

JUSTIFICATION FOR A PRESIDENTIAL DETERMINATION  
TO REMOVE THE PROHIBITION OF FOREIGN ASSISTANCE FOR POLAND

On Sunday, June 4, Poland held the most democratic elections yet seen in the Communist world. The Polish Communist Party acknowledged that Solidarity won a decisive victory: 99 of the 100 freely-contested Senate seats and all 160 contested seats in the lower house of Parliament. President Bush called the Polish elections "an important step toward freedom and democracy" and stated that "the Polish people are now taking steps that deserve our active support."

The elections, the legalization of Solidarity, the establishment of a free press, and the decision to allow Solidarity to form the new government are solid evidence that the political reform process is well underway in Poland.

Poland has also taken the first steps necessary to reform its troubled economy. It joined the International Monetary Fund and World Bank in 1986 and has held discussions with the IMF regarding the outlines of a prospective adjustment program. Also in 1986, Poland opened the door to joint venture participation by foreign companies; a more liberal law that allows 100 percent foreign ownership of investments went into effect on January 1, 1989. Periodic devaluations of the zloty since February 1987 have made Polish exports more competitive. Other reforms are aimed at increasing reliance on market mechanisms and reducing bureaucratic control over the economy.

Encouraging continued political and economic reform in Poland is important to the national interest of the United States. The package of initiatives President Bush announced during his recent visit to Poland represents support for economic recovery, political liberalization and free market solutions. The President's initiatives include support for a Polish-American Enterprise Fund to assist private entrepreneurs in Poland, support for other appropriate economic and political liberalization initiatives, concerted action by the U.S., West European and Japanese governments in support of Polish economic reform, and a generous and early debt rescheduling for Poland in the Paris Club. We underscore our intention that any programs will be non-military in nature.

It is worth noting that Poland has for many years been a beneficiary of other U.S. assistance programs not subject to the Foreign Assistance Act's prohibition. We understand that similar proposals for additional assistance are now under consideration in the Congress. Taken together, these considerations warrant concrete encouragement by the United States Government to the reform processes underway within Poland. Removal of Poland, for an indefinite period, from the application of Section 620(f) of the Foreign Assistance Act is intended to acknowledge and further encourage such reforms.