Who's blackmailing whom over debt?

by Renée Sigerson

According to an agreement worked out early this month, on Dec. 28, the government of Poland is scheduled to hand over a $500 million payment to 260 Western bank creditors, as payment due for interest on Poland's $2.3 billion 1981 debt backlog. As things currently stand, it is completely up in the air whether Poland will have the funds on that date to meet the payment due.

This $500 million interest fee is supposed to mark Poland's part in the signing of an overall rescheduling of its 1981 debt. Originally, the $500 million was due to be paid between Dec. 9 and 15. When it became clear during the month of November that Poland would never be able to assemble these funds in time, the Western creditors' consortium, headed by West Germany's Dresdner Bank, agreed to extend the limit to the end of the year.

It has frequently been said that if Poland were to simply go bankrupt, it might, with $26 billion in outstanding debt to Western agencies, rip Western banking apart, and bring a number of leading banks down with it. Interestingly, on Dec. 6, New York's *Wall Street Journal* furiously denied this argument, asserting that clever Soviet leaders were wielding the threat of a Western banking panic arising from the Polish crisis as a means of forcing Western governments to finance an economic stabilization of Poland to the U.S.S.R.'s strategic benefit.

From the best assessments of the situation which *EIR* has uncovered to date, it is unlikely that Poland will trigger a world banking panic on Dec. 28, even if it doesn't make the $500 million payment due. Informed insiders have told us that several of the banks involved are prepared to quietly help Poland bypass the deadline—either by forwarding credits themselves, or just by issuing another postponement, to allow the whole affair to be taken up again in 1982 if necessary.

What reinforces this speculation is the fact that it is known that several West German banks—who together form the largest creditor group in terms of the volume of debts due—are already writing off their loans to Poland.

If the worst case does occur, that Poland does not meet the deadline and some bank declares the nation in default, which would activate the cross-default clause and immediately interrupt all of Poland's international payments to banks, it will be clear at least who was responsible for such an action. Enough information has leaked out to the public in recent months on the Polish financial case to document that it has been the New York banks in particular which have been threatening that kind of tough move.

Whether or not the Reagan administration has in any way expressed a private viewpoint on this matter to the New York financial community is at this time unknown.

Geopolitical banking

The Polish debt crisis demonstrates that the primary circumstances confronting the international financial system at this time is that no aspect of international finance is any longer independent in any way from international strategic-political considerations. All the political forces which have had their fingers in the Polish affair since the beginning—from Britain's Secret Intelligence Services, to the Soviet KGB, to the Brezhnev faction in the Soviet Union, and so on—have, in recent weeks, attempted to manipulate Poland's financial crisis to the benefit of their political aims in the situation. Certain ideologues may howl, but the lesson of the Polish crisis is that it demonstrates that in periods of economic depression, there exists no such thing as "free-market forces" in international banking.

Politically, Poland has just entered a new crisis phase, which will make this strategic "politicization" of banking even more obvious.

On Dec. 7, it was revealed that the Polish government had secret tapes of a top-level meeting of the dissident Solidarity movement, documenting that some of Solidarity's leaders were pushing for a coup d'état. Lech Walesa, head of Solidarity, has confirmed the tapes are authentic. The release of the tapes followed issuance of an edict by the Polish government one week before that the gravity of the economic crisis in the country had forced them to postpone a major economic "reform" package. Designed by Solidarity, the reforms would have begun the process of industrial "decentralization" along proto-"free market" lines. Although the Solidarity movement is angry and bitter about the postponement, many of its leaders are openly conceding that the government is correct in its assertion that carrying out the reforms at this time would drive Poland into even greater economic chaos, thus condemning the reforms to failure.

These latest developments are further complicated by the fact that the Western bank debt rescheduling under negotiation for the past 10 months was itself supposed to be linked to introduction of the Solidarity economic reforms.