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Banking on détente: Barclays, Paribas, and Société Générale in Poland, 1950s-1980s

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Abstract

This article examines how the cold war influenced the conduct of banking business in Eastern Europe, by focusing on the case of Barclays’, Paribas’ and Société Générale’s involvement in Poland from the 1950s to the 1980s. Based on archival evidence, this article illustrates the multiple facets of banking in a period of all-level confrontation between two systems: search of new business opportunities; facilitation of East-West trade; contribution to foreign policy goals; ill-preparation to new country risks. The article argues that these banks increasingly relied on Western European governments’ desire to pursue a process of relaxation of cold war tensions towards the Eastern European countries, known as détente, taking place since the late 1960s.

Introduction

Upon leaving the head of the Société Générale’s European socialist countries division, Jean-Marie Tauléra concluded his final report by writing that he dedicated his time to the task of developing relations with Eastern European countries “with the only aim to serve our bank, and, even more modestly, the interests of our country.”¹ In just one final sentence, Taulera encapsulated the Janus-faced nature of banking in a cold war world. Banks were not just businesses looking for profit, they were also agents allowing, facilitating, contributing to the implementation of foreign policy goals. To shed light on this nexus, this article explores the expansion of three Western European banks – Barclays, Paribas and Société Générale – in Poland in the peculiar geopolitical context of the cold war. Understood as the competition between the capitalist West and the socialist East, the cold war lasted from the late 1940s until 1991.² From the late 1960s until the late 1970s, the two superpowers – the United States and the USSR – underwent a period of relaxation of tensions known as détente. The process of détente encouraged the development of links – economic, financial, cultural – across the iron curtain. Détente highlighted that the division of the world into blocs was not permanent. In the specific European context, Western and Eastern European countries were keen to overcome the cold war order by developing such links.³ In particular, they were keen to do this regardless of the superpowers’ confrontation.

Based on a detailed empirical analysis of the internal functioning of these three banks, this article argues that the cold war context changed the banks’ attitude to doing business in Poland, and ultimately to underestimate the risks associated with it. The article highlights the influence of the détente and cold war context in three aspects in particular: how banks conducted business with Poland; how their relationship with the state and its foreign policy goals evolved; and finally in how they assessed the risks associated with financial involvement in Poland. In all these aspects, banks initially followed traditional business

attitudes that privileged seeking new markets and assessing their profitability, but soon the process of relaxation of cold war tensions led them to adapt their strategies in function of this geopolitical context. These banks contributed to the support of the development of economic and financial links across the iron curtain.

The archives of Barclays, Banque de Paris et des Pays-Bas (Paribas) and Société Générale provide complementary and important elements that allow to put forward a micro- and macro-analysis of their involvement. The archival material was composed of personal correspondence, record of meetings, reports of business visits in Poland and Eastern Europe, and briefing notes on the economic situation and prospects. These documents allow to analyze how these banks operated in a cold war context, and to document several aspects of banking related in particular to moral hazard and reputation that tend to be well understood in theory but for which evidence is lacking. All three banks were among the most involved in Poland in particular, and Eastern Europe in general. Barclays was private, Société Générale was owned by the French government since 1945, and Paribas was a private investment bank (banque d'affaires) but nationalized in 1982. These three banks thus allow to compare and contrast three different cases, state-owned, private, and private then state-owned.

Analysing the way in which banks ran their business is particularly interesting in the context of the cold war, and especially with Poland, which was the most important and most problematic case in the Eastern European debt crisis. Given their centrality in capitalist economic systems, banks are closely related to the state. Their regulation, supervision, and financial health is a matter of high importance to the state, which therefore will have a close look at how they fare. Even more importantly banks can support firms to go abroad. In order to encourage exporting in specific regions of the world, the state uses export credit guarantees, whereby the state covers the possible failure of a deal. In the cold war and détente context, trade became a key feature, as encouraging trade between East and West was part and parcel of a strategy of rapprochement between the West European capitalist economies and East European socialist ones, in particular for the British and French governments. As a consequence, regardless of the nature of the bank’s ownership, there will be a close link between the financier of the deal and the state.

This article highlights that détente represented a specific opportunity, and later constraint on the actions of commercial banks. In doing so, this article contributes to the literature showing how détente was the key geopolitical context that spurred lending to Poland and Eastern Europe more generally. By focusing on the business side, and more particularly on the banking side, this article brings out that dynamic in new ways. In the large literature on the Polish debt crisis, most works focus on the origins of the crisis from a Polish

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6 The most recent and detailed work on this is Bartel, ‘Fugitive Leverage’. On UK banks in Hungary and Romania, see Lefèvre, ‘Politicizing Finance: The Role of the UK Government and UK Banks in the Development of the Eastern European Sovereign Debt Crisis, 1970–1982: The Case Study of Romania and Hungary’.
perspective and the economic causes and unfolding of the crisis.\(^7\) Another strand of literature looks at the supply side of debt crises, but does not focus on Eastern Europe and Poland, and again does not open the black box of the internal functioning of the banks, based on archival research. Wellons focuses on the role of banks in the making of debt crises.\(^8\) His focus is primarily on the Latin American case, and the parts dealing with French banks look mostly at their attitude to the Euromarkets and syndicated lending.\(^9\) Bartel looked at the Polish debt crisis in 1980-1982, but while taking into account commercial banks, Bartel’s analysis is primarily centred on the US, and makes no use of the large array of archival material held by the banks themselves, and relies instead on US and Bank of England archival material.\(^10\) Further to this, the chosen chronological timeframe (1980-1982) prevents him from looking at how banks envisaged their relations and interests with Poland and other Eastern European Socialist countries, which is the focus of this article.

This article analyses the strategies of Barclays, Paribas and Société Générale in the cold war era in three steps. The article first investigates why banks ventured in Poland and Eastern Europe, and how they adapted their internal organisation for that purpose. Then it looks at how the détente process and the business interests of the banks became ever more entangled. Finally, it scrutinises their attitude with respect to the rise of new risks, including their analysis of country risk and the rise of moral hazard.

