Poland's economy set to explode

Luba George and Kazimierz Kowalski report on the two-pronged assault against Poland, by the Soviet Union and the Western interests linked to the Rockefellers and the grain cartel.

If you ask any Pole today whether 1988 will be a "better year" for him and his family, the typical quip you will get as an answer is: "Far worse than 1987, but far better than 1989."

This reveals the Polish citizenry's desperation that threatens to detonate an explosion. The economy is deteriorating at a dangerously accelerated rate. Poland continues to experience persistent shortages of consumer goods (including very basic non-food necessities such as soap, laundry detergent, and even toilet paper), repeated energy and transportation breakdowns, and an almost complete collapse in housing construction. Imports have declined and the foreign debt is currently over $39 billion. And the latest price increases threaten to further contribute to a precipitous drop in the standard of living.

"The impact of these developments on the public has been drastic. They know that the government is incapable of managing the country effectively," commented a Western observer just returned from Poland. This conviction, he added, provided the "impulse for the explosion" of public activism in 1980 and 1981, and "the reality of the post-martial law Poland has only strengthened it."

This is no surprise. The economic figures for 1988 released at the end of 1987 by the Main Statistical Office strongly point to a further deterioration in living standards. Following the release of these figures, the Polish Catholic Bishops issued a statement warning that Poland was in a "particularly difficult and dangerous socio-economic situation."

The Domestic Net Material Product (DNMP)—i.e., Net National Product—while nominally showing a 2% increase, in fact was one-third lower than planned and much lower than the 4% DNMP per capita growth registered for 1986. Agricultural production was down 3%. Fruit growers were particularly hit, producing only 25% of 1986 production. There was 1.9% less meat produced; 1.3% less milk, and 10% fewer eggs.

A key element in preventing Poland from breaking out of its production constraints is the debt stranglehold. The report calculates Poland's debt to the West as $37.6 billion at the end of November 1987. However, according to government spokesman Jerzy Urban, at the end of 1987, the debt had already reached $39.2 billion. Poland in 1987 paid some $800 million in interest on its foreign debt, which forced it to reduce Western imports considerably, crippling plans to modernize industry, since machinery and spare parts from the West are not available.

Poland's debt to the East bloc and, in particular, the U.S.S.R. is about 6.6 billion rubles. In the past two years, as a result of toughened Soviet conditionalities, Poland was forced to drastically increase its exports to the Soviet Union, to meet a 1986 Soviet demand that bilateral trade must be balanced by 1988. The trade was already balanced during 1987. The increased export quotas further aggravated the lack of investment and production shortfalls afflicting the Polish consumer industry.

The situation has also produced a crisis of a different sort for the Western and Muscovite looters of Poland, namely, how to arrive at a new looting scheme, where Poland can "earn" sufficient hard currency to meet both debt payments and resume purchase of at least some Western technology to modernize the industry that must feed Moscow's insatiable appetite.

Rockefeller grain cartel food project

The "answer" has been through increasing agricultural exports, especially meat, to the West. The big bottleneck thus far, for the East bloc, and Poland in particular, to increase meat exports to the West, has been a lack of feed grain. Feed grain needs can only be met through imports from the West. Up to now, Poland has refused to do this; unless a market in the West is guaranteed for the meat, Poland has refused to use hard currency for feed grain. Now, the multinational grain cartel companies in the West have told Poland, "We will guarantee you a market for meat if you purchase our feed grain." With this policy, the grain cartel simultaneously uses a flood of cheap East bloc imports to undercut West European and American farmers, and enjoys a new round of looting in Eastern Europe.

For this purpose, a new organization was created, the Foundation for the Development of Polish Agriculture (FDPA). According to a recent report by the Polish section of Radio Free Europe, the FDPA, inaugurated in Warsaw on Feb. 20, has been sponsored by the Rockefeller Brothers Fund with additional support from the Ford Foundation. The ceremony was held at the Royal Castle, and Gen. Wojciech Jaruzelski and Prime Minister Zbigniew Messner both received David Rockefeller personally.

The new foundation is to operate on a self-financing basis. For its first venture, it has secured a $2.4 million loan underwritten by Austria's Kreditanstalt Bankverein (a notorious "bank window" for financing East-West deals) to finance the purchase of high-grade pig feed, which it will supply to selected Polish private farmers. In return, the farmers will agree to export hams to the United States. Proceeds from the sale of the hams will go to pay off the Polish debt incurred in purchase of the feed grain.

The FDPA is the product of several years of behind-the-scenes negotiations between Polish authorities and the chairman of the Rockefeller Brothers Fund, David Rockefeller, who first commissioned a report on private farming in Poland in 1982. In September 1985, Rockefeller formally broached the idea of creating an agricultural foundation with General Jaruzelski, who was in New York to address the U.N. General Assembly.

Rockefeller's Chase Manhattan is known in the grain trade as the in-house bank for Cargill Corporation, the largest agriculture commodity-trading company in the world, which includes Trilateral Commissioner Henry Kissinger on its board.

The regulations for the new Poland venture, according to the Radio Free Europe report, are as follows. The Ministry of Agriculture will have the right to veto the foundation's projects, although decision-making power will remain with the foundation. Under the chairmanship of Nobel Prize-winning agronomist Norman Borlaug, the foundation will be run by a board composed of 60% Western and 40% Polish members. Among the Western members: Rep. Dan Rostenkowski (D-Ill.), Rosalynn Carter (the wife of former President Jimmy Carter), and the former West German Minister for Agriculture Josef Ertl (Free Democratic Party). Polish members include the agronomist Szczepan Pieniazek; the historian Alexander Gieysztor; and a former activist of Rural Solidarity, Michal Losiak. The foundation's organizers have stipulated that none of its proceeds be used to service the country's foreign debt.

