



From the Minister for Trade

DEPARTMENT OF TRADE AND INDUSTRY *NO*

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The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
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30 April 1985

Dear Peter

POLAND - REFINANCING

Thank you for your letter of 29 April in which you reject the idea of refinancing Polish debts guaranteed by ECGD.

To the extent that ECGD's cash deficits form part of the PSBR, I accept that the Treasury should have the major say in the way they are financed. However, I must say that I do not find your reasons for rejecting a refinancing deal with Poland at all convincing. It is not every day that we are faced with a relatively painless way of sparing the PSBR (and ECGD's cash flow) to the tune of nearly £½ billion and I hope you will give the matter further thought before ECGD officials open up serious talks with the Poles. There would be no administrative problems in refinancing buyer credit payment obligations which constitute the bulk of the debt which has to be restructured in the wake of the Paris Club settlement, and on the Brazilian precedent, we could probably find cheaper sources of long term funds through the City than the normal banking channels.

I am copying this letter to the Prime Minister, to members of EA and EX, and to Sir Robert Armstrong.

[Signature]
PAUL CHANNON

[Handwritten signature]

Trace Jan 80
EGG



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