1. Early moves: banking in Poland and Eastern Europe

Paribas and Société Générale had already strong links with Poland, and, more generally, Eastern European countries, in the interwar period.\(^11\) When the first signs of renewed international expansion at Paribas and Société Générale appear in the second half of the 1950s, in particular with Société Générale’s internal institutional reshuffle dating from 1959, they were at the time very modest (in the 1940s, Société Générale had only three branches abroad, in London, New York and Buenos Aires).\(^12\) Change at Barclays took place a little later, in the early 1970s. The renaming of Barclays Bank Dominions, Colonial and Overseas (DCO) in Barclays Bank International (BBI) in 1971 followed the change in emphasis from the Commonwealth to the wider world.\(^13\) In that framework, international expansion – whether in Poland or indeed elsewhere in the world – was critical for banks to find new clients, and to present the services they could offer to them. In spite of these early signs, the real spur in international expansion of banks occurred in the 1970s.\(^14\)

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\(^8\) Wellons, Passing the Buck; Devlin also focuses on the supply side, but in the Latin American case, see Devlin, Debt and Crisis in Latin America: The Supply Side of the Story.

\(^9\) Wellons, Passing the Buck, 211–22. One exception to this is Eichler’s chapter providing ‘a banker’s perspective on Poland’s debt problem.’ In spite of noting the importance of the influence of governments, Eichler does not analyse the role of the cold war context in depth, and focuses instead mostly on the Poland’s creditworthiness. See Eichler, ‘A Banker’s Perspective on Poland’s Debt Problem’.

\(^10\) Bartel, ‘Fugitive Leverage’.


\(^12\) Bonin, ‘La Stratégie de Déploiement International de La Société Générale (Des Années 1870 Aux Années 1970)’.

\(^13\) Ackrill and Hannah, Barclays, chapter 6; Jones, British Multinational Banking, 1830-1990, 327–28.

\(^14\) Altamura, European Banks and the Rise of International Finance, especially chapter 4.
Banking internationalisation is traditionally caught in-between two explanatory logics. The first holds that banking follows clients, and banking presence is therefore developed only once other trading relationships are developed. The second holds that banking creates new business opportunities, by looking first for promising markets, and then encouraging business to develop their activities in these regions. Paribas was the most explicit of the three banks studied in mentioning the role of precursor, and creator of business opportunities. Reacting to a study on Franco-Polish trade in 1969, Joseph de Szilbereky, Paribas director, wrote that “it will help me in my work, in particular to demonstrate to our exporters that there is a place to take in Poland for French industrials, in so far as they will show more dynamism and more comprehension.” In a note of reflection on Paribas’ involvement in Eastern Europe, the analysis of Paribas’ role was more systematic: “A banque d’affaires can have a particularly important impact in this new type of activity. Indeed, looking for partners and points of contact proves to be very difficult and lengthy. Since our company knows so well the industrial map of these countries and has frequent contacts in different and varied domains with banks and industrial societies, we can: identify and approach firms to allow them to study their complementarity, and find possible cooperation in different domains; inform firms of industrial projects where a cooperation is desirable; play the role of advisor in the framework of an occasional cooperation.” In that case the bank was thus becoming the privileged point of contact between the two sides of the business relationship, beyond its mere financial dimension. This remained a constant of Paribas’ approach, as still in 1980, de Szilbereky mentioned that Paribas regularly ‘introduced’ companies to new markets. While Société Générale did not present reflections comparable to those of Paribas, the internal institutional reshuffle of the bank over the course of the 1950s, 1960s, and 1970s – analysed in more detail in the next section – reflects a similar understanding. Barclays, by contrast, did not insist on that aspect, and merely highlighted the necessity to follow and support its clients.

Searching, developing and supporting new business opportunities were not the only reasons why these three banks got involved in Poland. They also got involved simply because they did not want to lose out to competitors, not only for reasons of business strategy, but also for what they perceived as the prestige and reputation of their institution. References to competition regularly appear in the banks’ analysis of their development in Poland and Eastern Europe more generally. The Société Générale’s 1979 report on European socialist countries lauded that the bank’s position had substantially improved in overall exchanges with the East, but made no mention at what cost and risk this could have happened. Instead the report insisted on the Société Générale being proud to be “the only bank in the world to be present, in different forms, in all European Socialist countries.” A year later, in 1980, reacting to a report on the state of the bureaux in Eastern European countries, Société Générale’s Jean-Marie Taulera, head of the division for European socialist countries, highlighted the intense competition among French banks. Barclays equally reported the intense competition taking place among banks in Poland and Eastern Europe, but also interestingly reported it from the Polish point of view. The report of a visit of Barclays in

17 AHGBNP, ET 1285, Note on Poland, November 1969.
18 AHGBNP, Joseph de Szilbereky, Tour d’horizon sur les pays socialistes, 17 April 1980.
21 AHGSG, 81124, Taulera to Jean Caudron, 4 June 1980.
Poland in 1973 thus noted that “it was interesting to be told the Bank Handlowy [the Polish foreign correspondent bank] now have an average of one foreign bank visitor a day with at least three a day during the season. They said they are now visited by people from places like North Carolina which, they thought, had no international connections at all.”

The Barclays team reported that the pressure of competition was felt from the Polish side, with a Polish banker saying that “He is constantly being pushed to do more abroad.”

Whether looking at the traditional ‘market seeking’/‘client following’ dichotomy or the highly competitive environment, the original élan pushing banks to develop their activities in Eastern Europe in general and Poland in particular, in the very late 1950s and 1960s, was not very different from the incentives that led banks to internationalise elsewhere during that period. Further to this, as Badel notes in analysing the French government’s support for the internationalisation of businesses, banks developed eastwards before the French government identified the intensification of links with Eastern Europe as a foreign policy stance. In this early period, the cold war context was however not completely absent from the banks’ reflections about international expansion, but it did not prove to be the driving cause in their decision to go abroad or not. Taulera summed this up well in 1979 in a report on the situation of Eastern Europe in that year. As Taulera was retiring twenty years after the creation of the secteur that he headed all along, he wanted to reflect on the achievements made throughout the period. Probably fearing that the tense geopolitical context of the early years was fading in memories, Taulera warned: “Does one need to remind what was then [when the secteur was created in 1959] the international climate born out of the cold war? When we asked to go to Moscow for the first time, the Direction Générale replied to us: ‘Have you forgotten that we have an agency in New York?’”

The top management of Société Générale was therefore acutely aware of the international tension of the time, and of the fact that being present on the territory of both sides of the conflict posed a problem. Since France belonged to the ‘West’, the first, instinctive reaction of the Société Générale’s management was that it would be difficult to do business with the East. This reaction was however made in 1959, that is, before the process of détente had started, and the attitude to doing business with the Eastern European socialist countries consequently changed.

