Poland: industrial development or IMF

Poland has just reported the worst economic performance for any Comecon nation ever. With its development program in danger, Poland is now faced with the threat of IMF conditionalities.

Statistics just released by the government for the first half of 1979 indicate an almost zero rate of economic growth. Industrial production, expected to rise this year by 4.9 percent, increased by a mere six-tenths of one percent over the same period last year.

The government-sanctioned report puts the blame for these figures—as Communist Party chief Edward Gierek did earlier this year—on the particularly harsh winters of the past several years, severe floods and prolonged drought, extreme during the past spring. Gierek also blamed rapidly rising fuel-import costs and prices for raw materials, both a growing burden on Poland's economy.

Few could dispute that the weather conditions contributed to last year's poor economic performance. Poland is also suffering heavily under the weight of inflated prices for imported oil, and the added effect of inflated oil prices on other goods Poland imports.

These factors contributed. However, on a more fundamental level, Poland symptomizes a political problem facing the Soviet-led sector more generally. The Comecon countries have never been self-sufficient, but rather, to import the capital goods their development requires, they must export to the West in order to obtain the necessary means of foreign exchange. The relatively low productivity of the Comecon export sectors, in particular agriculture, means that they suffer a latent deficit in the terms of foreign trade that can be transformed into serious economic difficulties with any unfavorable turn in Western markets—as in the case of the 1973 and 1979 oil hoaxes. Poland, with the largest and most backward farm sector, is exemplary of the more general Comecon vulnerability.

This week's ECONOMIC SURVEY was prepared by Executive Intelligence Review *Eastern Europe specialist Luba George.*

Moreover, as a perceived "weak link," Poland has been incorporated prominently into British and allied geopolitical intelligence projects for "destabilization" of the East Bloc, a near-term goal of Her Majesty's government and the New York Council on Foreign Relations. It is a CFR objective, spelled out in the "1980s Project" publications, to force a conventional arms-buildup of the NATO powers in preparation for a major war in Central Europe. This is to be understood in terms of Major General Sir John Hackett's proposal—rendered popularly as a novel, The Third World War—to provoke the Soviet Union into destroying the economies of West Germany and France (and Japan) in a theater-limited confrontation, because those nations' intrinsic industrial-development orientations threaten British "Dark Age" policies generally.

The means for provoking the Warsaw Pact forces rest heavily upon "Hungarian Uprising" operations directed at Soviet allies in Eastern Europe. Poland has been heavily targeted, with an emphasis on forms of economic warfare that must tend to produce the conditions of popular discontent upon which the British-CFR scenarios are premised.

Thus, the impact of the oil-price rises on Poland's export-import ratios, and such "natural disasters" as flood and drought must be considered in light of:

a) A six-year period of rapidly rising costs for essential Western imports, dating from the 1973 oil hoax, with no corresponding easing in Western credit terms;

b) A four-year, virtual freeze on long-term industrial development loans to Poland from the West; and

c) An active Anglo-American policy of imposing IMF "conditionalities" and a credit-squeeze on Poland, involving extraordinarily harsh terms for any loans, aimed at forcing the very policy shifts that underlie Poland's currently reported problems.

When these points are juxtaposed to the phenomenal success of Gierek's 1971-75 economic program otherwise, it is clear that the primary responsibility for Poland's economic difficulties lies outside Poland.

conditionalities?

Nevertheless, Poland's leadership has committed a number of grievous blunders which have not only compounded the induced problems, but threaten to prolong and worsen the difficulties. Energy development and industrial investment policies are both currently suffering from a "Bukharinite influence."

The issue in Poland is not communism vs. capitalism. There is a faction in the Polish leadership whose world outlook approximates, at least in a pragmatic sense, the political and economic traditions represented by both capitalist Friedrich List and socialist Rosa Luxemburg: the outlook that sees scientific and technological progress as essential for Poland, and the rest of the world, and that without the productive power technology imparts to the Polish citizen, Poland cannot escape its centuries-old, feudal-like backwardness in agriculture.

There is also a faction in the Polish leadership whose outlook is neither capitalist nor socialist, but approximates that of the lowland Scotch nobility.

