruction loan of that size. It was thought, however, that one in the neighborhood of \$125 million for rehabilitation of the Polish coal industry might be possible. Since coal was desperately needed for the reconstruction of Western Europe, Poland, by increasing its exports, could earn the foreign exchange with which to pay interest and principal on a loan. In the spring of 1947, therefore, Poland submitted a memorandum requesting a coal loan in the amount of \$128.5 million.

Bank officials naturally wondered whether Poland's relations with Russia were such that Poland might find itself unable to devote the necessary resources to repaying a loan from an institution toward which the USSR was hostile. They considered the risk worth taking and negotiated in good faith. An IBRD fact-finding group went to Poland in the summer of 1947 and concluded that a \$45 million, rather short-term loan could quickly result in a substantial increase in coal output. The Polish government was clearly unhappy about this considerable comedown from the \$600 million asked for a year earlier. The Polish government tried to nudge the figure back toward \$125 million, and it stoutly resisted the idea that it should repay in full within a short span of time.

Negotiations continued. McCloy himself visited Warsaw and returned impressed with the potentialities of the Polish coal industry and eager to make a loan. By mid-1948, however, it had become clear to the Bank management that its largest stockholder, the United States government, would not grant export licenses for mining machinery to Poland and would instruct its executive director to vote against the loan if it were presented to the board for approval. Poland and Czechoslovakia, initially profoundly interested in participating in the Marshall Plan, had not been free to do so, and relations between them and the United States were growing progressively more strained.

As soon as Eugene Black, the U.S. executive director, became aware that he would have to vote against the coal loan to Poland, he conveyed that information to McCloy, who relayed the message to the Polish executive director, Leon Baranski. It was decided that the loan would not be presented to the board, and negotiations were suspended. The Bank, said the *Third Annual Report*,

is not unmindful of the importance of the economic development of its member countries in Europe which are not participants in ERP [the European Recovery Program, formal title of the Marshall Plan]. . . .

The Bank is fully cognizant of the injunction in its Articles of Agreement that its decisions shall be based only on economic considerations. Political tensions and uncertainties in or among its member countries, however, have a direct effect on economic and financial conditions in those countries and upon their credit position.³⁰

Unable to obtain a loan and unable to participate constructively in the work of the Bank, Poland withdrew from the institution in 1950.

287

FORM NO. 1599
(8-80)

THE WORLD BANK

ROUTING SLIP		DATE 8/24/81	
OFFICE OF THE SENIOR VICE PRESIDENT, OPERATIONS			
NAME		ROOM NO.	
Mr. Clausen			
	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On
REMARKS			
Tom,			
We talked about this at the elevator this morning. After you have read it, I suggest we meet with Mr. Chaufournier. The matter has been kept highly confidential in the Fund, and I think for the time being we must do the same in the Bank.			
FROM			
E. Stern			

OFFICE MEMORANDUM

STRICTLY CONFIDENTIAL

TO: Mr. Ernest Stern, Senior Vice President

FROM: Roger ~~Chaufournier~~

SUBJECT: Poland

DATE: August 21, 1981

DECLASSIFIED

FEB 04 2019

WBG ARCHIVES

8-31-81
visited w/ J. J. J.

1. Agreement has now been reached between the creditors and the Polish Government to invite the IMF as an "observer" to the Meeting scheduled in Paris for September 9 to consider a "rephasing" on Poland's debt. Mr. Whittome, Director of the IMF European Department, will represent the Fund.

2. It is generally understood, although not officially, that IMF participation will provide another opportunity to discuss possible membership of Poland in the IMF, a more visible step than the informal contacts which have taken place so far and which makes membership more likely than was the case a few months ago. Poland's interest in membership would reflect its expectation of substantial amounts of finance from the IMF and of improved prospects for further rescheduling of external debt that can be expected with an IMF supported program in place.

3. The creditors have also pressed Poland to invite the Fund as observers, hoping that the IMF can play a role in monitoring the conditionality they want to see attached to any rescheduling, a responsibility which the banks are reluctant to assume by themselves alone. As to membership in the Fund and possible financial assistance from it, I understand that member Governments representing the principal creditors hold varying views. The Germans fear that, under Polish conditions, IMF conditionality would be further diluted. The French favor membership and there are the usual differences of views within U.S. agencies and among Treasury officials themselves. Some of the Fund Executive Directors have been consulted informally and I understand that Management now has the green light to proceed with attendance at the Meeting. IMF Management realizes that a discussion of membership will involve a discussion of the kind of program the IMF could envisage in Poland. Mr. Whittome thinks that before he can proceed very far on this path, a Fund mission will have to be mounted to carry on detailed discussions with the Polish authorities. The likelihood and possible timing of such a mission will be decided in the light of the early September contacts.

4. In the anticipation of such a mission, Mr. Whittome has asked us whether we would be prepared to attach staff to the mission as we have done on many occasions in member countries. The current international payments crisis in Poland results not merely from fiscal and monetary mismanagement but also from structural and institutional factors which Mr. Whittome thinks belong more properly to the Bank's area of expertise and which the Fund is not equipped to handle. He mentioned two sectors, agriculture and energy, particularly coal where the Bank's experts could help the IMF begin to identify the elements of an effective program of stabilization and restructuring.

MAY 15 2023

- 2 -

STRICTLY CONFIDENTIAL

WBG ARCHIVES

5. The question of Poland's membership in the Bank is clearly beyond the responsibility of the EMENA Region to address. The questions we would like to begin to address now are the following:

First: How do we respond to the Fund informal approach to participate in an IMF mission? What are the implications of Bank participation? Do we encourage or do we discourage such an initiative?

