Poland proposes debt freeze, new credits

by Rachel Douglas

The Polish government June 13 publicly revealed its position in negotiations with Western banks about its hard currency debt: Poland will seek to reschedule the debt over a period of 20 years, after a grace period of eight years during which there would be a moratorium on all payments. Deputy Prime Minister Janusz Obodowski shocked bankers with this preemptive publicization of the Polish ante, just as officials of Bank Handlowy, the foreign trade bank, were sitting down for talks with Western bank representatives in Vienna. It was Obodowski, Poland's planning chief, who last December called for forging a "joint policy" on debt with large debtor nations like Brazil and Mexico (see *EIR*, Feb. 15, 1983).

In his Warsaw press conference, Obodowski raised the possibility of an East European link-up with Ibero-America to overcome the shared crisis of debt, when he said, "This is a proposal for all debtors." According to Polish sources, the plan reflects Obodowski's intention to connect Poland's debt negotiations to those of the Ibero-Americans.

A Washington source outside the Reagan administration who monitors Ibero-American moves toward coordination of debt policy commented, "If the Polish are now asking for 20 years, the Latin Americans will say, 'Why not us?'" In Europe, banking sources confirmed that the Polish move could have a dramatic effect on ongoing negotiations with Ibero-American governments.

Since late 1982, Polish government economists have studied "Operation Juárez," the policy proposal for an Ibero-American debtors' cartel and the creation of new credit for the revival of world trade and investment, written for Ibero-America by *EIR* founder Lyndon LaRouche. In Warsaw, the document became known as "Operation Kosciuszko," after the Polish hero of the American Revolutionary War whose collaborators advocated the promotion of industry through state-backed credits.

In May, the Polish party daily *Trybuna Ludu* featured the potential Ibero-American action under the headline "Latin America—A Common Front of Debtors?" Pointing out that "in Latin America, the idea of a debtors' front arose to jointly negotiate the conditions of repayment," *Trybuna Ludu* stressed that the indebted nations would require new, cheaper credits.

Obodowski, too, made it clear that Warsaw is not prepared to accept a total austerity regime, without new credits, from either the banks or its government creditors, each of whom hold approximately half of the country's more than $25 billion debt. On the contrary, he said, "We would also need low-interest credits for stimulating exports. Part of the export revenues could be used to pay our debts."

Polish sources describe the Obodowski plan as "better arithmetically and financially," since a mere repeat of the rescheduling terms Poland received for its commercial debt in 1981 and 1982—seven-year rescheduling of principal with half of the interest payments recycled as trade credits—will cause the debt to mount up and up, without generating any real ability to repay. "Both sides are tired of having to go through these protracted negotiations every year," said Obodowski, "A long-term settlement would be more sensible."

The Polish official suggested that Western governments (there have been no talks on Poland's debt to governments since the end of 1981) and banks should welcome Poland's terms as an opportunity to compensate for the trade and credit sanctions of the past 18 months, which he said had cost the Polish economy $12 billion and made it increasingly difficult to service the debt. The result of the sanctions, said Obodowski, has been to make Poland lean more heavily on trade with Eastern Europe, especially the Soviet Union. Equipment imported from the West had been converted to conform to East European standards and the factories begun with Western aid were being finished with the help of the Soviets.

Romanian outline for recovery

At the UNCTAD meeting in Belgrade, another East European flank on the international debt crisis was opened on June 9, by Romanian Vice-President Manea Manescu, who outlined proposals to "ensure a substantial transfer of modern technologies towards developing countries under advantageous conditions. . . ."

Romania called for debt relief, including "the cancellation of debts incurred by the poorest countries, having a per capita income of up to $500-$600, [and] the reduction and long-term rescheduling of the debts of other developing countries without any interest or with a low rate of interest. . . ."

The Romanian position, like Poland's, focused on the need for not only debt relief, but credit for new economic activity: "The discussions and negotiations between the debtor countries and the lending countries should be guided by principles and criteria to be agreed upon internationally. . . .

"It is Romania's view that interest rates for the developing countries should not exceed 5 percent, while credits should be extended for the poorest countries with interest rates of 2 to 3 percent or without interest rates at all. The interest rates paid beyond these limits should be considered as a repayment of their respective debts. The fulfillment of this objective would restore the positive and stimulative role international credits should have for facilitating international trade, economic activity, and productive investment."