Today, in a country of 35 million, up to 40 percent of the working population is enmired in rural bestiality as small-plot farmers. Compare this with the USSR's high 28 percent, East Germany's 10 percent, and Czechoslovakia's and the U.S.'s low 5 percent. This backward, labor-intensive economic sector imposes a great overhead burden on the economy as a whole and, despite some healthy impulses toward farm modernization, has always been the key contributing factor in Poland's instability.

The energy debate

There are presently two policies being debated in Poland around the key energy issue. The first is nuclear energy development, extending from the present to target goals in the 1990s. Another policy, however, is proposed massive production of synthetic fuels derived from coal, as well as other "soft technology" schemes relating to an overall emphasis on coal production. This policy is internationally associated with the American-based Aspen Institute, a British intelligence subsidiary of London's Royal Institute for International Affairs. This policy is also associated with these agencies and their representatives in Poland.

The particular emphasis is on the cheaper, "less caloric" lignite or brown coal for domestic energy needs, while the "more caloric" hard coal remains the country's hard-currency foreign exchange earning source.

The strength of the Aspen Institute faction can be measured by the shift downward in Polish nuclear energy production-targets. In the fall of 1978, after years of no significant nuclear program at all, Poland had resolved upon a nuclear goal of 20 percent by 1990. Even this figure is far below the Comecon norm, barely above the Romanian target of 18 percent by 1990, the lowest in the Comecon. Yet by past Polish standards, it represented a healthy, if belated beginning.

By January 1979, in a rather abrupt volte-face by Poland's leadership, the 20 percent target was radically scaled-down to 8.6 percent—a 60 percent cutback! Moreover, the nuclear scale-down is representative of blunders across-the-board in investment decisions which if not significantly reversed, spell worse trouble ahead.

Poland is a nation that must go nuclear to realize any industrial development gains. Despite huge coal deposits and a projected record production figure for both hard coal and lignite—200 million and 41 million tons respectively—Polish government reports evidence little hope that the country's energy shortage will be eased. From 1977 to early 1979, despite heavy investments in the energy sector, Poland has undergone a series of power failures, fuel shortages, etc., costing industry millions of dollars in the last year alone. No matter how much industrial energy-use is cut or "conserved" (as the government continuously urges), Poland's energy needs cannot be met because its coal-based economy has reached a boundary condition beyond which energy costs must tend to soar with every expansion of economic activity. Unless Poland shifts into the higher nuclear mode, it will soon not be able to sustain even the existing levels of productive investment.

Like any coal industry, Poland's requires tremendous investment in transportation and other infrastructure for every increase in output. The more an economy depends upon coal, the more it has to incur such coal-related costs, especially transport.

A recent decision by the Transport Ministry to cut transport spending from 55 billion zlotys last year to 40 billion in 1979, flies in the fact of a simultaneous effort to raise coal investment from 40.9 to 43.5 billion zlotys in the same period. The contradictory budget allocations have led to major controversies in both departments. The country uses hard coal and lignite to produce more than 90 percent of its electricity, requiring the transport of some 200 million tons of coal annually from mines to power stations and ports.

A look at what happened last winter illustrates the problem: Coal trains were snarled by the winter "freeze" and power generation plummeted for lack of fuel. Moreover, coal stocks mainly for export mounted at the pithead in the principal hard-coal mining area around Katowice, estimated to total some 5 million tons, because the railways couldn't transport it.

Another blundering course was adopted by the special March 1979 Politburo meeting, where a decision was taken to raise production of the cheaper, less efficient brown coal (lignite) as a "solution" to the energy problem. A larger share of the "more caloric" hard coal, it was thought, would also be available for export by this avenue. Hard-coal exports currently account for 19 percent of all foreign exchange earnings. Lignite involves surface mining and is therefore cheaper to extract, and because power plants using lignite are usually located proximate to the mines, it avoids transport costs. The revised 1990 economic plan now targets a goal for brown coal production of 140 million tons, against a current production of 41 million tons.

In fact, the advantages of the coal program are illusory. The decision is a step backward, especially in light of the decisions which have revised nuclear power-use goals.

