



PM/81/25

PRIME MINISTER

for O.T. - probably on 20 May.

Am

Polish Debt

1. The Chancellor's minute of 30 April records the decision of the Western Creditors to offer Poland 90% debt relief. I agree that it was right for us to go along with the consensus.
2. The Chancellor goes on to propose that we should make an off-setting reduction in the amount of new export credit we would be prepared to offer to the end of this year. I firmly believe we should stick to the figure of £35 million agreed at OD on 15 April, which is in itself substantially less than any of the other major Western trading partners of Poland has made available.
3. Our overall objective is to help promote in Poland the economic recovery which will be essential if the Poles are to maintain the gains of the 'renewal' and to repay their debts. The economy cannot be turned around without imports from the West, for which the Poles will need further hard currency credits; Kisiel, the Polish Deputy Prime Minister who called on you in December, saw Ian Gilmour on 8 May and emphasised in particular the need for credit over the next two or three months to keep the factories going in the uncertain period up to the Polish Party Congress in July. Our partners are likely to be sympathetic and they will expect us to play our part. I understand that the French and Germans have so far made available \$554 million and \$310 million respectively in 1981, and that the US have kept open a \$590 million credit line for grain purchases. Our own figure, if we stick to the additional £35 million agreed in OD on 15 April, will be about \$166 million.

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4. I understand that there is already some difficulty in deciding how £35 million of additional credit should be allocated between agricultural and industrial exports, for each of which good cases can be made.

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

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(CARRINGTON)

Foreign and Commonwealth Office