In order to pursue their development in Poland and Eastern Europe, Barclays, Paribas, and Société Générale developed different internal procedures, from informal to formal, that partly reflected their relationship with the state as well as some national cultural traits. Several changes in the banks’ reflections and attitude can be observed from the early 1970s, once the geopolitical and economic context itself changed. Détente started in the late 1960s, but the European socialist countries’ turn to foreign lending only began in the early 1970s. This radically increased the potential scale of the financial exchanges between Eastern and Western Europe, and therefore required an internal adaptation on the part of the banking sector.

Société Générale developed the most formal institutional structure of all three financial institutions under scrutiny. Three dates stand out: 1959 and 1974, when two internal institutional reshuffles marked the changes in ambition and strategy towards Eastern Europe;

24 Cassis, ‘Before the Storm: European Banks in the 1950s’.
and 1976, when a specific representation of Société Générale in Warsaw opened. Société Générale’s first contacts with European socialist countries as well as China, Vietnam, and Korea date back from 1955-1958. Société Générale created in 1959 a specific “geographical sector” division (secteur géographique) in the foreign department devoted to European socialist countries. The aim of the secteur was to work on developing relations with a group of countries that were then deemed “‘peculiar’ and present[ed] a set of characteristics, and thus problems, comparable.”

The year of 1959 mattered as it corresponded to an internal reshuffle of Société Générale’s organisation, following the decrease of the bank’s activities in the former French colonies.

Intensifying commercial and industrial relations between East and West became a priority for Société Générale, and the bank constituted a specific cellule Est-Ouest in 1974. The cellule was part of the Eastern division. The cellule was aimed at helping businesses in their endeavours with the East through the cultivation of synergies with all parties competent and interested in East-West relations: academics, business groups, lawyers, politicians. The cellule’s goals were threefold: to identify potential new partners; to assist French companies with the legal paperwork; and to help in setting up financial arrangements.

The cellule was to offer to French industrial and commercial firms all the necessary in order to develop their sells and buys in Eastern Europe, and their technical or commercial cooperation with Eastern European firms whose activity would be complementary to theirs. Taulera explained that “cooperation requires a lot of time, and this is also for that reason that the necessity of an independent cellule has appeared.”

Poland was identified as the country target number two, after the USSR. The cellule was also ready to help socialist firms willing to explore opportunities on the French market. The services of the cellule were free or billed at cost. The overall institutional organisation of Société Générale was finally completely when the bank set up a representation in Warsaw in 1976.

The Société Générale’s strategic choices for the cellule Est-Ouest were also important in cold war terms. The cellule was specifically looking at Eastern European socialist countries, while keeping an eye on developments in the USSR: “the cellule concentrates its promotion efforts on socialist countries of the East other than the USSR.”

This followed closely the French government’s foreign policy aim to detach Eastern European countries from Soviet influence. But even Société Générale remained officially focused on classic business objectives. In reflecting on the bank’s foreign expansion abroad in 1976, Viénot, head of the international division, wrote that “the preparation of our actions of development must include a reflection on the forms of this development oriented towards the search for maximum profit.”

Barclays’ internal organisation was at the extreme opposite of Société Générale’s. The bank did not set up a specific institutional arrangement to deal with Eastern European socialist countries, but “has sought, as a matter of policy, to be at the forefront of new

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27 For a more general overview of Société Générale’s international development, see Altamura, European Banks and the Rise of International Finance, 149–59; Bonin, Banque et Identité Commerciale.


30 AHGSG, 81158, Buttay to Viénot and Joerger, Coopération industrielle Est/Ouest, 7 May 1976.

31 AHGSG, 81158, Cellule Est-Ouest de la Société Générale, July 1974.

32 AHGSG, 81158, Viénot, Réflexions sur le développement de nos activités avec et à l’étranger, 29 February 1976.

33 AHGSG, 81158, Cellule Est-Ouest de la Société Générale, July 1974.

34 Bozo, ‘France, “Gaullism,” and the Cold War’.

35 AHGSG, 81158, Viénot to president, Réflexions sur le développement de nos activités avec et à l’étranger, 29 February 1976.
Western banking contacts with Eastern Europe.”36 Since the late 1960s, Barclays had developed contacts with Eastern Europe with correspondent relations, a consortium bank with Romania, and reflected on the possibility of opening a representation in Moscow. But the new context of the early 1970s was markedly different, with the détente process, a demand for credit, the realisation in the East of a technology gap, the difficulties of the agricultural sector, and consumer demand. It is therefore no coincidence that Barclays reflected on its strategy in Eastern Europe in 1973. Barclays’ reflections took the form of the production of a discussion paper on the bank’s involvement in Eastern Europe and approved by Barclays’ top management.37 The bank observed the increase of East-West trade, and even more importantly “an even faster growth in Western finance for trade and capital development. The commitments over the last two years are ten times greater than the previous five years.”38 Poland was Barclays’ most important market in Eastern Europe.39 The discussion paper set out to develop further this market: “Poland have a particularly acute need for Western capital and relatively large trade with the UK. …) We should press proposals for a joint operation, and representation in Warsaw following recent encouragement.”40 Efforts to develop financial links with Poland however did not involve, in the case of Barclays, the creation of a specific internal institutional set-up; nor did Barclays present its role as being that of seeking new markets for UK companies.

The cold war was however not explicitly discussed in this paper. Barclays’ management only noted “the need to have continuity of top visiting in Russia and the rest of Eastern Europe was stressed.”41 True, maintaining close and regular contact could be interpreted as simply good business practise. But it also indirectly reflected a cold war constraint, that is, the existence of a set of complex geopolitical and local situations that needed to be carefully looked after, as unexpected opportunities may appear. Julian P. G. Wathen, Barclays’ general manager in London, thus observed a few days after the production of the discussion paper that “it was accepted that we had to operate with a degree of opportunism, i.e. one could not set up priorities since one never knew when the next break in the curtain was likely to appear.”42 The evolution of the cold war was therefore perceived as constraining the bank’s decisions.

