



Mike P...

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

FOCUS
MONTAN 0945

From the Private Secretary

7 November 1988

PRIME MINISTER'S VISIT TO POLAND

The Department may find it helpful to have the enclosed memorandum about Solidarity's aims given to me in Gdansk by Janush@nyskiewicz

C. D. Powell

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

[Handwritten signature]

CONFIDENTIAL

Pro memoria

1. Any political thinking about Poland must firmly rest on appreciation of Polish social and national aspirations for independence, freedom, democracy, rule of law safeguarded by independent judiciary and rational economic order. Every realistic approach to Polish problems must take these aspirations as an important political factor.

2. There is a strong feeling that culturally and, first of all economically the country is on a steep sliding slope. The best illustration is the situation in housing - the waiting time for a flat is over 20 years and is still rising.

This is why the economic reform is of paramount importance. "Solidarity" formulated a program^{me} of economic reforms in 1981, 1985 and 1987. The essence of "Solidarity" proposals is depolitization of the economy which means scrapping the system of so called "nomenklatura" and equal rights and opportunities to all kinds of enterprises including private ones. Demonopolization, market mechanisms, independence of enterprises are other fundamental factors of "Solidarity" proposals.

The government declared a will to introduce some changes going in the right direction but so far nothing of importance has been really implemented, whereas the situation requires quick and determined action. However, there is no chance of solving the crisis in Poland without obtaining public support for the reform. The condition for the authorities being able to obtain public support in the reforming and restructuring the economy is that human rights will be respected and that participation of the society in economic decisions and public life will be institutionalized.

Recently there was a period of hope that the genuine dialogue can begun in the form of "round table talks". When it became clear that "Solidarity" will not accept the extension of the system of ~~privileges~~ political privileges to the leadership of the opposition and the union instead of changing the mechanisms of our public life by offering a choice in form of new independent associations and, first of all, relegalization of "Solidarity", the authorities stalled the preliminary talks. Closing for purely political reasons the Lenin's Shipyard in Gdansk showed once more the lack of political will for negotiations and compromise. Creation by the authorities the atmosphere of good will by ending reprisals and suspending the closure of the shipyard is a prerequisite to the resumption of the necessary dialogue.

3. Maintaining the situation and delaying the reform results in the deepening of the crisis: the growth of the technological gap, the fall in ~~the~~ exports, ~~the~~ slackening the ties with the West and the increase in our economic dependence on the USSR. Increasing economic and social tensions in Poland will become a factor adversely affecting global East-

West relations as well as an evolution of the situation in the dependent countries of the Eastern bloc.

4. ~~Thus~~ Western ~~and~~ economic aid can be ^{of} crucial importance for the future of Poland, provided it will help the reform what means that it will be directed to the reformed enterprises and branches of the industry. Therefore, the development of Western economic ties with Poland should be gradual and conditioned to the ~~process~~ progress in economic reforms as well as in the democratization process in the country. Joint ventures can play an important role as well as direct contacts between enterprises. Restructuring of the repayment of Polish debts and possibility of obtaining new credits could be an important factor stimulating the economic reform. In this domain the British government could influence the policy of the IMF and the World Bank and support rescheduling the servicing of Polish debts for 20 years and granting new credits to support the export oriented investment in the fully reformed branches of the Polish economy. The same stand could be adopted in discussions in the Paris Club.