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PRIME MINISTER

Food for Poland

1. The question of the Community providing a third tranche of food supplies for Poland at special prices came up at the Foreign Affairs Council on 14 September. A decision will be needed soon as to whether we are prepared to make available sufficient credit to fund a sale of 150,000 tonnes of British barley which the Poles have requested as our part of the package.
2. I understand that it has not been possible to reach agreement among officials and that opposition to the provision of additional credit has been expressed by the other Departments concerned with the exception of MAFF. While I agree that a decision to provide further credit for Poland touches on wider issues which we will need to consider in greater detail later this year, I do not believe that we can defer a decision on the Polish request until then. I hope, therefore, that we can reach agreement on this at OD on 18 September.
3. The present position is that the Commission, having explored informally with Member States the availability of national credit as well as stocks of the food required by the Poles, will shortly put forward a formal Commission proposal. At the Council on 14 September the French Foreign Minister urged very strongly that the Member States should agree to the Polish request. The Germans reserved their position pending a Cabinet decision on 16 September. At a subsequent meeting of COREPER it was clear that most partners will have some difficulty finding the extra credit required. Nevertheless I think it likely that there will be agreement on some kind of a package, although it may be smaller than the Poles have requested. In those circumstances it would not be understood if,

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as Presidency and as a Member State bearing a lesser burden than the French and Germans who will probably have to provide the major part of the Polish request, we were not prepared to play our part. Nor would our decision be understood by the Americans who have themselves recently made major food contributions to Poland.

4. Within Poland there are serious food shortages. In particular domestic production of meat is expected to be 20% lower in 1981 than last year. Although the Government has banned the hunger marches which took place earlier this summer there is no doubt that the lack of adequate supplies is contributing, and will continue to contribute to the other difficulties that face Poland at the present time. Agreement between Solidarity and the Government on the economic proposals that are now being hammered out and which are vital to Poland's future will be considerably more difficult if discontent in the population continues at the present level as a result of inadequate food supplies.

5. Specifically the Poles have asked for 150,000 tonnes of barley for use as feed. Peter Walker has written to the Chancellor to underline his interest in providing this barley of which we hold increasingly large surplus stocks. Doing so will ensure that we get at least some return from the Community funds as a result of the special discount on exports, whereas if we do not the barley will probably end up in intervention at public cost.

6. The amount of credit we may need to provide is £15 million. We have outstanding about £9 million of credits already allocated to Poland but earmarked for industrial sales. If the Poles indicate clearly that they attach top priority to receiving extra food this sum could be used towards the purchase of the barley together with an

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additional £6 million of new credit. If, however, there is a real prospect of sales of British industrial goods and the transfer of the £9 million cannot be agreed, I hope nevertheless that we will be able to agree at OD that we should participate in a Community package up to a limit of £15 million.

7. I am copying this minute to colleagues in OD, to the Minister of Agriculture, Fisheries and Food, the Secretary of State for Industry and Sir Robert Armstrong.

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(CARRINGTON)

Foreign and Commonwealth Office

16 September 1981