Paribas was in-between the two different models represented by Société Générale and Barclays. Paribas’ organisation never reached the same formal institutional level as Société Générale’s; but it was not as informal as Barclays’. In 1957 Paribas was the first French bank to negotiate and sign a protocol allowing to finance export contracts of French firms in Poland with Bank Handlowy.43 The protocol was then renewed on a yearly basis. In the late 1960s, an additional impulse came from the French government, which pushed for an increased role of banks in international trade.44 In the same vein but more explicitly than Société Générale, Paribas did not consider banking to be limited to financial undertakings. A note of reflection on Paribas’ involvement in Eastern Europe thus stated: “The role of our establishment is not just about banking. Following the development of international trade, its complexity, and its rapid evolution, we realised that the role of our bank could not be considered as just financing industrial projects but also that of organising and coordinating the deals to do. (…)”45

39 BGA, 0080/6139, Cooper, Visit to Poland, September 1973.
42 BGA, 0080/6127, Wathen to Tabor, Eastern Europe, 9 November 1973.
43 AHGBNP, ET 1285, Note on Poland, November 1969.
44 Ibid; see also Badel, Diplomatie et Grands Contrats, 303.
45 AHGBNP, ET 1285, Note on Poland, November 1969.
this in mind, Paribas stood ready to help its clients, but this did not involve an organisational reshuffle similar to what Société Générale implemented.

What type of business were these three banks doing in Poland? A key activity was trade credit and the financing of exports, as detailed below in the section on export credit guarantees. Banks (mostly Paribas and to a lesser extent Société Générale) were also involved in advising firms as mentioned above. Finally, banks could provide non-guaranteed loans, often through syndicated lending, that is, a group of lenders providing together funds for a single borrower. The Bank of England offers a glimpse into the structure and extent of syndicated lending. Barclays and BNP, but not Société Générale, led one such operation in 1980. Table 5 outlines the membership of medium-term loans to Poland in January 1980. Only the leads are clearly named banks, which implies that we do not know whether the three banks studied in this article have also been involved as members of the syndicates. The geographical spread of these loans was relatively even in terms of lead, with four out of twelve led by US banks, and the eight remaining by West European banks: two by UK banks (including the one by Barclays Bank International), two by French banks (including the one by BNP), and four by Dresdner Bank.

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
<th>Lead</th>
<th>Managers</th>
<th>Members</th>
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<td>3 US, 1 Canadian, 1 Consortium</td>
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<td>Lloyds Bank International</td>
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<td>3 US, 1 Canadian, 1 UK</td>
<td>2 US, 2 UK</td>
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<tr>
<td>N/S</td>
<td>50</td>
<td>BNP</td>
<td>Syndicate consists entirely of UK banks</td>
<td></td>
</tr>
<tr>
<td>N/S</td>
<td>50</td>
<td>Crédit Lyonnais</td>
<td>6 US, 3 West Germans, 2 UK, 1 Dutch, 1 Russian, 1 Canadian, 1 Luxembourg</td>
<td>5 Japanese, 5 US, 4 Canadian, 3 Swiss, 3 Consortium, 2 Luxembourg, 2 West German, 3 Others</td>
</tr>
<tr>
<td>N/S</td>
<td>600</td>
<td>Dresdner Bank</td>
<td>3 Japanese, 3 UK, 2 West German, 2</td>
<td>2 Japanese, 1 Consortium</td>
</tr>
<tr>
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<td>Chase Manhattan</td>
<td>2 US, 1 Canadian, 1 West German</td>
<td>20 Japanese, 6 Canadian, 6 West German, 4 UK, 3 US, 3 France, 2 Consortium, 7 Others</td>
</tr>
<tr>
<td>Year</td>
<td>Loans</td>
<td>Bank</td>
<td>Syndicate Members</td>
<td>Co-Managers</td>
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<tr>
<td>1977</td>
<td>500</td>
<td>Dresdner Bank</td>
<td>7 West German, 3 US, 2 UK</td>
<td>2 Canadian, 1 Dutch, 1 US</td>
</tr>
<tr>
<td>1977</td>
<td>500</td>
<td>Dresdner Bank</td>
<td>2 Luxembourg, 1 Dutch, 1 Austrian, 1 Czechoslovakian, 1 Canadian</td>
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</tr>
<tr>
<td>1978</td>
<td>500</td>
<td>Dresdner Bank</td>
<td>4 West Germans, 3 Japanese, 2 UK, 2 Belgian</td>
<td>Co-Managers: 1 Dutch, 1 Japanese</td>
</tr>
</tbody>
</table>

Table 5: Syndicate Membership of Medium-Term Loans to Poland, January 1980 (million dollars). Source: Bank of England

2. The entanglement of banking interests with the détente process

The immediate postwar period and the beginnings of superpower détente gave rise to a higher degree of mutual influence between the geopolitical context and the banks’ business activities. The end of superpower détente in the late 1970s coupled with the desire of West European governments to pursue European détente regardless of the United States’ foreign policy presented British and French banks with a much more complex geopolitical context, as reflected in their discussion of the situation. The attitude of Barclays, Paribas and Société Générale confirms the difference of approach between the US and Western Europe after 1979: superpower détente ended (that is, between the US and the USSR) but détente within Europe (that is, Eastern and Western Europe) continued. Polish authorities on the one hand, and the British and French governments on the other, were keen to maintain and keep developing their economic, financial, and cultural links, regardless of superpower confrontation, and regardless of the financial difficulties encountered.

The close connections between the banks and the state’s diplomatic apparatus contributed to this. As Wellons intuited, the influence of the French government on Société Générale and Paribas was more indirect (through export credit in particular, as the last section will show), and via senior and middle management (hauts fonctionnaires) than through direct coercion to implement a specific course of action. Banks were in close connection with their respective embassies. Every visit – whether of Barclays, Société Générale, or Paribas – included meetings with the staff at the local embassy. These were not just courtesy visits, they also served for exchange of views, a general briefing about the local situation, and to take part

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47 On this, see differences between superpower détente and European détente, see Loth, Overcoming the Cold War: A History of Détente, 1950-1991; Romano, From Détente in Europe to European Détente.
49 Wellons, Passing the Buck, 220; on revolving doors in French administration, see Charle, ‘Le Pantoufflage En France (Vers 1880-Vers 1980)’.
in meetings alongside other bankers and local authorities. At home, French banks also received briefings from their foreign ministries. Société Générale’s Paul Carton thus for instance paid a visit to the Quai d’Orsay on 17 September 1975 to discuss the bank’s strategy.\footnote{AHGSG, 81158, Carton to Viénot, 18 September 1975.} The French foreign ministry officials encouraged the bank to invest in specific places in the world, and they congratulated themselves on some investment in progress, although Eastern Europe was not explicitly discussed. Finally, in terms of personal connections between the world of banking and that of diplomacy, Henri Froment-Meurice provided the best example. Froment-Meurice served as French ambassador to Moscow, and became adviser to the president of Paribas between 1985 and 1991.

