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PRIME MINISTER

Prime Minister

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Paul

POLAND : CONTINGENCY PLANNING

The Foreign Secretary sent me a copy of his minute to you dated 16 December about this.

2. I agree that it is sensible to start contingency planning against the possibility of a Russian intervention. My officials will join in the work which I understand is being organised under Cabinet Office auspices.
3. However, paragraph 2 of his minute raises a different and difficult point. OD discussed last week the extent and nature of any economic assistance to Poland in the short term. We agreed that we could, if necessary, offer some refinancing of existing loans, and some new credits on a limited scale. The intention was to give no more than about six months' worth assistance. After that the position would need to be reviewed again. The papers before us at OD stress the need for a full-scale multilateral operation of some kind as early as possible, but no decisions were taken on this point. It was however agreed that our representatives should be guided by the attitude of other creditor countries. It would be a mistake, I suggest, for the UK to get out ahead of the field.
4. The Foreign Secretary now suggests that, at the meeting of creditor countries on 22 and 23 December, we should

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indicate that we are prepared to offer them some new credit and refinancing to carry them over the next six months. I see no difficulty in this in principle, but I would hope that we could be less specific about the period, because in my view it is important to engage the Poles in mulilateral talks as early as possible - perhaps by the Spring if the dust settles in time. He goes on to suggest that we should give them figures. I am very reluctant indeed to give figures at this meeting, unless it becomes clear that other countries are prepared to show their hand to the Poles. I would prefer that we confine ourselves to generalised statements of intent, reserving our precise offer until another meeting which I think the French are likely to call during January.

5. If the Foreign Secretary disagrees with this, it might be useful to have a word about the problem either at Cabinet or at OD tomorrow.

6. I am sending copies of this letter to the other members of OD, the Secretary of State for Energy, the Secretary of State for Industry and to Sir Robert Armstrong.

(G.H.)

17 December 1980

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