Polish emigrés correctly charge that the foundation will also undermine efforts by the Catholic Church to gain approval for its own agricultural fund. In 1982, the Polish Church proposed the creation of an agricultural foundation to aid in the modernization of private farms. Seventy-five percent of Poland's farmland is in private hands; private farming occupies a place in Poland that is unparalleled in Eastern Europe. The government refused to grant the Church control of such a foundation, and instead allowed it to set up a far less ambitious operation restricted to the improvement of irrigation systems in the countryside.

Energy shortages

Poland is the world's fourth-largest producer of coal—after the People's Republic of China, the U.S.A., and the U.S.S.R.—and Europe's sixth largest producer of electricity. So why is it that Poland perennially experiences power blackouts, cuts in heating, and shutdowns in industry when the weather is extreme?

Poland's coal-burning plants, which account for more than 90% of all power generated, are extremely inefficient (some are 30-40 years old). The coal burned is low-yield and highly polluting lignite, with a very high sulphur content. A study by the Lublin Catholic University near Belchatow, the site of Poland's largest brown-coal-burning plant, linked its emissions to rising infant mortality and high levels of toxins in crops and livestock in the area. The best coal is exported for hard currency to pay off debts. Furthermore, coal mining is becoming more and more expensive, because of the increasing depth of reserves, technological problems, and so on.

Poland and Romania are the only two European Comecon countries with no operating nuclear power plants. An *EIR* economic study in 1979 described how IMF policy since the late 1970s had forced Poland to drop its investment plans for nuclear energy, focusing more on the immediate and short-term hard-currency-yielding capacity of the coal industry.

Unrest sweeping Poland

A new wave of unrest erupted March 8 when thousands of students demonstrated against the regime in Warsaw, Krakow, Gdansk, Lublin, and Wroclaw. Hundreds were beaten and arrested by the police. Strikes in individual industrial plants, demanding wage increases to offset the huge price increases, have begun.

The backdrop to the latest eruptions is the government's announcement of a series of across-the-board price increases for 1988. These price increases have sparked a further drastic lowering of living standards. Prices in 1988 are expected to grow by an average of 40%; rents, fuel, energy, and heating costs are to go up between 140% and 200%; basic food products will go up by an average 110%. To calm public alarm, the government is saying that inflation will "level off" in 1989 and after 1990 fall to a 10% rate. Nobody believes such nonsense.

An additional factor that guarantees continued high inflation rates, is that the prices of more than 50% of all products, including many consumer items, are not directly set by the government, but through "agreements" between producers and retailers—both controlled by the government. These "prices by agreement" usually rise as quickly as, or even faster than, the "official prices."

The Polish government's unveiling of the new austerity course coincided with the publication last August of the World Bank's "Report on Poland." Even government spokesman Jerzy Urban admitted that the price increases met with World Bank approval and are deemed "essential" if Poland is to secure Western help.

The 1988 price increases are the latest and largest in a chain that has devastated Poland during the 1980s. In 1982, prices for food and energy rose by up to 400%; in 1984, food rose by 10%; in 1985, there were 10-70% price increases for meat and fats, 20-30% for fuel, etc.

A recent study on the Polish economy published by a West German think tank, the Deutsche Institut für Wirtschaftsforschung showed that from 1979 to 1986, the cost of living increased by 527%. Adding the 1987 and 1988 price increases, by the end of this year, the cost of living increase over 1979 will have been ten-fold.

The Polish independent press agency Przeglad Wiadomosci Agencyjnych testified to the effects of such a policy, revealing that "at least 25% and perhaps even 33% of society lives in poverty," and "the whole society is undernourished." They report that only a small part of the population spends as much on food as a sufficient diet demands. The Polish diet has been drastically affected by the long-term economic crisis. Since 1982, consumption of meat has drastically declined, and even bread, milk, and egg consumption is, for the first time, getting lower.

Food production, thanks to the Rockefeller Brothers Fund and grain cartel scheme, will be increasing. No one in Poland, however, will be able to taste the results.

Peru's Alan García initiates war economy

by Valerie Rush

In a March 8 address to the nation, Peruvian President Alan García announced an "emergency war-time economic program" which imposes strict restraints on the consumption and spending of the middle and upper classes, while guaranteeing a subsistence wage to the great majority of Peru's poor. The President himself views the program as at best a necessary evil.

Having reached the limits of his plan to boost the nation's productive potential through employment of previously idle industrial capacity, President García is now in a desperate situation. His defiance of the murderous policies of international financial institutions toward indebted nations, by putting a ceiling of 10% of foreign exchange earnings on debt repayment, never received meaningful backing from the rest of the continent. Peru remained isolated, under assault from the U.S.-backed international usurers and Peru's oligarchy within.

García's efforts are now primarily directed toward maintaining the maximum possible independence of the International Monetary Fund, under conditions of siege which include one of the most massive narco-terrorist onslaughts ever to hit any nation.

The economic program announced, among other things, includes significant price increases on a variety of critical items such as gasoline, an increase in certain interest rates, stricter exchange rates, and a variety of new taxes. It also includes an increase in the minimum wage of 60%, and a 40-45% general wage hike, designed to keep buying power ahead of inflation. García did not order a devaluation of the Peruvian inti, which even the Central Reserve Bank had predicted would be 41%.

Finally, the economic package includes a legalization of private exchange houses which were shut down by García one year earlier in a drive to stamp out Peru's vast infrastructure of drug money-laundering. García's stated intention, to force importers of luxury items and tourists to pay for costly dollars on the "parallel market," in fact represents a desperate