A further layer of complexity was added by the fact that between 1979 and 1981, Polish authorities gradually informed their Western creditors that they would no longer be able to repay their debts. The Polish official notification came in March 1981, but from 1979, Polish authorities started informally sharing to the French authorities first that they were in financial difficulties. In December 1980, as the Paris Club – the informal grouping of major creditors countries meeting to find a solution to the payment difficulties of debtor countries – had not yet put in place the modalities of Polish debt’s rescheduling, the French authorities wanted to set out a partial restructuring already. An internal Paribas briefing simply took note that “It is therefore asked to banks participating in the first restructuring (…) to continue their participation on the following basis” describing then in detail the schedule of payment, interest rates, and state guarantee that should be put in place – taking for granted that this should be implemented.\footnote{AHGBNP, ET 5009, Restructuration de la dette polonaise, December 1980.} A meeting between French banks and Jean-Yves Haberer, head of the French Treasury, further highlights the links between the geopolitical context and the banks’ strategies. Haberer wanted to communicate to French bankers that Polish authorities were unable to repay their debts from March 1981, but that the Polish authorities did not want to default, only to report the payment of their debts. Société Générale’s Magné reported that “The French Treasury asks to look with benevolence at this request [of postponing payment] on the part of Polish authorities, and recommends as well to French banks to attend the different meetings that should take place very soon in London. (…) A big effort of consolidation will have to be consented and the Treasury asks that French banks do not ‘drag their feet’ and must ‘embark’ in the ‘task force’” to discuss this consolidation.\footnote{AHGSG, ET 5009, Jean-Pierre Magné, Pologne : Réunion au Trésor le 30 mars 1981, March 1981.} Later, in 1981, Yves Laulan, one of the seven members of the International Economic Committee of Banks (a committee in charge of evaluating the economic situation of Poland with a view to making recommendations on the rescheduling of Polish debt), acknowledged that Western governments took the initiative of rescheduling, and dragged banks into this.\footnote{AHGSG, 81171, Laulan to Mayoux, Rapport de mission à Varsovie, 1 June 1982.}

Later in the same year, Laulan recognised that the crisis had now become of a purely political nature: “Clearly, the search for such a solution [providing new credits to avoid a collapse of the Polish economy] exceeds by far the competences of the about 450 international banks in question. This means that a solution at the Western leaders’ political level should be found to what essentially is a political crisis.”\footnote{AHGSG, 81199, Laulan, Rapport sur la Pologne, November 1981.} In another note to Viénot, Laulan confirmed that “it is highly improbable that we can recover our debts on Poland for several years. The solution to the problem is within the hands of the governments.”\footnote{AHGSG, 81171, Laulan to Viénot, Rapport sur la Pologne, 20 November 1981.} But in further reflecting on the political dimension of the crisis, the cold war re-emerged in the analysis. Laulan considered that if Poland was to collapse, this would have a domino effect on other neighbouring countries, in particular Romania and Yugoslavia, with severe international
consequences. On the opposite, “if the crisis is overcome, the 1980s could be a period of deep rapprochement between East and West.” Laulan did not draw a recommendation from this observation, but the implications and constraints were clearly set out.

Even more important were the bankers’ explicit acknowledgement of the influence of the cold war context on their strategic thinking. From the late 1970s, financial considerations kept on being inextricably linked to the cold war. As quoted at the beginning of this article, upon retiring from the Société Générale in 1979, Taulera explicitly connected the bank’s international strategy to the French government’s foreign policy goals. Still in 1979, reporting on a visit to Poland and East Germany, the Barclays delegation’s report written by Derk R. Pelly contained cold war-loaded references: “(…) I feel that the Polish regime is trying to soften the outrages of being a satellite of the USSR and is therefore worthy of support. For the time being Poland will go on needing balance of payment help which in moderation I would therefore support, but project finance will not be wanted for a while. Nevertheless we should continue to maintain close relations a) for the day when renewed UK exporting opportunities arise, and b) for developing business in their Third World trade.” A transnational financial link could contribute to transcend the East/West divide: Pelly made the geopolitical dynamics of the cold war explicit, along with business-related motivations. In the same vein, six years later, in 1985, Pelly wrote again that “There is still tension, but these countries seem to see themselves as primarily European and secondarily Members of the Eastern Bloc.” Whether coming from a French or a British bank, these remarks about Poland and relations within Eastern socialist countries fitted well with the views of the French and UK governments at the time.

3. Country risk, moral hazard, and the ‘umbrella theory’

The attitude of Barclays, Paribas, and Société Générale to country risk also reflected the salience of the cold war context. While their ill-preparation to the rise of country risks was not limited to Eastern Europe, the belief in the so-called umbrella theory was specific to the context of the cold war. Moral hazard implied by export credit guarantees lay in-between, as it existed in other contexts, but Western governments’ insistence on making use of these credits was due to the détente environment. These three aspects are analysed in detail below.

The ill-preparation of banks to the new risks from the 1970s is a point often raised in the literature, but for which we still lack detailed and concrete empirical illustrations. The case of Poland is illuminating in this respect. For sure, bankers were not completely unconscious of the existence of country risks. But these risks were regularly poorly measured, underestimated, and as the section on the umbrella theory will show their geopolitical dimension was misunderstood.

