

Poland Struggles for Survival As European Depression Deepens

by Frank Hahn and Elisabeth Hellenbroich

The authors represented the Schiller Institute in a visit to Poland during the first week of November, where they presented Lyndon LaRouche's strategic evaluations and policies for rebuilding the bankrupt world economy.

Our visit took place at a moment when Poland stands at a crossroads, along with Hungary, the Czech Republic, and Slovenia—all of which want to join the European Union by 2004. While preparations are being made to finalize Poland's entry into the EU, the country is being hit with the full impact of the global financial and economic crisis; in particular, the economic crisis in Germany, which is Poland's number-one export partner in Europe. One-third of Polish exports go to Germany, while Germany is, along with the United States and France, one of the leading foreign investors in Poland.

Local and communal elections at the end of October were a political barometer of the growing dissatisfaction among Poles, with respect to what their future holds. With a very low voter turnout of only 44%, in many big cities the Democratic Left Alliance (SLD), one of the parties in the national ruling coalition, was beaten by right-wing candidates, including those skeptical about Poland's entry into the EU. In Warsaw, for example, former Justice Minister and Solidarnosc activist Lech Kaczynski from the Party for Law and Justice (PiS) was elected mayor with 70% of the votes; in the city of Lodz as well as in the shipyard city of Szczecin and in Bydgoszcz, the traditionally leftist leadership was ousted. Commentators interpreted the elections as a "vote of no-confidence" in the ruling left-wing alliance of the SLD and the Polish People's Party (PSL); and concern is growing that, as the worsening depression hits full-force in Europe, the referendum next Spring on Poland's entry into the EU, could be rejected, especially if voter participation were under 50%. This was one of the reasons why German Chancellor Gerhard Schröder rushed to Warsaw on Nov. 5, to reassure Prime Minister Leszek Miller (SLD) of Germany's "solidarity."

'Second-Class' EU Membership

The EU heads of state and government summit at the end of October in Brussels was a major cause for concern in Poland. It ended with a "compromise" formula: Annual budget payments by the present EU member-states, which total 80 billion euros, will remain unchanged until 2007. (Germany

pays 19.9 billion euros per year, and gets back 9.5 billion in agricultural and construction subsidies; France pays 14.47 billion euros, getting back 10.71 billion in agricultural subsidies; Italy pays 11.61 billion euros, getting back 8.05 billion in agricultural subsidies; while Great Britain pays only 7.74 billion and gets back 5.09 billion in agricultural subsidies.) The new EU member-states that join beginning in 2004 are supposed to receive only 25% of EU subsidies until 2013. In Poland, this decision was bitterly denounced: "This means we are becoming a 'second-class member,'" some said. Others expressed concern that this could eventually break apart the ruling SLD/PSL coalition.

Cheap food imports are being dumped in Poland from abroad, while at the same time the country will receive only a pittance in EU subsidies, which will have devastating consequences in the agricultural sector, where almost 30% of the Polish workforce is employed. There is no way that Poland can compete under such conditions, and at least 1.2 million Polish farms will likely be closed down. This must be seen together with the staggering unemployment rate of 20-22%; in some depressed areas in the east and north of the country, youth unemployment is even higher.

Poland, with its rich historical and cultural heritage, is very much interested in participating in the building of "a common European house," but it wants to be assured that Europe will not be divided between the "rich" countries in the West and the "poor" ones in the East. "We don't want money," one interlocutor told us. "What we want is just and equal treatment."

In such circumstances, tensions are being artificially stirred up by making use of old clichés and prejudices. For example, in reference to plans by the German energy consortium RWE to purchase the Warsaw-based electricity company, a major story appeared in the Polish weekly *Wprost*, under the inflammatory, German-language headline "Drang nach Osten" (referring to Hitler's "Drive to the East"). An accompanying picture showed a stereotyped beer-drinking German dressed in Bavarian lederhosen.

Nobody wants a deterioration of German-Polish relations, we were told. But since 1990, Germany has lacked a clear vision of how to reconstruct the economies of Eastern Europe; this has left the field free for those free-trade advocates who are out to take over Polish industry. Poles are very much

worried by the economic depression which is hitting Germany and the consequences this will have for the Polish economy: "If Germany has the flu, then all of Europe gets tuberculosis," we were told.