In a recent lecture to the Polish Electrical Association, Professor Kazmierz Kopecki,an energy expert and chairman of the Polish Academy of Sciences' Energy Committee, correctly blamed the energy shortfall on delay and inadequate investment in nuclear power. Poland, he said, is also faced with delay in construction of other power stations. He pointed out that the quality of coal-burning power station equipment is low and there are shortages of manpower, equipment and spare parts for repairs and overhauls. The power stations were designed to use better quality coal and not the

Behind Poland's 'Bukharinites'

The decisions that have been reached by Polish leaders on energy and trade policy reflect not only financial pressures from the West, but the existence of significant British "Bukharinite" influences within the leadership
are pure and simple British agents-of-influence—typified by the case of Sewryn Bialer, the former Polish Central Committee member who now serves as Zbigniew Brzezinski's chief deputy at Columbia University—within the Polish party and government circles. The major international institutions that have been coordinating such influences on economic policy, and a corresponding rise of a "dissident" movement, are: The Royal Institute of International Affairs, the International Institute for Strategic Studies (IISS), The Aspen Institute, and the Bertrand Russell Foundation.

It is more than noteworthy that Poland is the *only* Comecon country that maintains an International Affairs Institute officially affiliated as a "sister institute" to the Royal Institute of International Affairs (RIIA). Similarly, Poland is also the only East bloc country that maintains close contact with the Aspen Institute, which has several members prominent in the Polish part, such as Jan Scepanski. The RIIA-run Bertrand Russell Foundation, headquartered in London, announced at the beginning of this year at a Chatham House (RIIA) meeting, a campaign to beef up the "rehabilitation of Bukharin." Poland was named a prime target.

Unquestionably, Poland is susceptable to a "Bukharinite" revival, as recent economic policy blunders indicate.

Nikolai Bukharin, a leading Soviet economic policy influence until his arrest and execution in 1936, was closely linked throughout his adult life with intelligence networks of Royal Dutch Shell and Britain's Hill-Samuel banking interests. Bukharin studied at the Vienna School with Friedrich von Hayek, an official economist of the Hapsburg organization, the Pan-European Union, and the teacher of U.S. monetarist Milton Friedman. The PEU, with British intelligence resources, helped organize the core of the Nazi movement in the 1920s. Bukharin's "industrialization at a snail's pace" conformed exactly to von Hayek's doctrines, and almost destroyed the Soviet economy in the 1929 "Scissors Crisis"—so named because of the gap between low prices for farm products and extremely high prices for manufactured goods—a direct result of Bukharin's successful deemphasizing of heavy industry and technology-based manufacturing and agriculture.

The British subsequently excoriated the Soviet government for the brute-force measures sometimes required to undo the problems created by their agent-of-influence, Bukharin.

The same policy was pursued by Wladislaw Gomulka, a member of the Bukharin faction in the Comintern through the 1940s, when he came to power in Poland in 1956 after the Poznan riots. Gomulka's ouster in 1970 by Edward Gierek has been responsible for most of Poland's recent economic development. Gomulka, however, clearly retains supporters in the Polish party and government.

poorer lignite that they presently receive, which is a key factor in power station breakdowns.

The prevalence of cheap and relatively accessible coal reserves and the lack of a nuclear equipment production sector which could support an atomic power industry has meant that Poland has fallen far behind other Comecon countries in solving their energy problems. This has been mainly due to a faction at the highest levels of the government, including some close advisors to Gierek himself (Rakowski) and a grouping around Jan Szczepanski, a Polish member of the Aspen Institute itself. It is these groupings who are responsible for continually scaling down Poland's nuclear industry.

Originally, a nuclear capacity of 7,700-10,000 MW was projected for 1990, and 35,000-45,000 MW for the turn of the century. In the year 2000, 40 percent of Poland's energy needs would be met by nuclear power. The new 8.6 percent goal for 1990 now envisages only 4,880 MW, and only 23,000 MW a decade later. The debate continues. Leaders like Kopecki put a speed-up of the nuclear program at the top of the nation's priorities list. But Bukharinites like Professor Czeslaw Mejro continue to call for "less energy-intensive" forms of technology including "synthetic fuels" options and so forth, and they appear to have had the government's better ear over a recent period. There is a reason: there "soft-technology" demands inside Poland happen to coincide with the demands accompanying recent loans to Poland from the West.