Country risk analysis, that is, the risks arising from the specific business and political context of a given country, was largely inadequate. Viénot noted in 1976 that “it is in 1974, only, that we have started to centralise systematically our risks on foreign markets and to organise a control of risks.” Once reported and measured, it appeared that the limits on Poland were slightly exceeded in 1979. The inspections of the bureaux étrangers in

56 Ibid.
58 BGA, 1174/0028, Pelly, Lambert, and Delf, Visit to Poland and East Germany, April 1979. My emphasis.
59 BGA, 1174/0031, Pelly, Davison, and Dicker, Mr Pelly's Visit to Eastern Europe (Bulgaria, Poland and GDR), September 1985.
60 AHGSG, 81158, Viénot to president, Réflexions sur le développement de nos activités avec et à l'étranger, 29 February 1976.
61 AHGSG, 81089, Kippenberger to Viénot, Centralisation of credit risks, 26 April 1979.
European socialist countries started in 1979 for Société Générale. In 1988 Yves Boissard, from Paribas, wrote that “country risk taking is now well marked and is carried out through adequate structures determined by procedures,”63 implying that this was not the case before. Related to the imperfect analysis of country risk was the imperfect understanding of what banks could gain and lose in Poland and Eastern Europe. In reflecting on the development of business abroad in 1976, Viénot wrote that “first of all we must try to measure with precision where are the profits in such a development. The knowledge we have of this is still confused. (…) The preparation of our actions of development must include a reflection on the forms of this development oriented towards the search for maximum profit.”64 The banks’ own organisation did not succeed in following the rapid rise in East-West financial activity. Société Générale did not seem to be well equipped to be confronted with the level of business and financial activity reached in the late 1970s and early 1980s. An inspection of the bank’s bureaux in Eastern Europe noted this inadequacy: “the multiplication of our establishments, the volume of business, the obligation to help more and more firms oblige to abandon methods of management that are insufficiently systematised.”65

Banks’ analyses of the situation in the crucial years of 1979-1980, when the Polish authorities started sharing informally and then formally that they were not able to reimburse their debts, did not seem to take into account these increased risks. A Barclays visit in Warsaw reported the Polish authorities as “conscious that they are rapidly reaching the limit of borrowing potential.”66 But this observation was not further discussed in the analysis of the risks associated with doing business with Poland. Similarly Paribas did not seem excessively worried by Polish difficulties. While duly noting that Poland’s debt situation would become critical, de Szilbereky wrote in 1980 that “its [Poland’s] future is reassuring, but its situation, both from a political and economic viewpoint, is difficult.”67 French banks’ absence of concern is confirmed by a remark made as late as in 1981. Magné from the Société Générale reported after a meeting with the French finance minister that “the Trésor, as tutor of the French banking system, is surprised that until now French banks have not provisioned this risk [of a Polish default] and recommends that provisions be constituted.”68 Finally, it must be noted that bankers (and governments alike) regularly complained about the quality of statistics provided by the Polish authorities. In his report of November 1981 on the state of the Polish economy, Laulan noted that the statistics were not reliable.69 But while bankers (and governments alike) regularly complained about the unreliability of the Polish government’s figures, they nevertheless fully relied on them regardless.70

Banks realised the actual risks involved in the specific case of East-West trade finance only late, once the Polish debt crisis actually began. This idea was apparent in the reporting on a seminar on East-West financial relations attended by Paribas: “Until now, the bloc of socialist countries had not given the exact measure of the risks of debtor countries, but the

63 AHGBNP, 3AH/12, Yves Boissard, Risques pays, 3 March 1988.
64 AHGSG, 81158, Viénot to president, Réflexions sur le développement de nos activités avec et à l'étranger, 29 February 1976.
65 AHGSG, 81124, Bexon to Viénot and Jeorger, Rapports de Monsieur Aubert, Inspecteur de la Société Générale, sur les bureaux étrangers "Pays Socialistes Européens", 7 June 1980.
66 BGA, 1174/0028, Pelly, Lambert and Delf, Visit to Poland and East Germany, April 1979.
67 AHGBNP, de Szilbereky, Création d'une banque est-ouest polonaise, August 1980.
70 On the lack of reliability of these statistics see Vonyó, ‘War and Socialism’.
recent events in Poland has led those who were expecting it for while as much as those who have been surprised, to an overall reflection through which the stakes at play will better take into consideration the risks.”

This lack of consideration of the risks involved in East-West trade confirms what Ephraim A. Clark argued in 1987: “the methods to evaluate country risk during the 1970s and at the beginning of the 1980s were ill-adapted or inadequate.”

In the specific cold war and détente context, this was particularly problematic as both geopolitical factors and specific state-supported mechanisms complicated the analysis of the economic situation, in particular the belief that the USSR would come to the financial rescue of Eastern European socialist countries.

Stereotypical to the cold war context was indeed the so-called umbrella theory. The umbrella theory held that the USSR would financially intervene to help a country of the Eastern European bloc in difficulty, for reasons of prestige and international politics. From the point of view of Western banks, investing in Eastern Europe therefore involved limited risks, as the widespread assumption was that the USSR would step in to ensure the financial viability of the creditor socialist countries. In spite of being called a theory, the idea that the USSR would come to the rescue was only an assumption, it had no legal grounding, and few tangible elements to confirm it could become a reality. The Western financial community seemed to take for granted and to hold dear this implicit belief based on an imperfect understanding of cold war dynamics. Documenting the existence of the umbrella theory is difficult, but some of the examples provided above, in particular on the inadequacy of country-risk analysis, contribute to show that there was an implicit belief that Poland was a safe investment because of the cold war context, and thus the presence of the USSR. In taking stock of the Société Générale’s implication in Eastern Europe, Société Générale’s d’Auvigny recognised the weakness of the umbrella theory, but blamed the USSR for upholding this theory, rather than the banks’ own mistaken country risk analysis: “The start of the Polish crisis in August 1980 due to a deep political reaction to errors in the economic management has led to a general realisation on the part of the Western financial community that the theory of a Soviet ‘umbrella’ was only based on its own conviction skilfully entertained until then, but in an informal way, by the Soviets.”

Another aspect closely related to the dynamics of the détente process was the importance of East-West trade, and the use of export credit guarantees. Moral hazard stemmed from the fact that the involvement of banks in Poland (and Eastern Europe in general) was primarily through export credits guaranteed by the state, through the Export Credits Guarantee Department, ECGD, for the UK, and the Compagnie française d’assurance pour le commerce extérieur, COFACE, for France. The attitude of all three banks highlight well the existence of this moral hazard. In accepting the idea that Barclays should be more involved in Poland, Julian P. G. Wathen thus asked in 1973 “What proportion of the total ECGD finance provided for behind the curtain does Barclays provide? (…) Perhaps we could wrest more mileage out of ECGD help to Eastern Europe. This is an alternative way of bribing ourselves in with some sort of cheap finance for, say, the USSR.”

