Eastern Europe is pinched between the Soviets and the IMF

by Konstantin George and Rachel Douglas

Eastern Europe is being looted from the West, as well as by the Soviets. During the 1980s, in parallel with the vast increase in Soviet looting of the region, Western creditors also took their huge share. Under the post-1979 regime of usurious interest rates worldwide, the hard currency earned by exports from East European countries to the West no longer went for badly needed machinery and equipment for industrial modernization, but only to service their foreign debt. In addition, the collapse of world market raw material and energy prices meant that the dollar earnings of East European exports fell, even as the volume of goods increased.

For 1987, the estimated debt service to exports ratio, the amount paid out on debt in a given year, compared with that year's export revenues, was 30% for Bulgaria, 47% for Hungary, and 71% for Poland; Hungary and Poland are the Soviet satellites most subjected to Western creditor looting. Their foreign debt, $40 billion for Poland and $18 billion for Hungary, is higher per capita than Mexico's or Brazil's. Hungary, whose debt climbed from a mere $1.9 billion in 1975, this year earmarked 75% of its hard currency export earnings for debt service.

Here are some cases of how the debt changed during the 1980s:

- Romania has not only met all interest payments on its hard currency debt, but reduced the principal from $11 billion in 1982, to $5 billion at the end of 1987. The Ceaucescu regime did this by starving the population, and reorienting to trade with the Soviet Union.
- Yugoslavia's debt was approximately $21 billion in 1981, and is $20 billion today. From 1981 to 1986, Yugoslavia paid $11.2 billion in interest and repaid $17.1 billion of principal, while receiving about $13 billion in new credits; on balance, the debt was scarcely reduced.
- Poland, since martial law came down in 1981, has had almost no access to new credit. It conducts trade on a cash basis. The trade surpluses Poland achieved through austerity, such as $1.2 billion in 1985 and $1 billion in 1986, were insufficient to pay even the interest on its debt. From the level of $26.8 billion at the end of 1984, the Polish debt has climbed to nearly $40 billion, with many rescheduling deals. In May 1988, one West European banker said that Poland is regarded as "a 'permanent economic miracle' because, considering the gloom of its economy, it has never interrupted paying interest on its foreign debt to Western banks."

These East European countries, where there is hunger and staggering inflation of food prices, *export food* to the West. Reporting in August that the worst drought in 30 years had "decimated" grain production in Yugoslavia, the official news agency Tanjug highlighted that much of the destroyed grain and other products had been intended for export. Yugoslavia, where people are " 'squashed' . . . between starvation and poverty," sells food to earn foreign exchange.

So do Hungary, Czechoslovakia, and Poland. Newspapers in Austria display advertisements for Hungarian turkeys. Polish poultry—chickens, turkeys, and geese—is abundant in West German food markets. A Czechoslovak company has become a powerful force in egg sales in West Germany. The Hungarians even charge hard currency for their wheat exports inside the Soviet bloc.

The case of Poland shows most clearly, how Western financial interests, with the go-ahead from Moscow, loot Eastern Europe. The World Bank advocates so-called "market-oriented reforms" to improve Polish agriculture. Poland joined the International Monetary Fund in 1985. Do the IMF and World Bank want Poles to eat more? No, the World Bank demands an improvement in "domestic demand management," as they put it. In a 1987 report, the World Bank identified food processing as the best target area, where loans would directly boost Poland's export capacity. One Radio Warsaw broadcast, during the strikes of August 1988, warned the population that Poland may only expect "an investment boost" from the West "if it starts a program of adjusting the economy to the requirements of debt servicing."

Since 1982, the Rockefeller Brothers Foundation has been visiting Poland and making proposals for Polish agricultural "reform." Early this year, this involvement came to fruition, when David Rockefeller met Polish leader Wojciech Jaruzelski and established the so-called Foundation for the Development of Polish Agriculture, to finance Polish ham exports to the United States.

