

S E C R E T

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Prime Minister

GRS 420

DEDIP

SECRET

BURNING BUSH

DESKBY 030900Z FCO

FM MEXICO CITY 030030Z AUG 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 312 OF 3 AUGUST

INFO IMMEDIATE BONN, PARIS, WASHINGTON.

FOLLOWING FROM PRIVATE SECRETARY

POLAND.

1. SECRETARY OF STATE DISCUSSED QUESTION OF ECONOMIC ASSISTANCE WITH HIS AMERICAN, FRENCH AND GERMAN COLLEAGUES IN THE MARGINS OF THE MEETING AT CANCUN. HE SAID THAT, EVEN IF IT WERE MET, THE PRESENT POLISH REQUEST FOR AN ADDITIONAL DOLLARS 500 MILLION WOULD BE FOLLOWED BY OTHERS AND THAT IT WAS NOT POSSIBLE FOR US TO TAKE DECISIONS ON A HAND TO MOUTH BASIS. WHAT WAS NEEDED WAS AN OVERALL POLITICAL AND ECONOMIC ASSESSMENT, COVERING BOTH WHAT THE WEST MIGHT BE ABLE TO DO TO PUT THE POLISH ECONOMY BACK ON THE RIGHT TRACK AND THE CONSEQUENCES OF DOING OR NOT DOING SO.
2. THERE WAS GENERAL AGREEMENT THAT AN ASSESSMENT ON THESE LINES WAS NEEDED AS A MATTER OF URGENCY. GENSCHER ARGUED IN PARTICULAR THAT THE POSITION OF POLAND SHOULD BE SEEN IN A WIDER HISTORICAL AND POLITICAL CONTEXT. THE QUESTION AT STAKE WAS WHETHER POLAND WOULD ONCE AGAIN BE "DISMISSED INTO THE EASTERN HEMISPHERE" AS IT HAD BEEN AFTER THE WAR. THERE MUST NOT BE ANOTHER DISAPPOINTMENT NOW. THIS WAS SEEN BY OTHER EASTERN EUROPEAN COUNTRIES AS WELL AS BY POLAND AS A TEST CASE OF WESTERN READINESS TO HELP. HAIG EMPHASISED THE DIFFICULTIES HE FACED DOMESTICALLY IN CONTINUING ECONOMIC ASSISTANCE TO POLAND AND THOUGHT THAT A GENERAL ASSESSMENT (WHICH HE MIGHT WISH TO SUPPLEMENT BY SENDING AN AMERICAN TEAM TO POLAND TO MAKE A FIRST HAND ECONOMIC ASSESSMENT) WOULD BE HELPFUL. CHEYSSON, WHILE AGREEING ON THE NEED FOR ASSESSMENT, WAS MORE CONCERNED ABOUT THE SHORT TERM FINANCIAL PROBLEMS. HE EXPLAINED THAT THE FRENCH HAD NOW WORKED OUT BETWEEN GOVERNMENT AND BANKS AN ARRANGEMENT WHICH WOULD IN EFFECT PROVIDE THE POLES WITH EXPORT CREDIT WITHOUT ANY DOWN-PAYMENT.

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3. THERE WAS GENERAL AGREEMENT THAT IT WOULD BE DESIRABLE IF THE POLES WERE TO JOIN THE IMF, AND CHEYSSON IN PARTICULAR ARGUED THAT WE SHOULD URGE THEM TO DO SO. THE SECRETARY OF STATE SAID WE SHOULD NOT REACH DECISIONS ON THIS BEFORE WE HAD SEEN THE OVERALL ASSESSMENT HE HAD SUGGESTED. IT WAS HOWEVER AGREED THAT INDIVIDUAL COUNTRIES MIGHT MEANWHILE USEFULLY EXPLORE THE QUESTION OF IMF MEMBERSHIP WITH THE POLES IN THEIR BILATERAL CONTACTS.

4. IT WAS AGREED THAT THE ASSESSMENT WORK SHOULD BE UNDERTAKEN AS A MATTER OF URGENCY, AND THAT THERE SHOULD BE MEETINGS IN PARIS (PROBABLY AT THE END OF THE WEEK BEGINNING 3 AUGUST) INVOLVING POLITICAL DIRECTORS AND ECONOMIC DIRECTORS AND POLAND TASK FORCE REPRESENTATIVES. THE NOTE FOR THE RECORD IN MIFT INCORPORATES COMMENTS BY THE US (HORMATS) AND GERMANS (LAUTENSCHLAGER), AND HAS BEEN FAVOURABLY RECEIVED BY THE FRENCH (CAMDESSUS)

COX

LIMITED

HEAD/PLANNING STAFF  
HEAD/EESD  
HEAD/ERD  
HEAD/TRED  
HEAD/ECD(E)  
PS  
PS/LPS  
PS/PUS  
MR BULLARD  
LORD BRIDGES  
MR FERGUSSON