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POLAND: Rescheduling of Debt for 1981

The signature today of the long-delayed agreement rescheduling private debt for 1981 paves the way for the Poles to open negotiations on rescheduling their \$10.4 billion debt service bill for this year.



A recent article in the Polish press proposes that Western government creditors reschedule payments on 95 percent of interest and principal due in 1982 and that private creditors reschedule all principal payments and half of the interest payments. Despite the unanimous reaffirmation by Western government creditors on 18 March that they will not negotiate debt relief for 1982, several governments privately are anxious to begin discussions.

Comment: Poland's problems in restructuring its foreign debts for 1982 appear even more formidable than they were last year. Warsaw's suggested terms for rescheduling its payments for 1982 are softer than creditors will accept but probably are tougher than Poland can meet. The continuing debt problems will prevent Warsaw from importing the industrial materials required for economic recovery.

Creditors face tough decisions on negotiating terms of rescheduling and on whether to call default as Polish overdue debts mount. Banks will be under increasing pressure to write off Polish loans, and governments will almost certainly have to pay more than \$2 billion this year to honor loan guarantees. Disputes among groups of government and private creditors are likely to delay conclusion of agreements for debt relief covering 1982.

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6 April 1982

Approved for Release
Date AUG 1999

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