In 1987 alone, Polish processed-food exports rose 84% and overall agricultural exports rose 62%. This was *not* matched by any increases in production. According to official figures, Poland's meat production had recovered by 1986, after the crisis of the early 1980s, only to the level it was in 1978. Milk production in 1986 was 90% of the 1978 level.

Hungary: from showcase to rags

The result of the Western debt squeeze on Eastern Europe, in combination with Soviet-exacted tribute, is ever worse immiseration and the potential for unrest in these countries. Hungary typifies the process.

Hungarian Communist Party Secretary Miklos Nemeth, at a July 13-14 party meeting, confirmed that from January through June 1988, at least 70% of export earnings had gone for debt service. In those six months, trade with the West increased by 25%, but imports from the West fell 5%. At that same Central Committee plenum, Hungary adopted guidelines for a vicious austerity program, as dictated by the IMF in May, when it granted Hungary a $350 million standby credit. These guidelines include the elimination of state subsidies to state enterprises operating at a loss, which the government concedes will throw at least 100,000 workers out of their jobs; continued prioritization of hard currency-earning exports over domestic consumption; and a new assault on living standards, by price increases and stiff taxes on income earned from second jobs.

Hungarians keep themselves above misery levels by working two or even three jobs, so the tax will hit most ordinary people. So will the price hikes; inflation is running at 15%, but there were 25% increases for meat in April 1987, as a result of the IMF-dictated austerity program, imposed in 1987 and 1988.

Nearly half the population residing in what the Western media has portrayed as a "showcase" for market-oriented socialism, Hungary, lives below or just above the officially defined poverty level. In 1987, the Hungarian Central Statistical Office placed 24% of the population below the poverty level of 4,000 forint per month. This number grossly understates the number of poor people, by counting only rent as a housing expense, even though the regime has been pushing families to take mortgage loans to purchase their homes, for a monthly payment far higher than the rent. Omitting mortgage payments (in the case of many young couples and families, the largest single monthly expense item) in computing net income magically raised the "net income" of an entire stratum of the population to above the poverty line.

Before 1988, the great bulk of poverty cases were among the pensioners, whose suffering was hidden behind the lonely walls of their tiny apartments. This spring, poverty such as there was during the Great Depression or the early postwar years, came out into the open. Beggars and homeless people wander the streets of Budapest. In June, the Hungarian press admitted that "a growing number of homeless people" were spending the night in Budapest's railroad stations. In addition to the "street people," Budapest is flooded by unemployed and their families from the provinces, who take over empty, usually dilapidated apartments, as squatters.

The deadly milk chain that kills Polish babies

The infant mortality rate, which has risen to 18 deaths per 1,000 live births in Poland, is related not only to infections contracted in hospitals, but to a shocking lack of powdered milk for young children and formula for babies. (The infant mortality rate in the United States is 12 or 13 per 1,000 live births, and in Japan it is 7.)

Baby formula is hardly ever available in Polish stores. Scarce supplies are strictly rationed for babies requiring special diets. Vitamin-enriched powdered milk for young children has disappeared this year from stores.

In late June, the Polish government admitted that even though the production quota for baby formula was 32,000 tons per year (which the government claimed through mid-June was being met), annual output had fallen to 7,000 tons. Minimum requirements are 21,000 tons. Powdered milk production has fallen to 25,000 tons per year, as against a minimal need for 35,000 tons.

The production collapse is only the first part of the problem. The dairy industry, like all other industries which meet domestic basic needs, has been neither modernized, nor maintained. For years on end, neither the required funds nor the personnel to keep milk production facilities sanitary have been allocated.

The milk from Poland's 1.5 million farmers is poured into huge vats at 10,000 collection points. No checks are made to determine whether the vats are clean, and most are not. In addition to the private farmers, Poland has 295 milk cooperatives. A July inspection found only 10 of them meeting minimal hygienic standards required in food production. Sample inspections of powdered milk formula for babies on the market in April found 30% of the samples contaminated with *staphyloccocus* and 66% with *coli* bacteria.

Milk can contain an even worse array of unpleasant surprises. For one thing, farmers often dilute milk with water, to raise their income. Beyond that, due to inefficient transport, milk oftens turns sour. This taste is disguised by adding chemicals and even detergents.

