

Prime Minister

Wm
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PP ATHENS
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GRS 833
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FM FCO DEC 81
TO IMMEDIATE BRUSSELS
TELEGRAM NUMBER 162 OF 31 DECEMBER
INFO PRIORITY WASHINGTON, MOSCOW, WARSAW, OTHER EC POSTS, UKDEL NATO

MF.

MY TEL NO 159: INFORMAL MEETING OF POLITICAL AND ECONOMIC DIRECTORS ON POLAND - ECONOMIC SUBJECTS

1. ECONOMIC DIRECTORS OF THE TEN (OR IN MOST CASES THEIR DEPUTIES) PLUS THE COMMISSION CONSIDERED ECONOMIC RELATIONS WITH POLAND AND (MORE BRIEFLY) WITH THE SOVIET UNION IN THE LIGHT OF THE LATEST US MEASURES. THE AIM WAS TO PREPARE FOR THE INFORMAL MINISTERIAL MEETING ON 4 JANUARY. IT WAS NOTED THAT CERTAIN SUBJECTS WOULD HAVE TO BE PURSUED IN THE APPROPRIATE COMMUNITY BODIES.

ECONOMIC RELATIONS WITH POLAND.

2. THERE WAS WIDE AGREEMENT THAT THE TEN SHOULD ADOPT A 'WAIT AND SEE' ATTITUDE TO IMPORTANT ASPECTS OF ITS ECONOMIC RELATIONS WITH POLAND AS A RESULT OF THE INTERNAL CLAMP-DOWN SINCE 13 DECEMBER. FISCHER (GERMANY) IN PARTICULAR STRESSED THAT, FOR HIS GOVERNMENT, DECISIONS ON ANY FURTHER ECONOMIC SUPPORT WOULD DEPEND ON INTERNAL DEVELOPMENTS IN POLAND, AND BE SUBJECT TO CONSULTATION WITH THE GERMAN PARLIAMENT.

3. FOOD. IT WAS GENERALLY THOUGHT THAT ADEQUATE ASSURANCES HAD BEEN RECEIVED FROM THE POLES THAT THE GIFT OF 8,000 TONNES OF BEEF WOULD BE DISTRIBUTED TO THE CIVILIAN POPULATION. THE COMMISSION REPORTED, HOWEVER, THAT NEITHER CARITAS NOR THE RED CROSS COULD THEMSELVES DISTRIBUTE THIS FOOD OR PROVIDE PHYSICAL SURVEILLANCE OF ITS DISTRIBUTION. OTHER NGOS COULD ONLY HANDLE VERY SMALL AMOUNTS. IT WAS ACCEPTED THAT FOOLPROOF SURVEILLANCE OF DISTRIBUTION WOULD, IN PRACTICE, BE IMPOSSIBLE. BUT THE

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COMMUNITY SHOULD CONTINUE TO SEEK ASSURANCES ON DISTRIBUTION FROM THE POLES, INCLUDING DOCUMENTARY CHECKS ON ANY FUTURE SUPPLIES OF FOOD AT SPECIAL PRICES (INCLUDING UNDELIVERED PARTS OF TRANCHE 3(A)).

4. NO MEMBER STATE REPORTED DIFFICULTIES WITH CREDIT FOR OUTSTANDING AMOUNTS OF TRANCHE 3(A) OF COMMUNITY FOOD SUPPLIES. FRANCE AND ITALY SAID, HOWEVER, THAT THEIR BILATERAL CREDIT ARRANGEMENTS FOR FOOD PURCHASES WERE AT PRESENT FROZEN.

5. IT WAS NOTED THAT THE COMMUNITY WOULD SHORTLY HAVE TO DECIDE HOW TO HANDLE TRANCHE 3(B) OF FOOD AND RELATED CREDIT FOR IT: THIS SHOULD BE DONE IN THE LIGHT OF DEVELOPMENTS IN POLAND.

