



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

(2)

PRIME MINISTER

POLISH DEBT

*Prime Minister*

*No doubt the point in para 5  
will have to be the subject of a  
further discussion in O.S.*

*Paul*

The British delegation signed the Polish Debt Agreement on Monday on the lines approved by OD before Easter, but with one important modification.

2. OD agreed that we should accept an 80 per cent re-scheduling of Polish debt for the remainder of 1981. On 23 April the Polish Government made an approach to Western Ambassadors in Warsaw asking them to reconsider the 80 per cent figure - the Poles wanted 95 per cent.

3. We made preliminary enquiries in capitals. It appeared that the Americans and Germans were prepared to agree to 90 per cent but that everyone else, including the French Chairman, was holding out. You will remember that I had myself been prepared originally to go to 85 per cent.

4. During the meeting, however, the French position crumbled under pressure from the Americans and Germans, and the objections of some of the smaller countries were withdrawn. I was consulted and agreed to out going up to 90 per cent if the other creditors did so. The difference is about £8 million, which will add to the PSBR during the rest of 1981.

/I am sure it was

CONFIDENTIAL



5. I am sure it was right to accept this further increase. A fairly generous debt settlement was essential since Poland had no chance of paying off her existing obligations. New credit is another matter. I very reluctantly agreed to £35 million of new credit for 1981 if and when it became necessary to offer this. The French have now called a meeting for 26 May to discuss this question. As previously agreed by OD, our delegation have indicated their willingness to attend, but I believe we should now give them fresh instructions and reduce the amount of new credit we are prepared to offer from £35 million to £25 million to take account of the additional benefit from the 90 per cent rescheduling. The Americans pressed for the increase to 90 per cent in the hope of thereby staving off pressure for new credit, which they are not themselves prepared to provide (though there is still about \$500 million of an earlier U.S. credit still undrawn and available).

6. I am sending copies of this minute to the other members of OD and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'G.H.' with a stylized flourish.

(G.H.)

30 April 1981