Second: We know that the question of Bank membership has already been raised in several quarters within and outside Poland. It is now more likely that it will be raised again. Are there steps we need to take now to help clarify the expectations that Poland may entertain from such membership? The benefits in terms of financial or technical assistance which Poland may receive may not be the determining factors in their decision to join but they may not be entirely irrelevant; in any case it would be counterproductive to create excessive expectations which could not later be met. The IMF itself would be interested in knowing the extent of the assistance we could possibly give to Poland.

6. It is too early to put forward a plausible scenario for Poland's access to Bank membership and it is a matter which will require thorough discussions with other parties within the Bank. There are legal and procedural obstacles to be overcome. But more fundamentally it is far from obvious that the likely scale, type and terms of Bank assistance to Poland will be sufficiently attractive to overcome the resistance of the hard liners in Poland and the USSR. Let us recall that the per capita income of Poland and its relative level of development would, given present financial constraints, limit our ability to lend amounts anywhere near what the IMF could envisage. 1/ It is true that the amounts we lend to Romania are relatively small in relation to its total requirements (about \$325 million a year) and nevertheless Romania has encouraged Poland to join, as it had encouraged China, not only for obvious political reasons, but also because of the technical assistance benefits which accompany our operations.

7. The management of the Region has concluded that whatever posture we take regarding possible future operations in Poland, we should respond positively to the Fund request and consider participation in an eventual IMF mission.

8. Poland's economic difficulties have had complex economic and financial ramifications. Private, public and international institutions as well as Governments in the West appear to be responding positively to the challenges of the situation. If the international financial community were to feel that the Bank can play a useful role, there would have to

1/ While the World Bank Atlas puts Poland's per capita income at \$3,820, a more reliable estimate (East European Assessment, Part I, U.S. Joint Committee of Congress, 1981) indicates that in 1978 Poland's per capita GNP was not dissimilar to that of Romania (around \$3,000). Since then it has not risen as rapidly as that of Romania and is reported to have declined.

MAY 15 2023

WBG ARCHIVES

be strong and valid reasons for us to decline to play such a role. We have considered both the positive and negative aspects of our participation in the IMF mission.

9. On the negative side several elements deserve consideration.

(a) Bank participation may raise excessive expectations as to future Bank role. This is largely a question of making clear to both the Fund, Poland and to our Directors what would be the extent and significance of our participation.

(b) There is the risk that we may find that the obstacles to the kind of recovery program we could support are overwhelming (possibly largely political) and that any further Bank role would be precluded. This risk will always exist and the advantage of a participation in a Fund mission is that it would allow us to reach a judgement with minimum visibility and early enough before a decision on membership has actually been made. There is also the risk that we may disagree with the Fund and that we could be made the scapegoat for the failure of negotiations between the IMF and Poland. This is a real risk since the most difficult reforms will be structural and will touch extremely sensitive areas such as the role of the private sector in agriculture and incentives to be given to it; the rehabilitation of the coal sector is intimately related to the relations between the unions and the government. I believe this risk is limited since we would not expect to reach firm conclusions on the basis of this first mission; conditionality on structural reforms could only be determined after acquiring more thorough knowledge of the Polish economy; on the other hand should we conclude that prospects for a further effective role by the Bank are dim, we could still manage to pull out gracefully.

10. In conclusion, our participation in the IMF mission properly defined, would give us a start in acquiring information and understanding of the Polish economy without necessarily committing us to any position on a future program of activity in Poland. Acquiring better knowledge on the Polish economy is not only important to the Bank as a development institution; it is of direct relevance to the EMENA region work in some of its present member countries such as Romania or even Yugoslavia whose economic future will be very directly influenced by developments in the COMECON countries like Poland. On the other hand, it would allow us to determine, at minimum cost, financial and political, what kind of role we could envisage in the longer term; we could determine what type of economic work we need to organize ourselves for, should Poland wish to pursue membership, which would be necessary to form our own judgement on policies, prospects and creditworthiness.

11. Mr. Whittome tells me that at this stage the subject is being treated with great confidentiality and that only Messrs. de Larosiere, and Dale and he are involved in the IMF, apart from informal contacts with some Executive Directors. I believe that a similar close handling of this sensitive subject is advisable in the Bank. While the difficulties and risks are considerable, the proposed Bank participation in the IMF mission does

not foreclose any options. Accordingly, I would like to have your approval to (a) convey to the IMF our agreement, in principle, to Bank staff participation in the IMF mission; (b) discuss and clarify with Mr. Whittome and his staff the extent and role of Bank staff on the mission. At this stage we visualize sending one senior member of our staff as general economist and two sector specialists (agriculture and energy) on the mission, with clearly defined and mutually agreed terms of reference.

RChaufournier: ad'A

DECLASSIFIED

MAY 15 2023

WBG ARCHIVES

August 19, 1981

Dear Mr. Kulski:

Thank you very much for your letter of August 14, informing me of your recent discussions with Polish Government officials regarding the possibility of Poland rejoining the Bank. This is indeed an important and sensitive matter and I am grateful to you for offering us the benefit of your personal knowledge on this issue.

Given my very heavy schedule in my first weeks with the Bank, I regret that I am not able to see you personally at this time. I have, however, asked Mr. Benjenk, Vice President External Relations, to receive you so that you can apprise him in more detail of the substance of your discussions in Warsaw. I suggest that you call his office to arrange a meeting at a mutually convenient time.

Thank you also for your expression of good wishes as I undertake my new assignment as President of the Bank. It was very thoughtful of you to write to me.

Sincerely,



A. W. Clausen

cc: Mr. Benjenk w/copy incoming

Mr. Julian E. Kulski
International Architect and
Planner
Varzara, Orlean, Virginia
22128

OLafourcade:ml