Although a recent decision has been made to speed up nuclar development, the key impetus came from the Soviets who are driving toward an integrated Comecon nuclear power grid. Under the present revision, the percentage of coal and nuclear sources in the economy's

Poland's worsening production outlook

Polish economic plans **(All figures percentage increase or decrease over previous year except where noted)**

	Real 1975	Plan 1976	Real 1976	Plan 1977	Real 1977	Plan 1978	Real 1978	Plan 1979
National income	**9.0**	**8.3**	**7.1**	**5.7**	**5.6**	**5.4**	**NA**	**2.8** *
Real wages	8.5	3.5	3.9	2.0	2.3	1.8	NA	NA
Industrial output	**10.9**	**8.8**	**9.3**	**6.8**	**7.5**	**6.8**	**NA**	**4.9** †
Capital goods	10.7	NA	9.7	NA	7.7	NA	NA	NA
Consumer goods	11.4	NA	8.8	NA	7.0	NA	NA	NA
Farm output	**−2.1**	**5.9**	**−1.1**	**5.3**	**0.8**	**6.0**	**NA**	**3.9- 4.8**
Crops	−3.0	7.7	5.0	6.0	−7.5	8.5	NA	NA
Livestock	−1.0	3.7	−8.7	4.5	12.7	3.3	NA	NA
Investments	**14.2**	**5.8**	**2.2**	**0**	**3.3**	**−3.6**	**NA**	**−10.0**
Exports	**23.7**	**15.0**	**7.1**	**14.0**	**11.5**	**10.3**	**NA**	**NA**
Imports	**19.6**	**8.5**	**10.6**	**4.0**	**5.5**	**4.0**	**NA**	**NA**
Construction output	**12.5**	**4.2**	**1.5**	**6.6**	**4.0**	**NA**	**NA**	**NA**
Housing (000 units)	264	277	273	289	276	313	NA	NA
Productivity:								
Industry	9.4	7.7	9.5	7.2	6.1	6.7	NA	NA
Construction	9.3	8.0	6.2	7.5	3.9	8.0	NA	NA
Socialized employment	**2.3**	**1.5**	**1.0**	**0.7**	**1.4**	**0.4**	**NA**	**NA**
Retail sales	**12.3**	**14.0**	**7.2**	**11.0**	**7.2**	**NA**	**NA**	**NA**
Freight transport	**12.7**	**NA**	**2.2**	**2.0**	**19.1**	**NA**	**NA**	**NA**
Cost of living	**3.0**	**NA**	**4.7**	**NA**	**4.7**	**NA**	**NA**	**NA**

* Distributed national income 1978 plan = 3.4%; 1979 plan = 1.0%

† Latest figures reveal *real* industrial growth at 0.6%, way down from the low 4.9% planned.

Breakdown of prime energy sources of Eastern Europe

	Coal		Oil		Gas		Hydro & Nuclear	
	1965	1975	1965	1975	1965	1975	1965	1975
Eastern Europe	81.1	63.3	11.4	21.2	7.2	14.7	0.3	0.8
Poland	**91.5**	**80.5**	**6.4**	**13.1**	**2.0**	**6.2**	**0.1**	**0.1**
Bulgaria	72.4	52.2	26.0	40.9	0.5	4.1	1.1	2.8
Czechoslovakia	87.0	70.9	10.7	22.1	1.5	5.7	0.8	1.3
E. Germany	93.3	69.0	6.4	18.0	0.2	12.4	0.1	0.6
Hungary	74.2	42.2	19.3	37.1	5.9	19.4	0.6	1.3
Romania	20.2	22.1	25.1	25.2	54.6	51.8	0.1	0.9

energy supply is not going to change much between now and 1985, when the first 440 MW atomic power station will be finished at Zarnowiec, in Northern Poland. Even provided no other major scaledowns occur, the work on the second station on the lower end of the Vistula will be begun no sooner than 1983.

In imitation of Gomulka?

The mistake that Polish leaders are making amounts to capitulation before the IMF/Anglo-American financial pressures against the country, and therefore emphasize the immediate and short-term hard-currency yielding capacity of the coal industry. The IMF debt-trap is designed to force Poland to reorient its planning to present export-oriented industries, de-emphasizing energy-intensive heavy-industry in favor of consumerism, etc.

Persisting in such policies, as already seen from the 1976-79 experience, will only add to an acute existing crisis: power shortages, transport bottlenecks, floods, droughts and other "natural disasters" whose impact increases in proportion to misallocations of capital investment.

