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MEMORANDUM FOR: Deputy Director/Intelligence

6 April 1957

SUBJECT: Polish Trade Talks, 5 April 1957

1. After a recess of more than two weeks in plenary discussions, about one week of which was spent in intensive small group meetings, a full discussion was called for 5 April. The Washington Star, 5 April, early edition had carried an article to the effect that the trade talks had broken off. Talks will continue although the present offer by the US was called unsatisfactory by the Poles.
2. The American offer which included a triangular deal through Western Europe (probably W. Germany) had been increased from the \$30 million originally contemplated to some \$80 million. Although the Polish Delegation had never been officially tendered the \$30 million offer, they must have known of its existence. The American Chairman discussed the \$80 million offer privately with Mr. Kotlicki the evening of 4 April to permit the Poles the option of withdrawing if the formal offer would prove embarrassing to them. Mr. Kotlicki at that time indicated that the offer was unsatisfactory in terms of size but agreed to a meeting of the delegations for a formal presentation on 5 April.
3. The Chairman of the American Delegation, Mr. Kalijarvi, opened the meeting with a formal presentation of the American offer, emphasizing the fact that this offer had been worked out as carefully as possible in light of American availabilities and Poland's expressed requirements. The American offer consisted of funds from 3 sources:

a) Surplus Agricultural Commodities P. L. 480	\$25,000,000
b) President's Emergency Funds P. L. 401	25,000,000*
c) Commodity Credit Corporation (Triangular)	<u>30,000,000</u>
	\$80,000,000
- *Would be passed to Exim Bank for loan to avoid certain Polish objections to the conventional aid program.
4. The Chairman of the Polish Delegation, Mr. Kotlicki, thanked the US and indicated that the meetings had demonstrated a continuous atmosphere of good will, but submitted that the results were disappointing and unacceptable to the Polish nation. He did, however, want to raise certain questions about the American proposal. Mr. Kotlicki's line of questioning first explored the possibilities of additional aid beyond present offer, then the degree of Polish flexibility both to goods and repayment within the present offer. He followed his detailed questions with a request for a short "stump speech" on the Polish agricultural situation.

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5. The last part of the meeting was devoted to Polish reiteration of the unsatisfactory nature of the present offer accompanied by Polish desire to continue the discussions for some time in view of the genuine atmosphere of American good will. Mr. Kotlicki insisted that Poland needed during 1957 a minimum loan of \$150,000,000 if anything really helpful to the Polish economic situation were to be achieved. Mr. Kalijarvi again drew attention to the fact that the proffered loan was a large program by American aid standards and particularly generous in view of the fact that there had been little commercial intercourse between Poland and US for almost ten years.
6. Each side agreed to investigate the details of the instant proposal further, presumably each reporting their respective positions to their governments. Why have the Poles decided to stay? Perhaps they consider the US offer our first position with other better (for them) positions behind it. More likely, they know, as a result of the negotiations, that Congress is presently considering its 1958 program for agricultural surplus disposal. If a large program is agreed for 1958, the Poles may expect that a better loan package may be put together than is possible with present uncertainty as to the size of the 1958 program.
7. Several general propositions related to the Polish political and economic situation were again underscored at this meeting.
 - a) Agricultural production is in this delegation's mind the crucial sector of the Polish economy.
 - b) Agricultural incentives are needed to improve that production and only by the abolition of compulsory deliveries do the Poles think these incentives may be assured.
 - c) The political repercussions of the failure of this mission may be significant, Iwaszkiewicz mentioned this and I had the opinion he was particularly concerned about the impact of the announcement to continue compulsory deliveries upon the peasant.
 - d) Poland is attempting to liberalize its industrial production particularly in consumer goods industries (food and textiles), but also its steel industries. The latter reference may be related to recent Polish attempts to secure iron ore in Venezuela. Much of the present predisposition of a large share of Poland's trade with the USSR has been considered based upon the favorable terms on which Soviet iron ore could be imported for the support of the greatly enlarged Polish steel industry.

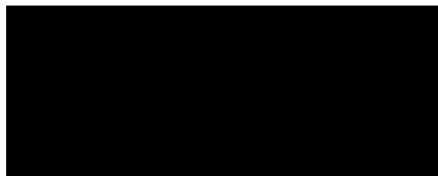
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- e) The necessity for reserves is critical to the development of sustained production in industry as well as in agriculture. The present Polish government cannot depress production of consumer goods, which it has promised the Polish people, to get reserves which it needs to assure efficient, low-cost production of these same consumer goods.
8. No date was set for a future meeting of the full delegations.

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