6. DEBT RESCHEDULING. PAYE (FRANCE) REPORTED A CONVERSATION BETWEEN CAMDESSUS AND HIS POLISH COUNTERPART ABOUT THE MEETING OF THE JOINT COMMISSION SCHEDULED FOR 14-15 JANUARY. CAMDESSUS HAD MADE CLEAR THAT THE POSITION ABOUT HOLDING THIS MEETING AND INVITING THE POLES TO IT REMAINED COMPLETELY OPEN, AS DID THE ENTIRE QUESTION OF A 1982 AGREEMENT FOR RESCHEDULING POLISH DEBT. EVEN THE 1981 AGREEMENT WAS PRECARIOUS SINCE THE TANK CLAUSE MIGHT BE INVOKED. IT WAS AGREED THAT IT WAS RIGHT TO MAINTAIN THIS NON-COMMITTAL ATTITUDE FOR THE PRESENT, WHICH HAD THE EFFECT OF EXERTING SOME PRESSURE ON THE POLES, ALTHOUGH NOBODY SUGGESTED INVOKING THE TANK CLAUSE IN THE 1981 AGREEMENT. THE OUTCOME OF THE POLISH MEETING WITH PRIVATE BANKS SCHEDULED FOR 8 JANUARY WOULD ALSO BE IMPORTANT.

7. COMMERCIAL CREDIT. ALTHOUGH THE POSITIONS AND PRACTICES OF MEMBER STATES DIFFERED WIDELY, IT WAS GENERALLY AGREED THAT ALL MEMBERS SHOULD MAINTAIN A NON-COMMITTAL ATTITUDE TO NEW EXPORT CREDITS OR CREDIT INSURANCE.

8. STRATEGIC EXPORT CONTROLS. THE POSSIBILITY OF APPLYING A 'NO EXCEPTIONS' PROCEDURE UNDER COCOM FOR EXPORTS TO POLAND WAS CONSIDERED. THOUGH NOT ENTIRELY EXCLUDED, IT WAS RECOGNISED THAT THE IMPACT OF THIS ON POLISH TRADE WOULD BE SLIGHT.

ECONOMIC RELATIONS WITH THE SOVIET UNION.

9. DISCUSSION OF THE AMERICAN SANCTIONS AGAINST THE SOVIET UNION

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WAS VERY GUARDED. MOST OF THOSE PRESENT, ESPECIALLY FISCHER (GERMANY) AND PAYE (FRANCE) WERE RELUCTANT TO TAKE ANY POSITION ON THE AMERICAN MEASURES OR ON THE IDEA OF COMPARABLE MEASURES BY THE TEN. ONLY THE ITALIANS SEEMED PREPARED TO GO FURTHER. DISCUSSION CONCENTRATED ON THE EXACT SCOPE OF THE AMERICAN MEASURES AND THEIR IMPACT IN EC COUNTRIES (ON WHICH SEE MY TEL NO 2004 TO WASHINGTON).

10. KAWAN (COMMISSION) WONDERED WHETHER THOUGHT COULD BE GIVEN TO RAISING TARIFFS AND QUANTITATIVE RESTRICTIONS AGAINST SELECTED PRODUCTS EXPORTED BY THE SOVIET UNION TO THE COMMUNITY. THIS COULD BE DONE LEGALLY AS THE SOVIET UNION WAS NOT A MEMBER OF GATT.

11. THE MAIN POINTS WHICH EMERGED WERE:-

(A) THE AMERICAN MEASURES AGAINST THE SOVIET UNION OPENED UP AN AREA OF GREAT IMPORTANCE FOR THE TEN. MORE INFORMATION WAS NEEDED TO DETERMINE THE IMPACT OF THESE MEASURES.

(B) THE MEASURES HIGHLIGHTED THE DIFFERENCES BETWEEN EUROPEAN ECONOMIC RELATIONS WITH THE SOVIET UNION, BASED LARGELY ON INDUSTRIAL TRADE, AND THE AMERICAN POSITION AS CHIEFLY AN AGRICULTURAL SUPPLIER.

(C) THERE WAS PARTICULAR UNCERTAINTY ABOUT THE IMPACT OF THE US MEASURES ON THE GAS PIPELINE PROJECT AND ON SUPPLIES OF GRAIN AVAILABLE TO THE SOVIET UNION NEXT YEAR.

(D) THE IDEA WAS PUT FORWARD, FOR FURTHER CONSIDERATION, THAT THE MINISTERS OF THE TEN, AT THEIR MEETING ON 4 JANUARY, MIGHT UNDERTAKE PUBLICLY NOT TO UNDERMINE OR CIRCUMVENT THE AMERICAN MEASURES.

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