The blunders involved are a replication of the Gomulka regime (1956-1970). It is therefore instructive to recall what—and who—caused the Gomulka debacle, which ended in political upheaval.

The period of the Gomulka regime was marked by an abandonment of growth perspectives for the essential heavy capital goods and steel industries, a deliberate non-mechanization policy in agriculture, an emphasis on light industry, and rigid adherence to a strictly coal-based economy. Gomulka's views were essentially those of the British Russellites, and what amounts to the same thing, Nikolai Bukharin. Gomulka, was the chief propproponent of the Polish Communist Party's Bukharinite tendency in the 1940s, advocating an economic policy favoring a decentralized, predominantly rural state.

The politics of credit

Gomulka left Poland in a shambles economically from which it only began to recover under Gierek's centrally coordinated 1971-75 economic program. In general, the 1971-75 policy decision embodied in the 5-year plan had as their basis massive importation of high technology capital goods for industrialization.

Poland's accelerating industrialization in this period could not have been launched or continued without the long-term, low-interest credits available at that time for importation of the goods needed for the expansion and modernization of Polish industry and, especially, the mechanization of Polish agriculture. The creation of new industrial facilities provided and guaranteed jobs, taking the heavily peasant-based manpower of the post-war period into a semi-skilled and skilled industrial labor force in the 1970s.

One third of Polish industrial potential has been built since 1971, and about 1.8 million new jobs were created by 1975. The credits and loans obtained from the West were to a large extent used toward that end.

To underscore the point—only 15 percent of all debts incurred in the West were spent on consumer goods. Thirty percent went for the purchase of raw and semi-finished materials while the balance, 55 percent, were used for imports of machinery and equipment, of which 75 percent went into new "greenfield" investments.

Unprecedented funding was also assigned to research and development for the expansion of Polish industry, resulting in highly mechanized and modernized coal production in Silesia and construction of the totally mechanized Lublin coal basin. Ninety percent of coal production in Poland is mechanized today. Another outcome was development of Poland's electrical power capacities and the construction of the modern Katowice metallurgical complex.

For the first time since the war, Poland was also developing her basic scientific and technical potential. The great losses inflicted during the war, estimated at 17 billion dollars at 1939 prices, included the destruction of all basic research facilities. Under the 1971-75 guidelines, therefore, Poland embarked on a massive R&D program, by 1973 having the greatest growth rates in R&D allocations in the world. Between 1971 and 1975, research outlays doubled.

An official government publication, in a 1973 article entitled "Poland's Technological Potential," reported: 'To emphasize the role of science in our daily life, the year 1973 has been proclaimed the Year of Polish Science; various projects are underway with a view to accelerate the rate of technological revolution...."

During this period, following the development of the laser pulse, a team of scientists led by Dr. Sylvester Kalinski reached the first stage of production of the thermonuclear micro-reactor, which in turn led to other breakthroughs in the field. The most spectacular was the 1975 Polish government announcement of a highly successful electron-beam fusion breakthrough. A fusion reaction was effected in deuterium gas using chemical explosives to supply energy required for heating and compressing the fuel.

Poland is one of the most important exporters of nuclear reactor engineering parts today, almost exclusively to Comecon countries. It was in 1972, also, that Gierek announced for the first time Poland's plan to emphasize nuclear energy.

Gierek's commitment to modernization was quite explicit. In April 1973, he announced that Poland would continue to increase imports of Western capital goods and technology "even at the risk of considerable widening of Poland's trade gap."

The results of that commitment are impressive. By 1973, the Polish machine-building industry's exports had expanded by 16.5 percent over 1971 levels, of which 85 percent went to other Comecon nations as part of their industrialization programs. Imported high-technology capital goods permitted this expansion and development of Poland's export capabilities. Their ability to meet foreign debt obligations correspondingly increased.

Statistics of 1975, still representing the investment policies before the 1973 oil hoax, clearly indicate that Gierek's policy was paying off across the board. Industrial employment rose by 44.3 percent over 1970. Real wages were up 40.9 percent for an average growth rate of 8 percent a year, a major change from the 1.9 percent average during the previous decade under Gomulka. The standard of living rose, as investments grew 147.3 percent in capital goods and 75.3 percent in consumer goods.

