Will the Polish government wield the debt bomb for national survival?

by Rachel Douglas, Eastern Europe Editor

The question of debt is increasingly being discussed in Warsaw as a matter of national survival. A stop-gap agreement will have been signed to reschedule Poland's 1982 hard-currency debt owed to commercial lenders, during the first week of November. Warsaw pays the banks $480 million, which is 5 percent of the principal and one-third of the interest due, while approximately $600 million remaining in interest due is recycled as trade credits.

This interim solution to a small part of Poland's 1982 cash problem (on the more than $10 billion principal and interest owed to Western governments this year, there has been neither agreement nor negotiation, since the imposition of trade sanctions) leaves the debt looming all over the other issues facing Poland.

Polish estimates reported in the Swiss press are that, under rescheduling arrangments such as those worked out with the banks for 1981 and 1982, Poland's debt is headed from its current size of $27 billion to $100 billion by 1990, and that only if it were given a grace period of 15 to 20 years without paying principal or interest would Poland recover sufficiently to pay its creditors at all.

On Oct. 8, Poland's military ruler, Gen. Wojciech Jaruzelski, created an opening for a big shift in policy on the debt problem. That was the day he fired eight government ministers, including the country's most persistent advocate of joining the International Monetary Fund, Finance Minister Marian Krzak. It was Krzak who oversaw the debt renegotiation from the Polish side. Following his dismissal, a rash of statements came from senior officials, driving toward the conclusion that payment of the debt—however rescheduled—might not be compatible with the national interest. Whereas Krzak had reportedly said in August that nobody in Warsaw wanted to freeze payment on or repudiate the national debt, and told the *Financial Times* of London that "we still want to become a member of the International Monetary fund," officials in more recent statements suggested otherwise.

In October, Prof. Zdzislaw Sadowski of the government department for economic reform said that a moratorium on debt payments "for a few years" would be prerequisite for carrying out any serious economic reform. Then, withdrawal of Poland's Most Favored Nation status by the United States prompted a more militant assertion of the moratorium option, by Deputy Prime Minister for trade matters Zbigniew Madej, who said: "The question arises of whether we should and whether we can continue our present policy of fulfilling our financial obligations, if the U.S. government is hampering our exports to America."

On Oct. 27-28, a plenum of the communist party was devoted to the progress of economic recovery and reform. It began with a Politburo report by Central Committee Secretary Manfred Gorywoda, who said that "settlement of debts must not . . . be made at the cost of depriving Poland of its production capabilities," a reference to the drastic cuts in imports that have been made in order to raise even partial payment of the debt. Diversion of funds into interest payments has meant a shortage of money for food imports and for buying parts needed to keep industry producing.

There is heated debate in Poland over what parts of the national economy will be put on the chopping block. Prof. Sadowski, who advertised debt moratorium as the door-opener for economic reform, explained that reform to a West German conference Nov. 4 as a matter of more austerity—a cutback of the standard of living and of industry in which only the military and the transport sector would be spared.

The debt bomb

Would Polish default lead to wrack and ruin? Not necessarily. On Oct. 11, *EIR* founder Lyndon LaRouche suggested that what Poland most needs now is to approach its debt burden the way Ibero-American countries, starting with Mexico, began to deal with theirs. Polish national interests would be served, said LaRouche, not by knuckling under to the austerity demands of the IMF, but by using the debt as a weapon to fight, along with Ibero-Americans, for a new monetary system geared to enabling recovery of national economies and world trade.

The goal for anyone truly concerned about the fate of Poland, LaRouche said, should be to free the country from southern German imperialism as well as from Russian domination—without demanding that Poland leave the Warsaw Pact. He pointed to the south German oligarchy's encouragment of Poland's destabilization during the past two years—through such agencies as the Bavaria- and Vienna-concentrated Catholic oligarchical faction's input to the Solidarnosc movement—as evidence that Poland has the same enemies as Ibero-America. The debt weapon could be used by them both in a fight for "sovereign nation-state republics, and . . . the establishment of a world order dominated by a community of principle among such sovereign republics," which La-Rouche defined last year (*EIR*, June 30, 1981) as the solution to the question, "Can Poland Yet Be Saved?"

