Three strategies for Poland's debt

by Renée Sigerson

The degree to which the current financial crisis over Poland's unpaid debt to Western bankers has become a strategic-political problem, as opposed to a strictly "financial" one, was highlighted—perhaps humorously—by an editorial in the Dec. 16 *Wall Street Journal.* This bastion of free-market Wall Street policy, which has been demanding editorially that the Reagan administration not give a dime in aid to the military government in Poland because that would only help to bail the Soviets out, goes so far on this particular occasion to state:

> The East-West conflict will become, more plainly than ever before, not a struggle between capitalist and communist, but one between a semi-Asiatic despotism and a tradition of human liberty drawing on the more humane elements of both John Locke and Karl Marx.

Read these words carefully. It is indeed the case that the *Journal,* as well as many other mouthpieces of Anglo-American finance, is so committed to using the crisis around Poland to strategic advantage, in the way we describe below, that they are even ready to praise Karl Marx to justify their intentions.

The *Journal* is voicing the position of the Chase Manhattan-led New York banking community on this matter. This hard-core confrontationist grouping thinks that any form of Western assistance to Poland, including giving it membership in the Anglo-American controlled International Monetary Fund, as the Poles have requested, will only serve to strengthen the Soviet "empire" in Eastern Europe. Allowing Poland to economically crumble, even at the risk of losing payments on $16 billion in outstanding Western commercial-bank loans to the country, is preferred by this group because such a policy would allegedly saddle the Soviets with Poland's economic problems, to the end of weakening the Soviet Union itself.

This viewpoint is one of three prevalent in the international banking community, and although it is particularly voiced by New York banks, it actually exerts the least influence on the direction of events.

U.S. banks have only one-fourth the financial commitment to Poland which West Germany has, the latter's being over $4 billion. To the extent that U.S. institutions are taking such a "tough" line, they are simply muddying the diplomatic waters, by giving Moscow the impression that President Reagan is under intense pressure from business circles to turn Poland into a matter of strategic showdown.

In contrast, continental European banks have taken a very conciliatory stand on Poland's suspension of payments on its debt. On Dec. 16, Switzerland's *Neue Zürcher Zeitung* summed up this posture in a column asserting that Western bankers were "relatively calm" about Poland's apparent inability to meet its $500 million interest-rate obligations for 1981 before 1982. Behind this conciliatory attitude, however, are two irreconcilable viewpoints on what the ultimate outcome of the Polish crisis should be.

One is the British-Swiss approach, as described to *EIR* by a European economist currently based in Washington. This approach assumes that if Poland's Western creditors show "understanding" for the country now at its most troubled time, and keep postponing the due date on Poland's 1981 rescheduling until a semblance of political stability has been re-established, that this will mean that six months or so down the line, the Soviets will be more willing to open Poland's doors to Western economic advisory assistance.

Half a year from now, this source emphasized, Poland should be hit with price rises ranging from 30 to 400 percent, as the first step in reorganizing its economy. The popular Solidarity movement, the source underlined, opposed a price rise on this scale, and thus, the current crackdown contains some advantages for the West; a military government may be willing to do what Solidarity opposed. Moreover, the price rises would only be the first step in transforming Poland dramatically over the next five years into some sort of replica of the Hungarian economy. Hungary is the only East bloc country which has a full-scale "free-enterprise" system, including full convertibility of its currency.

The third influential banking circle involved in the Polish events is primarily based in West Germany, although privately, many American and other European bankers agree with its outlook. Most German bankers view Poland, simply put, as an important trading partner whose economic ties with the West have served to build East-West trade, and thereby ease international tensions. As noted, Poland's largest single chunk of debt is owed to this group. Chancellor Helmut Schmidt, who has fostered this outlook, has helped to give the negotiations between German banks and East bloc officials on financial problems a professional diplomatic quality, which is helping somewhat to ease tensions.