Several thousand Polish infants die each year from food poisoning, caused mostly by contaminated baby formula. The infant mortality rate in Poland is three times higher than in Western Europe, and Poland has one of the highest death rates in the world among children and young adults.

This unhygienic environment is compounded by the near total lack of any kind of diapers, either disposable or cloth, and for that matter, baby underwear as well. Poland has arrived at Third World conditions, in a historically and culturally Western European nation.

Poland's crisis

The stage was set for Poland's latest strikes and protests, by a plunge of the living standard to its worst since World War II. Inflation is running at a 45% annual rate. By the end of 1988, the cost of living in Poland will have doubled since the end of 1986 and increased nine-fold since 1979. On Jan. 1, 1988, there was an abrupt price increase on many products; it averaged 40%, but included in that average was a 110% hike on many food prices, and a tripling of rents and energy costs. As of early 1988, an estimated 25-33% of the Polish population lived below a poverty level established by economists from the Solidarity trade union movement.

Meat is generally unavailable in Poland, electricity is rationed in Romania, and Hungary, the "showcase" of Eastern Europe, now has homeless people sleeping in the streets. Thus, the foreign debt is paid.

For months, non-food essentials such as toilet paper, soap, and detergent have been nowhere to be found for sale at any price. During the summer, toilet paper was even being handed out only by the squares to guests from the West staying at some of the best hotels in Warsaw. Hotel personnel dared not leave such a "luxury" item as a roll of toilet paper in the guest's room, because it would disappear within less than an hour, headed for the black market. In August, food shortages, too, became really serious. Meat is largely unavailable in the state shops, while large quantities of ham, pork products, and poultry are exported to the West.

Basic medicines, including antibiotics and anesthetics, are virtually unavailable—but Poland is forced to export medicine to Russia. According to Prof. Marek Okulski, the life expectancy at birth, for Poles, declined from 67.3 years in 1982 to 66.5 years in 1986. Diseases of the circulatory system have doubled. In Warsaw, only 30% of the children have been vaccinated against the principal childhood diseases. Tuberculosis and measles cases are on the rise; Poland has a density of TB cases nine times greater than in another North European country, Denmark. Hospitals are crowded and have poor sanitation; patients often end up sleeping on the floor in the corridors.

Poland is one of the world's largest coal producers, yet the population faces severe shortages of coal, the main home heating fuel, this winter. The tonnage of coal exports to Russia has doubled since 1986, and coal is sold to the West as well.

Romania: mass hunger

In Romania, the population barely subsists on a hunger diet, yet exports food to both Russia and the West. In addition, a large part of Romania's annual production of agricultural machinery infrastructure, such as tractors and railway cars to carry grain, is exported (in the latter case, to Russia). Near-starvation has been caused by Romanian ruler Nicolae Ceausescu's forced-march policy of debt repayment, plus stepped-up deliveries to Moscow.

Food rationing was introduced in 1981, for the first time since 1954. By the close of 1987, even salt and onions were rationed. Many products cannot be bought even with a ration card. Meat and fish have all but disappeared from the Romanian diet. Official rations include: 3.5 kilograms of cheese (about 7.5 lbs.) per person for the whole year; 1.5 kg (3.3 lbs.) of butter per person for the year; 128 eggs for the year; and so on. Romanian austerity also extended to home heating, where citizens were forbidden to have their apartments heated to higher than 57°F last winter, and electricity—only one 40 watt lightbulb was allowed per household. According to reports reaching Western Europe, ambulances from the state-run hospitals do not pick up any emergency patient who is 60 years old or older.

The return to the hunger of early postwar Romania has spawned another phenomenon from those days, the black market. For astronomical prices, almost any food item is available. The average monthly wage is just under 3,000 lei. Items that can readily be found on the thriving black market, but never in state shops, are priced per kilogram: 160 lei for meat (6% of the monthly wage), 120 lei for cheese (4% of the monthly wage), or 1,000 lei for coffee (34% of the wage).