British banking sources have said privately that they are watching the pattern of collaboration among debtor countries, concerned that Poland might be attracted to those efforts. Tours of Ibero-America in recent weeks by Polish trade officials and by Foreign Minister Stefan Olszowski have resulted, thus far, in several barter deals of Polish coal for grain and oil (see article, page 35).

The British sources expressed the intention of offering Poland an individually tailored solution, even at the price of more rescheduling and *de facto* moratoria, in exchange for "constructive" reform—putting consumption and sections of industry on the chopping block in order to pay debts.

Wrangling over the economic reform occupied much of the Central Committee plenum. The first phase of reform, instituted in January 1982, consisted solely of crisis-management: drastic price hikes and rules for accountability of companies is to turn a profit or face being disbanded.

One purpose of the price hikes, coming after wage increases won by Solidarnosc, was to limit consumption (some products were rationed), so as to reduce imports. But the plenum heard recriminations against price-setting officials for callousness with regard to the population, the purchasing power of whose currency fell by 30-40 percent since Jan. 1. While fending off criticism, the government has yet to fashion a more comprehensive economic program.

There was some attempt by party members to make political capital of the anger about prices, at Jaruzelski's expense. The most extreme challenge to Jaruzelski's competence came from Tadeusz Grabski, an ousted Politburo member who boasts connections in Soviet and East German party circles, in a letter circulated to his co-thinkers—and, assiduously, to Western reporters. Grabski's attack on over-concentration on the economic reform as a detriment to the party's ideological integrity received wide publicity in the Western media, even though it did not make it onto the floor of the plenum of debate. Grabski is also marching under the standard of "debt moratorium," according to reports of his opinions circulating in Europe; but for him, this would be aimed not at the goal of a reorganization and revival of world trade, but at shutting down relations with the West and wreaking as much havoc as possible while doing so.

According to government spokesman Jerzy Urban, the government hopes to end martial law by January 1983. Both Urban and Jaruzelski, however, said that an outbreak of strikes and demonstrations would change that timetable once again. This condition will be tested on Nov. 10, by the scale of response to a call by underground leaders of the banned Solidarnosc organization, for an eight-hour strike.

DOE admits sabotage of U.S. fusion power

by Paul Gallagher

Thermonuclear fusion energy and related plasma-age technologies are the frontier of technological breakthroughs and future industrial strength for both the superpowers, and other nations of the world. Until early October of this year, the Department of Energy (DOE) and the office of the President's Science Adviser (OSTP) maintained that the United States was pursuing fusion as rapidly as its scientific progress justified, despite failure to carry out the Magnetic Fusion Energy Engineering Act of 1980. The Act's mandated goal was commercial fusion by the year 2000; the DOE and OSTP under Reagan have continued the Carter policy, in late 1980 and early 1981, of denying that such a goal was possible *or necessary*.

Now, following embarrassing exposures during recent months of ongoing sabotage of the rate of progress of fusion R&D, including exposés by *EIR* and by *Fusion* magazine, the DOE has admitted to Congress that the United States is needlessly delaying fusion development.

On Oct. 1, members of Congress received the DOE's Program Management Plan for the future of the American magnetic-fusion effort. The plan suddenly abandons the past year's figleaf of attacks on the scientific and engineering "readiness" of fusion by White House Science Adviser George Keyworth and the Office of Management and Budget. It admits that those agencies' sabotage will probably delay commercial fusion energy by at least a decade, in violation of Congress's mandate to develop this technology on a crash basis.

The effect of this report to Congress is akin to the point in the old television courtroom dramas when the guilty party was forced to rise, admit the crime, and blurt out what delusion led him to commit it. The Oct. 1 plan lists clearly, in a section on "Options, Risks, and Benefits," the major areas of difference *as to effects* between the current austerity program, and one which would actually follow through on the 1980 Act. It shows in detail how the recommended DOE "option" will fail, and implementation of the Act would succeed.

No engineering stage

Without going into technical detail in this space: the DOE plan apologetically restates the decision *not* to build an engineering-center facility to ignite fusion plasmas, generate