

Prime Minister

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A.J.C. 12/3

From the Secretary of State

The Rt Hon Humphrey Atkins MP
 Lord Privy Seal
 Foreign and Commonwealth Office
 London SW1

A.J.C. 15/3.

10 March 1982

h-a.

Dear Humphrey,

POLISH DEBT RESCHEDULING

Geoffrey Howe sent me a copy of his minute to Peter Carrington of 26 February and I have now seen your reply. ^{3 March}

I share your general agreement with the Treasury paper and am quite content with the procedural steps you have outlined. The present suspension of rescheduling negotiations cannot be continued for much longer without the West hurting itself more than the Poles (and indirectly the Russians). Changing our stance must be concerted with our allies and carefully prepared so it can be presented both internationally and at home as maintaining pressure on the Poles, not as a retreat. The Paris Club meeting on 18 March and the media interest it will attract is a useful starting point for this.

The one point of emphasis I would like to make about the paper is that, if anything, it tends to understate the financial arguments and the strength of the West's bargaining position. The Poles have already made considerable efforts to avoid bankruptcy and can be pushed further. The Russians too continue to have a strong interest in this. We should thus demand tougher terms for rescheduling 1982 debt maturities than granted last year in different political circumstances.

I am copying this to the Prime Minister, other OD members and Sir Robert Armstrong.

Yours
John Biffen

JOHN BIFFEN

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