East bloc nuclear goals

Estimated percentage of electricity to be generated by nuclear power in 1990

Poland	**8.3***
Bulgaria	50
Czechoslovakia	42
E. Germany	33
Hungary	15
Romania	13

* Revised down from 21 percent

From 1971 through 1976, some 60 percent of Poland's industrial machinery was replaced. Concurrently, several thousand new plants were built, many of them on the basis of licenses bought in Western Europe and the United States. In general, under then-more-favorable credit terms of 5-8 or even 10 years (compared with today's 5 years or less), Poland bought over $2.5 billion worth of Western capital goods. Imports of machinery and capital equipment from the West doubled over those of the Gomulka years. As late as 1977, more than 50 percent of Poland's foreign trade was with Western nations like West Germany.

Today, because of British and IMF intervention on the credit markets frequented by Poland, Polish trade patterns have reversed, with 50-60 percent of all trade being conducted with the other Comecon nations.

If things were going so well during Gierek's first 5-year plan, how did Poland get into the present mess?

The oil hoax and the IMF

The overt problems began in 1976, with the food riots that almost toppled Gierek's rule representative of deeper problems. These actually started in the 1973 global oil hoax by British and American oil companies.

To continue the policy of capital formation and industrial expansion, Gierek made a fundamentally correct decision given the cheapness of crude oil prior to October 1973. Like the U.S. had done after World War II, Poland was to increase oil consumption (the U.S. before the war was heavily coal-based). The effect of the oil swindle hit Poland at first directly, with oil and related price increases. Then Poland began to suffer from the indirect price increases of imported capital goods.

In 1975, as the need for hard-currency allocations for such foreign imports increased, the Anglo-American banks struck Poland with a credit crunch. Higher interest rates and higher import prices caused Poland's indebtedness to grow. By the end of 1975, it had reached a level of $8-9 billion. With oil-hoax related food shortages and inflation, the "Bukharinites" within the Polish party began to surface with calls for "streamlining industrial growth," reallocating funds to consumer-goods industries, and "new economic maneuvers" in the form of de-capitalizing industry. Stress was on a drastic reduction of heavy-industrial investments, and more emphasis on short-term consumer demand. Priority was given almost exclusively to export-oriented industries.

Investment for the first eight months of 1978 shows telling signs: overall investment outlays went up by 4.4 percent, while in the corresponding period the year before, growth was still in the range of 13.5 percent.

After the cross-over period of 1975, with the shift in economic policy reflected in the second 5-year plan, the difficulties were more readily compounded by British and U.S. credit restrictions and simultaneous Carter administration steel-import quotas. Then, in mid-1977, the *New York Times* suddenly "discovered" Polish debt.

A major campaign was launched internationally to set down rules and conditions for credit to Poland in particular. Reversing the approach of the Nixon years, the campaign was aimed at discouraging any further U.S. or European credit for development-related capital goods imports.

In 1977, "concerned bankers" met under the auspices of the IMF-directed Bank for International Settlements in Basel, Switzerland. The little publicized meeting set up a special "information exchange system" whose chief purpose was to dissuade and discourage Western banks' lending operations in the Eastern European countries. British-dominated foreign banks and corporations began to reorganize their credit policies toward Poland.

As the 1977-79 period shows, Poland has not been getting the kind of capital goods and development credit that it received in the 1971-75 period.

At the same conference, strict rules and conditions were laid down for all East bloc countries, requiring them to pay higher service charges on loans. The interest rates that Poland was asked to pay, and now does pay, are the type of rates that "poor risk" Third World country like Egypt has to pay. These rates are exorbitant, unjustified and unprecedented. Apart from interest rates, Poland is no longer allowed debt-consolidation loans which would enable the country to convert current obligations into longer-term debt. As a direct

and most Polish imports, have come from the other nations of the Comecon sector only since 1977.

The nature of the credit restrictions amount to outright economic harassment. It now takes an increasingly longer time for Eastern European countries to negotiate their loans. The U.S. Export-Import Bank is requiring a 10 to 15 percent down payment on the sum applied for; loan applications are deliberately delayed, which tends to force nations like Poland to turn to higher interest, short-term financing to bridge the gap, or risk unaffordable delays in vital projects. This only adds to the burden of current debt-service charges.