Barclays provides the data of its loans outstanding

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72 Ephraim A. Clark, L’analyse du risque-pays des années 70 à la période actuelle, Revue Banque n°477, November 1987.
74 AHGSG, 81124, d’Auvigny, Réflexions sur la politique à adopter concernant nos engagements sur les Pays Socialistes Européens, 2 December 1981.
76 BGA, 0080/6127, Wathen to Tweedie, Eastern Europe, 23 October 1973.
in late 1982 for six countries, three in Latin America (Argentina, Brazil, and Mexico) and three in Eastern Europe (Hungary, Poland, Romania, Table 4). The share of ECGD covered loans of total loans was strikingly higher for Eastern European countries in general, and for Poland in particular (respectively 27.14%, 56.71%, and 22.16%), than it was for South American countries (respectively 1.89%, 14.11%, and 0.98%). This highlights both the peculiarity of lending to Eastern European socialist countries, and to Poland in particular, which was heavily supported by the UK.

<table>
<thead>
<tr>
<th></th>
<th>Argentina</th>
<th>Brazil</th>
<th>Mexico</th>
<th>Hungary</th>
<th>Poland</th>
<th>Romania</th>
</tr>
</thead>
<tbody>
<tr>
<td>as at:</td>
<td>14/12/82</td>
<td>30/11/82</td>
<td>30/11/82</td>
<td>30/11/82</td>
<td>21/12/82</td>
<td>29/12/82</td>
</tr>
<tr>
<td>Loans</td>
<td>300,583</td>
<td>418,356</td>
<td>713,092</td>
<td>88,475</td>
<td>61,390</td>
<td>75,975</td>
</tr>
<tr>
<td>ECGD covered</td>
<td>5,803</td>
<td>68,743</td>
<td>7,052</td>
<td>32,950</td>
<td>80,428</td>
<td>21,630</td>
</tr>
<tr>
<td>loans</td>
<td>306,386</td>
<td>487,099</td>
<td>720,144</td>
<td>121,425</td>
<td>141,818</td>
<td>97,605</td>
</tr>
<tr>
<td>Percentage of</td>
<td>1.89%</td>
<td>14.11%</td>
<td>0.98%</td>
<td>27.14%</td>
<td>56.71%</td>
<td>22.16%</td>
</tr>
<tr>
<td>grand total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>covered by</td>
<td></td>
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<td></td>
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<tr>
<td>ECGD</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Table 4: Analysis of loans outstanding, late 1982 (in thousands of pound sterling). Source: Barclays

Société Générale equally privileged guaranteed credit. The 1979 report on European socialist countries stated that it was official policy to limit long term financial credits, and to prioritise "participation as important as possible in supplier credit." In 1979, just as the Polish economic context was worsening, Taulera confirmed in a report on the Polish situation that Société Générale consciously focused on loans guaranteed by the French state: "Société Générale has, as far as possible, avoided to grant straight financial credits to Eastern countries, and focused its loans on commitments on commercial operations linked to French exports." In presenting the amount of non-guaranteed credits held by Société Générale against Poland, the statistics were unfortunately described as incomplete: 'BNP takes the first place for the total commitments in Poland. The detail for French banks is unknown. We know only precisely the place of the banks in the total amount of buying credit in place. Our establishment is in the third place, behind BNP and Crédit Lyonnais.' The data however offers interesting elements of comparison. As third French bank in terms of non-guaranteed credits held with 153 million dollars, Société Générale was fairly close to the fourth West German bank, Dresdner Bank, with 176 million dollars (Table 1).

<table>
<thead>
<tr>
<th>Total Federal Republic of Germany</th>
<th>1,781</th>
</tr>
</thead>
<tbody>
<tr>
<td>of which Bank für Gemeinwirtschaft</td>
<td>343</td>
</tr>
<tr>
<td>of which Commerzbank</td>
<td>265</td>
</tr>
<tr>
<td>of which Deutsche Bank</td>
<td>198</td>
</tr>
<tr>
<td>of which Dresdner Bank</td>
<td>176</td>
</tr>
<tr>
<td>Total France</td>
<td>793</td>
</tr>
<tr>
<td>of which Société Générale</td>
<td>153</td>
</tr>
</tbody>
</table>

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77 BGA, 0080/2199, Note for chairman, Country exposures, 4 January 1983. Last line of the table table (percentage) is the author’s calculation.
79 AHGSG, 81124, Bexon to Jeorger, 3 December 1981.
80 AHGSG, 81171, Engagements du Groupe Société Générale, 9 July 1982
Table 1: Non guaranteed indebtedness to banks as at 31 December 1981 (> one year, in principal, millions of dollars). Source: Société Générale\textsuperscript{81}

But as a share of its own funds, Société Générale’s non-guaranteed commitments was in fact very close to that of Commerzbank (17,4% and 18,6% respectively, Table 2).

<table>
<thead>
<tr>
<th>Federal Republic of Germany (millions of DM)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Own</td>
<td>Commitments</td>
</tr>
<tr>
<td></td>
<td>funds</td>
<td>1980</td>
</tr>
<tr>
<td>Bank für Gemeinwirtschaft</td>
<td>1,954</td>
<td>780</td>
</tr>
<tr>
<td>Commerzbank</td>
<td>3,226</td>
<td>600</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>6,713</td>
<td>450</td>
</tr>
<tr>
<td>Dresdner Bank</td>
<td>4,068</td>
<td>400</td>
</tr>
</tbody>
</table>

| | France (millions of FF) | | |
|---|---|---|
| | | Share |
| Société Générale | 4,870 | 851 | 17,4% |

Table 2: Share of non-guaranteed commitments over one year on own funds. Source: Société Générale, based on The Banker\textsuperscript{82}

Paribas outlined its commitments on Eastern European countries in 1981, which offers some important elements of context (Table 3). As calculated and presented by Paribas, Poland was their third largest commitment, since the French bank added authorised credits to the non-guaranteed ones. But in terms of credits actually used, Poland was Paribas’ second most important commitment. Credits authorised for Romania were more than twice those authorised for Poland (15,1 vs 6,8 million dollars) but the credits for Romania were only used in part (6,3 vs 6,5 million dollars). The GDR tops Paribas’ commitments by far with 19,35 million dollars. Finally, the amount of non-guaranteed credits to Poland (2,05 million dollars) was second only to the USSR (3,2 million dollars), but by far the highest among the other Eastern European socialist countries (the closest was Romania with 1,1 million dollars). The French state thus guaranteed nearly three quarters of Paribas’ commitments in Poland as of March 1981.

