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From the Private Secretary

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SUBJECT CE MASTER

PRIME MINISTER'S MEETING WITH THE POLISH PRIME MINISTER

WEDNESDAY 2 NOVEMBER

The Prime Minister had a talk with the Polish Prime Minister shortly after her arrival in Warsaw on the evening of 2 November. Mr. Rakowski was accompanied by the Polish Foreign Minister and other officials. H.M. Ambassador Warsaw was also present.

Mr. Rakowski welcomed the Prime Minister. Her visit was seen in Poland as a very important development. He believed their talks would be productive. He found in life that one either took to someone straightaway or did not. He already felt all the barriers fall away with the Prime Minister. He approached the meeting with due humility. Mrs. Thatcher had been Prime Minister of a very important country for nearly ten years. He had been Prime Minister of Poland for a matter of weeks. Indeed, this was his first encounter in that capacity with a foreign Prime Minister.

Mr. Rakowski continued that he would like to use the time to tell the Prime Minister something about the new government and its policies. There had been interesting developments in Poland since the dramatic events of 1980. The high emotions of that time had given way to a calmer approach. Passions had cooled and people were now more objective. Ideology had its place. But the main issue was Poland, its present and its future. There had to be genuine national reconciliation. He believed this was now closer than three years ago. The other main task was to deal with the effects of the economic and political crisis and invigorate the economy. The round table discussions which he had proposed could help achieve both these objectives. But it did not matter so much who sat round the table as what was on the table in every home in Poland. In saying that, he was not disparaging the usefulness of a discussion with the various political forces to find a platform for reconciliation. Indeed, he would be putting out a statement later in the evening saying that he remained committed to round table discussions and listing what should be discussed in them. The list would include development of a trade union movement which would draw on the experience of all the different forms of trade unionism which had emerged in Poland in recent years. That must, of course, include Solidarity.

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Mr. Rakowski continued that, nonetheless, the most important task was the economy. There had been a great deal of talk about economic reform. But no-one had actually done much. The essence was to revitalise the economy, to put things which had been stood on their heads back on their feet. After the war Poland had adopted the Stalinist concept of socialism which gave a dominant role in every area to the State. His approach was very different. He wanted the State to disturb people as little as possible. He was glad to see from the Prime Minister's interview with Polityka that she agreed. People had come to depend on the State for everything. Managers were comfortable with the system which told them what to do. By rationalising, you eliminated people's sense of security. The first task was to change people's mind-set, to persuade them to take risks. It was also necessary to break up monopolies, to establish hundreds of thousands of small businesses and to convert a part of the defence industry to civilian purposes. He was under no illusions; all this would take a generation to achieve.

Mr. Rakowski continued that the latest step in this process was the decision to close the Lenin shipyard in Gdansk. Father Jankowski had said that he could not understand how a Marxist could close down the Lenin Shipyard. That was a typical Polish approach. The Poles were very fond of debating. Every Pole in the country had his own plan for reform of the economy. As a consequence, it was difficult to achieve consensus. The fact was that closure of the Shipyard should have been done years ago. Production was down and there were other shipyards which worked better. The decision had not been directed against Solidarity. It was not a political decision. Even if the shipyard was closed, its name and its association with Solidarity would remain a part of Poland's history. He had been pleasantly surprised by Mr. Walesa's response. He had expected Mr. Walesa to call a strike. Instead, his approach had been to say that the Lenin shipyard was not an inefficient plant and that the workforce should demonstrate that by now working well. It was the first time for many years that he had heard anyone in Poland speak of working well. It would soon become apparent that closure of the Lenin shipyard was only the first step. Closure of one of the biggest steel mills in the country would be announced very shortly. There was no way the Polish economy could be healthy when huge subsidies were needed for the main industries. Loss-making enterprises simply had to be closed or the Polish economy would perish. He wanted to make clear that he was absolutely committed to rationalisation as the only way to extricate Poland from a crisis. Poland's great weakness historically had been lack of consistency. He was determined to change that.

The Prime Minister commented that the Polish government had embarked on the most difficult task of all, that of going from a centralised economy to a system based on private enterprise and competition. Mr. Rakowski had described the aim but had given no indication as to how he actually proposed to get from one to the other. At least there was some experience of private enterprise in the agricultural sector. It was not just a matter of changing economic policies. There had to be personal, political and spiritual change. Under Communism, people were like birds in a cage: once you opened the door, they were afraid to go out. The vital task facing the Polish government was to take the Polish

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people with them in making changes; and the problem there was the lack of any political mechanism for consulting them and allowing them to express their views. This was what she meant in saying that economic reform could only work if accompanied by political reform. She thought that Mr. Gorbachev understood this in the Soviet Union, at least up to a point.

The Prime Minister continued that the difficulties facing the Polish government were immense and would probably get worse before they got better. She had been faced with difficult decisions, although on a smaller scale, in 1979, but had persevered. The great difference between her situation then and Mr. Rakowski's now was that she had been democratically elected to carry out change and twice subsequently re-elected. She had been able to convince people of the need for change and reform. The Polish government must consult its people and obtain their willing consent to reform. It did not matter what shape the table was, but they must sit at it with Solidarity and other opposition groups and explain and persuade. Indeed such a process of consultation should go on all over the country. They must also work out how they proposed to achieve the objectives that Mr. Rakowski had described to her. She was in the habit of saying to people: do not tell me what to do, tell me how to do it. That would be good advice for Mr. Rakowski to follow too.

The discussion had to conclude at this point so that the Prime Minister could leave for her meeting with Cardinal Glemp.

I am copying this letter to Alex Allan (H.M. Treasury), Brian Hawtin (Ministry of Defence), Neil Thornton (Department of Trade and Industry) and Trevor Woolley (Cabinet Office).

(CHARLES POWELL)

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