Finally, Poland must submit "comprehensive information" to Western lenders, making sure that national economic policy decisions favor the hard-currency export-oriented sectors, as a condition for credit. In short, *Poland's current difficulties stem from the fact that the nation has been effectively placed under "IMF surveillance."*

In March 1977, Poland rejected a $50 million loan from a banking group led by Manufacturers Hanover Trust. The loan would have charged 1½ percent above the London interbank rate. But the same terms had to be accepted in March 1979, on a loan of $550 million for debt refinancing from Manufacturers Hanover and National Westminster. The 1.5 percent spread is now general policy toward Poland.

Poland's reported $15 billion foreign debt has become a problem only because of these and other IMF conditions, which amount to outright sabotage of Polish economic development. The sabotage points in one direction: The Anglo-American banking crowd does not want to lose Poland as a political wedge for destabilizing the East Bloc.

The "method" of policy changes

The low-growth austerity approach which has recently dominated Polish economic policymaking is the IMF's own program. One Bukharinite spokesman for the IMF program is Tadeuz Wrzasczykm, chairman of the State Planning Commission. Wrzasczykm described the new 5-year plan as intended to keep capital goods imports at a minimum, while boosting exports. He also announced that existing industrial associations operating under a liberalized state-enterprise system will be allowed to make "limited" modernization investments and imports. This will be permitted only if they have earned part of the necessary funds from exports, and the National Bank decides that the project is "cost effective" it must show a high rate of return within 18 months, and also serve to increase the supply of deficit

East bloc pays more for Eurocredits

Trends in spreads for syndicated Eurocredits arranged by Council of Mutual Economic Assistance (Comecon) borrowers (% over LIBOR*)

Country	1974	1975	1976	1977	Jan.-Feb. 1978
Poland	1 1⅛	1½	1½	1½ 1½	1⅜
Bulgaria	⅝ ¾†	1½	1⅜	1 1⅛	X†
Czechoslovakia	X	1¼	1¼	1⅛	¾
E. Germany	¾	1⅜	1¼	1 1⅛	1
Hungary	¾	1⅜ 1½	1⅛	1 1⅛	X
Romania	X	X	X	1	⅞ 1
U.S.S.R.	X	1¼	1⅜ 1⅝	X	¾
CMEA Banks	1	1½ 1⅜	1¼	1	X
Prime Non-CMEA borrowers	1 1⅛	1½ 1⅜	⅞ 1	⅝ ¾	⅝

* LIBOR = London Interbank Offering Rate on six-month Eurodollar deposits. Spreads listed refer to the last syndication publicly announced during the year indicated. Loan maturities are mostly "medium term," usually ranging from 5 to eight years.

† Indicates a split spread on a multi-year loan.

X = no publicly announced syndications during year indicated.

Source: Compiled from OECD *Financial Market Trends*, December 1977; announcements in *Euromoney* magazine and *Financial Times*.

consumer goods or ... reduce imports from the West! Only projects which can document a significant export-earning potential will be given preference in the allocation of domestic and hard-currency funds. The plan specifically forbids "overfulfillment of the plan in the specific product categories if such overfulfillment would lead to *using raw materials and supplies allocated for other purposes.*"

"Cost effectiveness" indicators for 1978 and 1979 show that the bulk of available resources will be shifted to ease food shortages. Funds available for imports from the West are now increasingly concentrated on the purchase of agricultural staples, not capital goods. Poland has already announced that it will have to import more grain this year, most of it from the United States.

The newly revised plan also calls for deemphasizing new equipment investment in favor of more spare-part production and use, expanded repair services, and expanded facilities for recycling raw materials, refurbishing machinery and retreading tires, etc.

The outcome of this approach, the exact opposite of Gierek's first 5-year plan, is the worst-ever economic performance that the Polish government has just reported.

Poland is being squeezed from outside. But Poland is also being sabotaged from within. Oligarchic circles in New York and London banking centers want Poland's development halted, and Bukharinite circles inside Poland with links to institutions controlled from London and New York have leaped to the fore to recommend policy "maneuvers" that accomplish what London and New York intend. Thus, Poland's economic future depends upon a certain internal house-cleaning, but also on political developments in the West.

—*Luba George*