<table>
<thead>
<tr>
<th>Country</th>
<th>Mid-term credits</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Non-guaranteed</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>Authorisation</td>
<td>Use</td>
<td>share</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>0</td>
<td></td>
<td>0,1</td>
</tr>
<tr>
<td>Hungary</td>
<td>0</td>
<td></td>
<td>0,45</td>
</tr>
<tr>
<td>GDR</td>
<td>18,6</td>
<td>16,2</td>
<td>0,75</td>
</tr>
<tr>
<td>Romania</td>
<td>15,1</td>
<td>6,3</td>
<td>1,1</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>0</td>
<td></td>
<td>0,15</td>
</tr>
<tr>
<td>USSR</td>
<td>0</td>
<td></td>
<td>3,2</td>
</tr>
<tr>
<td>Poland</td>
<td>6,8</td>
<td>6,5</td>
<td>2,05</td>
</tr>
<tr>
<td>Total East</td>
<td>40,5</td>
<td>29</td>
<td>7,8</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>51,7</td>
<td>51,7</td>
<td>4</td>
</tr>
</tbody>
</table>

Table 3: Commitments of the group Paribas on Eastern countries, March 1981 (Crédit du Nord excluded, in million dollars). Source: Paribas\textsuperscript{83}

\textsuperscript{81} AHGSG, 81171, Engagements du Groupe Société Générale, 9 July 1982
\textsuperscript{82} AHGSG, 81171, Engagements du Groupe Société Générale, 9 July 1982
\textsuperscript{83} AHGBNP, PDL 208, Bedin to de Longuemar, Engagements du Groupe sur les Pays de l’Est, 5 March 1981.
Taking stock of the situation in 1981, Paribas belatedly realised that “the apparatus of public support developed by all OECD countries finds its limits in the structural imbalance of exchanges.”

This apparatus was particularly complex in the case of the French state, which a Paribas banker described as “a tentacular monster.”

Société Générale and Barclays seemed however to differ as to the long-term consequences of the West’s financial support to Poland. Regardless of the cold war context, Pelly thus commented in 1983 on the Polish situation that “Trade is therefore likely to go on increasing and I see no point in not financing it.” In 1985, writing about his visit in Poland, Pelly confirmed that Barclays should continue to finance trade with Poland, but this time adding that it was also in Poland’s interest: “There are trade finance opportunities that are probably safe enough if chosen with care and in the long run such finance is the only means of helping Poland repay its long term debt.”

The analysis at Société Générale was a little different. In his report after a visit in Poland in late 1981, Laulan recognised ex post the banks’ and governments’ responsibilities in Poland’s predicament: “the accumulation of private and public credits over the last decade has only backed off deadlines and aggravated the scale of the crisis.”

The financial support provided to Poland did not imply that the Polish authorities carried out the economic reforms the Western financial community deemed necessary. This dichotomy – providing credits vs reforming the economy – is a familiar one in debt crises, but again the cold war context magnified the stakes.

Conclusions

The internationalisation of banking is subject to various dynamics and constraints, including the search for new markets, changes in financial regulations, and the need to follow clients. The involvement of Barclays, Paribas, and Société Générale in Poland is illustrative of the importance of geopolitical factors. The entanglement between business imperatives and cold war considerations grew stronger with time, in parallel with the evolution of the international and European situation and with Poland’s financial difficulties. The three banks placed confidence in the process of relaxation of cold war tensions. Before détente really started in the late 1960s, these three banks’ involvement in Poland was either inexistent, or minimal but following the traditional patterns of seeking new markets, following clients, or the desire not lose out to competitors. But once détente started in the late 1960s, and continued to be supported by the British and French governments (among others) throughout the 1970s and 1980s, the entanglement of cold war and business interests became ever more apparent. This article highlighted three aspects in particular: how banks organised their strategic development in Poland; how their attitude evolved over time; and how they approached the risks associated with this financial support.

Barclays, Paribas and Société Générale acted both in close cooperation with their state, and at times even on occasions saw themselves as pursuing and furthering their state’s foreign policy goals. Regardless of the respective importance of public and private interests however, the détente context was pivotal: it was the cornerstone of the British and French

85 Ibid.
86 BGA, 1174/0031, Pelly, Visit to Moscow and Vienna, 28 April 1983.
87 BGA, 1174/0031, Pelly, Davison, and Dicker, Mr Pelly’s Visit to Eastern Europe (Bulgaria, Poland and GDR), September 1985.
governments’ foreign policy in the case of the three banks studied; and it was a necessary condition for developing and seizing new business opportunities. Actual ownership by a state did not seem to have made much difference. Paribas, while private, was very active in Eastern Europe, as much as the state-owned Société Générale. What made the difference was the extensive use of export credit guarantees, and hence the indirect backing of the state in financial operations with Poland. In the period after Warsaw’s announcement that it would not be able to repay its debts, the situation was different. The French Treasury in particular was adamant to explain to the banks that they should be constructive in their approach to Polish requests, mirroring the government’s view on the process of détente.

Barclays, Paribas and Société Générale therefore all banked on détente: they took for granted that the state-run process of relaxing tensions between East and West was stable, durable, and offered new financial and business opportunities that ought to be seized because they were considered to be safe. True, banks followed early on a business-oriented approach. But they then developed their strategies in an opportunistic fashion, and little suspicious of the high risks incurred, that they tended to minimise because of the geopolitical context.

The three banks examined have thus been precursors of financial involvement in Poland and Eastern Europe, but not the pace-setters. The pace was set instead by cold war geopolitics. While petrodollar recycling and the ensuing massive increase in liquidity contributes to explain the increase in lending to Poland and the rest of Eastern Europe, the geopolitical context of the cold war gave rise to additional kinds of moral hazard beyond what it would have been based on financial market forces only. The process of détente encouraged the intensification of East-West trade, and therefore raised the interest of bankers, that – for a variety of reasons explored above – believed this to be a low-risk investment. The cold war context magnified an underlying, structural trend of banking expansion worldwide and created a whole set of very specific constraints that did not exist in Latin America in the same period, for instance. The specific détente context thus led these three banks to excessive risk-taking. The détente process contributed to the development of financial relations between East and West as much as the East’s need for technological advances and the Western banks’ search for new markets. The détente process thus adds a layer of complexity to our understanding of the internationalisation of banking in the postwar period.

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