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JU495  
Secretary of State for Trade and Industry

24 May 1985

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
Treasury Chambers  
Parliament Street  
SW1P 3AG

NSM

D. Nigel

POLISH DEBT

Your minute of 10 May to Geoffrey Howe concluded that we should hold to our present strategy of refusing substantial new credits to the Poles despite the risks of a default, since to do otherwise would increase the sums at risk without helping to solve Poland's problems.

I agree. It was made clear to the Poles again last week, when their Ambassador came in to see Paul Channon, that the question of new credits could not be discussed until after the debt re-scheduling negotiations have been completed.

As you say, one immediate consequence might be that the Poles could not proceed to the formal signing of the multilateral debt agreement for re-scheduling 1982-1984 debts. However, at the most recent meeting of the Paris Club on 17 May I understand that the Poles undertook to consider their position carefully and may in fact sign, subject to making an oral statement that, while they will do their best to meet their obligations, they may need to return to the Paris Club later in the year for a renegotiation if their financial state becomes impossible. At an earlier meeting in London between ECGD officials and the Poles last week progress was made towards negotiating a UK/Poland bilateral debt agreement, but it stuck over a failure to agree on an appropriate interest rate. For the present at least the Poles are refusing to agree the offered rate of  $\frac{1}{2}$ % above LIBOR.

I am copying this to the Prime Minister, the Foreign Secretary and to the Governor.

*NSM*  
*Norman*

NORMAN TEBBIT

Embroidery  
Inkjet

28 MAY 1994

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