



Politicizing finance: the role of the UK as a creditor in the development of the sovereign debt crisis in Eastern Europe





Current sovereign debt literature

“Politics is inescapably at the center of sovereign lending and borrowing.”

— Lienau (2014)



Archival Research

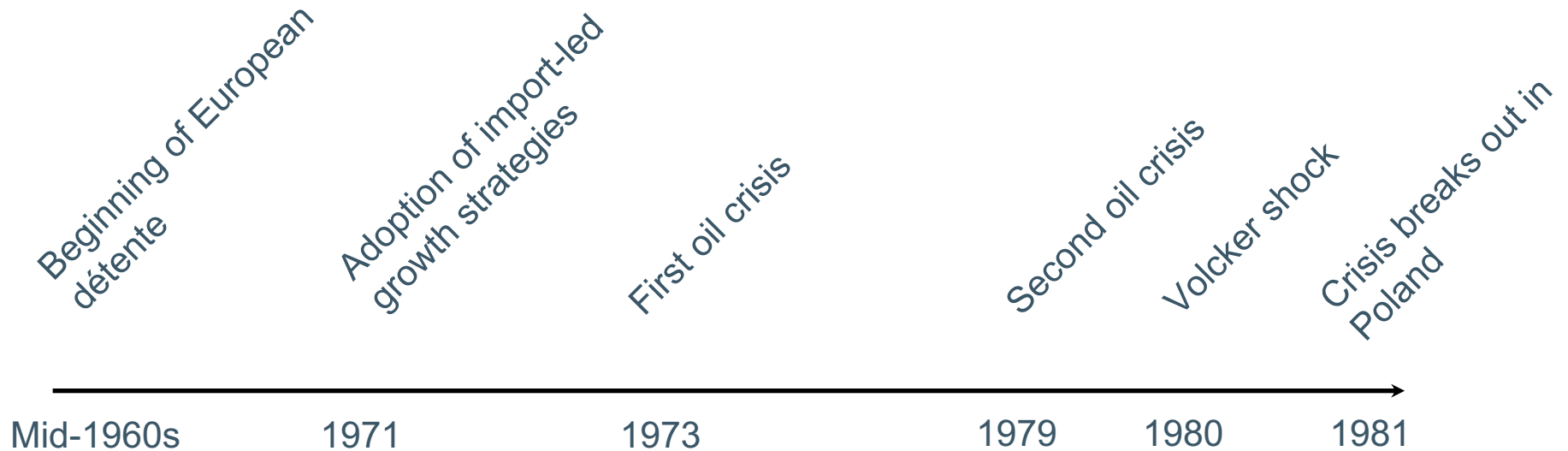
- The UK National Archives
- Bank of England archives
- UK bank archives
 - Barclays Bank
 - Lloyds Bank
 - Midland Bank
 - National Westminster Bank



The National Archives, Kew Gardens (Author's own)



Timeline of Eastern European Sovereign Debt Crisis





UK government interest in Eastern Europe

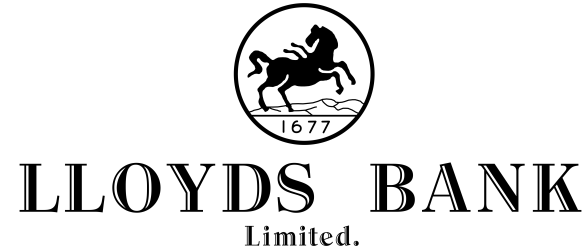


Source: Petr Kovalenkov / Alamy Stock Photo



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UK bank interest in Eastern Europe





Visits by UK government officials and UK bankers to Eastern Europe

UK government archives:

"high level visits unlock valuable doors."

—James Callaghan, UK Foreign Secretary, 1976 (TNA, FCO28/2832)

UK bank archives:

- Visit to Romania: "an average growth of 13.5% over the last five years is most impressive and easily the best in Europe"
— Barclays bankers, 1971 (Barclays archives: 80/4294)
- Visits to Hungary: "the streets used to be comparatively empty of cars...Budapest now shares with capitalist countries the benefit of parking difficulties"
— Barclays bankers, 1971 (Barclays archives: 80/4294)



Loans to Eastern European countries

- Low interest rates and long repayment terms
- UK → Export Credit Guaranteed Department (ECGD)
- ECGD willing to underwrite 90 to 95 percent of any losses incurred by a UK business in Eastern Europe



Loans to Eastern European countries

“Perhaps we could wrest more mileage out of ECGD help to Eastern Europe...”

— Julian Wathen (Barclays General Manager London), 1973 (Barclays Group Archives: 80/6127)

EXPORT
CREDITS
GUARANTEE
DEPARTMENT





ECGD commitment to Eastern Europe

UK government archives

£m						
USSR	Poland	GDR	Hungary	Romania	Czechoslovakia	Bulgaria
800	1045	100	52	428	53	16

— Source: CAB148/197. Defence and Overseas Policy Committee –
Poland: Possible Economic sanctions. Annex III, 13 February 1981



ECGD commitment to Eastern Europe

Barclays archives:

Analysis of loans outstanding, late 1982 (in thousands of pound sterling)

	Hungary		Poland		Romania	
As at:	30/11/82		21/12/82		29/12/82	
Loans	£	88,475	£	61,390	£	75,975
ECGD covered loans	£	32,950	£	80,428	£	21,630
Grand total	£	121,425	£	141,818	£	97,605
Percentage of grand total covered by ECGD	27.14%		56.71%		22.16%	

— Source: Barclays Group Archives: 80/2199, Note for Chairman, Country exposures, 4 January 1983; Murlon-Druol, E. (2021): Banking on détente: Barclays, Paribas, and Société Générale in Poland, 1950s-1980s, Business History;



UK banks reaction to the debt crisis

- UK bankers were positive after the outbreak of the crisis
- Banks were well informed of the situation in Eastern Europe
- Banks were cautious and prudent → low exposure
- Sovereign Risk Committee



UK government influence on the Bank of England and UK banks

- On Hungary: it would “be welcome from a political point of view if the commercial banks were to participate in new lending.”

—Nigel Broomfield (Eastern European Soviet Department), 1983 (TNA, FCO28/5548)

Midland Bank archive:

- “In practice we cannot totally cease to lend, and any new loans we feel obliged to make...will have to be matched by yet further reductions in existing lending”
- Later in the same file it is stated that Midland would have to resist “high-level pressure” to avoid lending to what they deemed as sensitive risk countries such as Hungary.

— J. Hendley (Midland banker), 1982 (HSBC Group Archives: UK1617-0172)



Concluding remarks





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Thank you for your attention!