

REG. P.A.

NATO RESTRICTED

14 DEC. 1980

ACTION SLIP

UK Delegation to NATO

N°10.879/89

P. A. Sub - Registry

File N°19-10-01 (Poland)

19-3-01

LECH WALESA's VISIT 29 NOVEMBER - 3 DECEMBER

Walesa paid his first visit to the UK from 29 November - 3 December as a guest of the TUC. He had a long-standing invitation to attend the 40th Anniversary meeting of the International Confederation for Free Trade Unions.

Walesa had talks and lunch lasting 2½ hours with the Prime Minister at Chequers on 2 December. He also had talks and lunch with the Secretary of State on 30 November. The rest of his programme was arranged by the TUC. It included meetings with Mr Kinnock, Robert Maxwell, Cardinal Hume, City representatives and the Polish community. Walesa made keynote addresses to the TUC and CBI urging greater British private investment in Poland.

Talks with the Prime Minister

The Prime Minister confirmed the additional aid to Poland, which Mr Waldegrave had announced in the House on 29 November. This covered:

- a doubling of the Know How Fund for Poland to £50m over 5 years;
- a \$100m contribution to the Fund set up to stabilise Poland's hard currency reserves;
- a £15m Agricultural Food Project (probably pig breeding).

Poland Internal / Economy

Walesa said that Poland was only just at the beginning of the process of reform. But it was vital that this should succeed and provide encouragement for others. He wanted to reassure the Prime Minister and potential investors that, to all intents and purposes, there was no Communism in Poland. Communism was not the problem. It was the legacy of Communism, which had profoundly changed attitudes and lowered morale. In Britain the Government had needed to privatise only 10/15% of British industry. In Poland, 85% or more had now to be privatised. He was not sure this was possible. The whole system was crumbling, not just in Poland but throughout Eastern Europe, and Cuba and Vietnam would follow. Poland desperately needed foreign investment to come in and take a major share of the Polish economy. If this did not happen, he predicted complete economic collapse and an influx of refugees to the West. He did not think the West yet understood the scale of the decay in Poland. It would take at least 20 years to provide for Poland's needs.

The Prime Minister assured Walesa she understood the scale of the problem. Of course outside help would be provided, but the problem would only be overcome by Poland's own efforts: if people produced more food and mined more coal. Some very difficult and painful decisions were needed, and she hoped Mr Walesa would put his authority and prestige behind them. But we were determined that Poland and Hungary should not fail in their effort to free themselves from Communism.

/Mr Walesa

NATO RESTRICTED

Mr Walesa said he knew there would have to be massive unemployment. But that was why he was so desperate to get inward investment. There were plenty of well-trained people in Poland, who could run small businesses if only they could get access to capital.

Mr Walesa said that the economic problems of the Soviet Union were even worse. He thought that many of the republics would separate from the Soviet Union, which would become a loose Federation, although the process of getting there would be risky. He was fairly sure that the Baltic Republics would end up with semi-independent status.

Mr Walesa did not refer to German reunification.

Talks with Secretary of State

Walesa briefed the Secretary of State on the internal political situation and made the same points about the need for greater investment. He said Mazowiecki's Government was doing well but the first signs of positive results could not be expected for a further six months. Walesa said he had been against participation in Government but had been persuaded by others who believed in the strength of Solidarity's victory in the elections. The latter had not been totally democratic, but the elections of the Government had been. There were quarrels between the coalition partners, and this was natural. In 10 years' time Poland might have only two or three parties. Economic success was the cement which would stabilise democracy. Communism was collapsing throughout Europe. There might be bloodshed in Romania. The Soviet Empire was also disintegrating and might produce a smaller Soviet Federation. The West should understand that Poland was undoing Yalta. The "Empire of Evil" was decomposing.