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FM UKREP BRUSSELS

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OF 242010Z NOVEMBER 89

INFO IMMEDIATE WASHINGTON

INFO ROUTINE UKMIS NEW YORK, ODA, UKDEL NATO, UKDEL IMF/IBRD, WARSAW

INFO ROUTINE BUDAPEST, MOSCOW, OTHER OECD POSTS

INFO SAVING OTHER EASTERN EUROPEAN POSTS

FRAME EXTERNAL

FRAME AGRICULTURE

WESTERN ASSISTANCE TO POLAND AND HUNGARY:

G24 COORDINATING GROUP, 24 NOVEMBER: SUMMARY

1. THE COMMISSION CHAIRED IN BRUSSELS TODAY THE THIRD IN THE SERIES OF MEETINGS OF SENIOR OFFICIALS FROM THE G24 (OECD COUNTRIES): JAPAN WAS REPRESENTED BY MFA DEPUTY MINISTER OWADA. THE MEETING REVIEWED PROGRESS TO DATE, AND TOOK NOTE OF FIRM PROMISES OF ADDITIONAL AID FROM JAPAN, AUSTRIA, SPAIN, TURKEY, IRELAND, AND SWITZERLAND. OTHERS REHEARSED AND ELABORATED ON EARLIER OFFERS. IT THEN CONSIDERED NEW INITIATIVES NOTABLY THE STABILISATION FUND FOR POLAND, A MEDIUM-TERM FACILITY FOR HUNGARY, THE FRENCH PROPOSAL FOR AN EAST EUROPEAN DEVELOPMENT BANK (EDB) AND A FOUNDATION FOR TRAINING. THE MEETING CONCLUDED WITH PREPARATION FOR THE G24 MINISTERIAL LEVEL MEETINGS HERE ON 13 DECEMBER, TO BE PRECEDED BY FURTHER MEETINGS OF THE G24 BRUSSELS NETWORK ON 7 AND 11 DECEMBER.

2. A MORE DETAILED ACCOUNT OF THESE DISCUSSIONS IS CONTAINED IN MY 2 IFTS. ARRANGEMENTS FOR THE MINISTERIAL ARE COVERED IN MY 3RD IFT. THE AGREED STATEMENT OF CONCLUSIONS, RELEASED TO THE PRESS THIS EVENING, IS CONTAINED IN MY FOURTH IFT.

3. OVERALL, THIS WAS A LOW-KEY MEETING. DELEGATIONS TOOK THE VIEW THAT THIS WAS AN OCCASION TO OVER THE GROUND ALREADY COVERED IN DETAIL WITHIN THE SUB-GROUPS, AND TO EXCHANGE VIEWS. DECISIONS, HOWEVER, SHOULD BE LEFT TO MINISTERS MEETING IN LESS THAN THREE WEEKS TIME.

4. THE MOST NOTABLE POINTS WERE:
(I) THE STRONG PITCH MADE BY THE AMERICANS, WITH FIRM SUPPORT FROM THE IMF AND THE COMMISSION, FOR ALL G24 COUNTRIES TO DECLARE A

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CONCRETE CONTRIBUTION TO THE DOLLARS 1 BILLION STABILISATION FUND FOR POLAND, AT THE LATEST BY THE 13 DECEMBER MINISTERIAL MEETING. JAPAN GAVE A FIRM PLEDGE OF DOLLARS 150 MILLION AT THE MEETING. ACCORDING TO COMMISSION CALCULATIONS, THE SUM INVOLVED HAD ALREADY GOT CLOSE TO THAT REQUIRED, BUT INDICATIONS OF SUPPORT NOW NEEDED TO BE CONVERTED INTO FIRM PROMISES. (KRENZLER TOLD BAYNE PRIVATELY THAT THE COMMISSION SAW THE CENTRE-PIECE OF THE MINISTERIAL AS THE ANNOUNCEMENT THAT THE STABILISATION FUND WAS NOW FULLY SUBSCRIBED.)

(II) THE DETAILED ACCOUNT BY THE IMF OF THE STATE-OF-PLAY IN THEIR NEGOTIATIONS WITH THE POLES AND HUNGARIANS. THE OVERALL IMPRESSION WAS THAT AGREEMENT ON NEW ARRANGEMENTS WAS IN SIGHT FOR POLAND, BUT THERE WERE STILL A NUMBER OF HURDLES TO CROSS, AND CONTRIBUTIONS FROM THE G24 WOULD BE NEEDED TO COMPLEMENT WHATEVER THE IMF (AND THE WORLD BANK) DID. MATTERS WERE MUCH LESS ADVANCED FOR HUNGARY.

(III) CAREFUL NEUTRALITY ON THE PART OF THE US, JAPAN AND CANADA TOWARDS THE EDB, WITH THE REQUEST FOR FURTHER DETAILS. FOR THEIR PART, NEITHER THE COMMISSION NOR THE FRENCH ATTEMPTED TO MAKE GREAT PLAY WITH THIS PROPOSAL, PREFERRING TO AWAIT THE OUTCOME OF THE INTERNAL EC CONSIDERATION SCHEDULED FOR 29 NOVEMBER.

(IV) DISCLOSURE BY THE COMMISSION OF THEIR OUTLINE PLANS FOR A NEW FOOD PACKAGE FOR POLAND, PERHAPS WORTH AS MUCH AS 200 MECU AND CONSISTING OF CEREALS, MEAT AND CITRUS FRUITS.

(V) A PORTUGUESE PROPOSAL FOR A NEW (FIFTH) WORKING GROUP ON STRUCTURAL ADJUSTMENT. THE COMMISSION REACTED FAVOURABLY BUT IN THE LIGHT OF DUTCH DOUBTS IT WAS AGREED THAT THIS SHOULD BE FURTHER DISCUSSED IN THE BRUSSELS NETWORK.

5. BAYNE (UK) SKETCHED CURRENT THINKING IN LONDON FOR A BILATERAL PACKAGE OF GRANT AID TO POLAND, WITHOUT INDICATING FIGURES OR TIMING. THIS WAS DESIGNED TO DEVELOP THE PRIVATE SECTOR AND TO ENCOURAGE FOREIGN INVESTMENT, THROUGH EXPANDING THE PRESENT KNOW-HOW FUND ARRANGEMENTS, WITH EQUIPMENT PROVIDED AS WELL AS TRAINING, HELPING WITH FOOD PROCESSING AND DISTRIBUTION, AND FACILITATING THE COVERSION OF STATE-OWNED COMPANIES INTO PRIVATE OPERATIONS.

6. RESIDENT CLERK: PLEASE PASS THIS AND MY 4 IFTS TO PS. PS/MR MAUDE AND KERR.

HANNAY