



10 DOWNING STREET

THE PRIME MINISTER

13 June 1985

Dear Mr. Maxwell.

When you came to see me on 31 May you suggested that £6 million credit for the PVC project at Wloclawek should be reactivated. I asked Paul Channon to look at this again but we feel that it would not be right to release this credit.

There is a general understanding among Poland's western creditors, including the UK, that none of them should give Poland new credit until arrangements have been completed to deal with past debts. For the UK to revive an old credit for the PVC project would be seen as a breach of this understanding. This has to be seen against the background of claims of some £500 million already paid by ECGD in respect of Poland, with a similar amount likely to be payable over the next few years.

*Yours sincerely
Margaret Thatcher*

Robert Maxwell, Esq., M.C.

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Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
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Prime Minister (2)
~~Chairman~~ To note AT 7/6
CCP

CF. pps

6 June 1985

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Andrew,

*Could we let
Robert Maxwell
know the
reasons
not*

PVC PROJECT AT WLOCLAWEK

Following the meeting with Mr Robert Maxwell on 31 May, the Prime Minister asked if the Minister for Trade could quickly examine the proposal that the £6m credit which remains unused from the loan on the PVC project at Wloclawek could be reactivated, preferably in time for Lord Jellicoe's visit to Poland (8-12 June).

The project is one of two unfinished projects (the other being the URSUS tractor project) caught by HMG's measures against Poland announced in February 1982 when all existing officially guaranteed credit was placed in abeyance. Discussions have subsequently been proceeding in the Paris Club about the re-scheduling of Poland's 1982-1984 debts which include the PVC project. It has been the position of all the major Western credit countries that Polish requests for further credit will not be considered until a debt rescheduling agreement has been signed. This position was recently endorsed by UK ministers when the Chancellor of the Exchequer wrote to the Foreign Secretary on 10 May copying to colleagues and the Prime Minister.

Further credit for the PVC project before a rescheduling agreement is signed could undermine the firm position to which we have been adhering in the Paris Club and could give the wrong signals to the Poles, who have been pressing for new credit before signature. With claims of some £500m already paid by ECGD on Poland and a similar amount likely to be payable over the next few years, even the matter of making £20m of new short term credits available will need to be referred to Ministers for decision when, and if, the Poles sign the debt agreement.

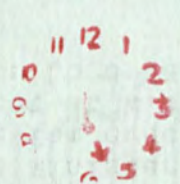
*Yours sincerely
Maureen Dodsworth*

MAUREEN DODSWORTH
Private Secretary

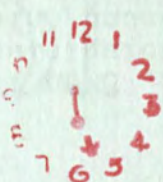
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