Looking to Eurasia

The only realistic solution is to build up infrastructure and industry, in a way that is also linked to the development of Eurasia: expanding trade with Russia, China, and the other Eastern European countries, which would in turn guarantee export markets for German and other Western European goods. Poland sees its future role both as a member of the EU (where 70% of its exports go), but also in Eurasia. The government is discussing a new "Eastern Strategy," motivated by the desire to resume exports to the rest of Eastern Europe and to Asia.

Like all other Eastern European countries, after the collapse of the Warsaw Pact and Comecon, the communist countries' trading bloc, Poland lost more than half of its traditional export markets. It lost its machine-tool sector and its merchant fleet, and, instead of building 100 ships per year, it now builds only 4. It lost a major market for construction of industrial facilities, and is losing a significant part of its textile industry.

Recent developments among the Southeast Asian countries, and intensifying relations among Russia, China, and India, as well as the construction of a rail line from South Korea via North Korea to Europe, are all seen as promising for long-term economic cooperation in Eurasia, with benefits for all nations in Europe.

The South Korean model is being studied very carefully by economists in Poland, one economist said during a public debate. It is seen as a symbol for the successful transformation of a once-poor agrarian country into a prosperous industrial nation. In a recently published book, Professor Domochowski from the University of Bialystok points to the fact, that South Korea in 1950 had a GDP of \$71 per capita, which by 1995 had increased to \$9,000. While in 1950, fully 47% of South Koreans were employed in agriculture, today it is only 7%. For a country like Poland, in which 30% still work in agriculture, and which is threatened with a second round of "shock therapy"—the massive closure of farms—studying the transformation of South Korea is therefore of great interest.

Developments in China are also being carefully registered in Poland; in particular, China's massive investments into infrastructure, and the impact this has had and will have on the growth rate.

Interest in LaRouche's Policies

We had the opportunity to address a circle of advisers to the Polish People's Party, the peasant party, which is part of the ruling coalition; presenting Lyndon LaRouche's assessment of the present strategic crisis, and what solutions must be found to solve the global financial crisis. A great deal of interest in the ensuing debate was focussed on LaRouche's

proposal for a New Bretton Woods financial system, and particularly on the resolution for a "new financial architecture" to solve the "systemic crisis," which passed the Italian Chamber of Deputies on Sept. 25. Poland, which is predominantly Catholic, is culturally very close to Italy. Especially after the collapse of communist rule in 1989-90, economic relations were built up between the two countries, and in particular, attempts were made to foster relations with the Italian small and medium-sized industrial sectors. Italy today ranks as Poland's number-two trading partner in Europe, behind Germany.

In the context of discussing the Italian Parliament's initiative, the debate focussed also on the question of the need for a new economic paradigm, which is centered on the idea of the "common good," and on seeing the economy not in purely monetary terms, but in terms of real physical employment and production, as well as technological, scientific, and cultural progress. Some people, in reference to the ongoing EU debate, quoted the words of Pope John Paul II, about the need for an economic "Third Way"—neither communism nor the "free market."

There was also a great deal of concern over U.S. President George Bush's new "pre-emptive security doctrine," its global strategic and military implications, and interest in the role that U.S. Presidential pre-candidate Lyndon H. LaRouche is playing as representative of the true American intellectual tradition in the 2004 elections.

The Schiller Institute held two public events. At the Warsaw-based Polytechnicum high school, 50 guests attended a seminar which was characterized by a very lively debate on how the war against Iraq could be "jammed up." Most Poles oppose war in the Mideast, in stark contrast to Polish President Aleksander Kwasniewski's official position. Aside from Britain's Tony Blair, Kwasniewski is the only European statesman who is zealously backing President Bush. People wonder whether Kwasniewski's submissive attitude toward the United States is motivated by his personal ambition to make a career in NATO.

A second event in Pruszkow, a suburb of Warsaw, where we spoke before 30 people—mostly communal elected officials—addressed the need for a paradigm-shift in the economy and culture. The area was once a center for machine-tool production, and the audience was eager to hear the Schiller Institute's proposal for reindustrializing Poland, and what role a revived machine-tool sector could play.

What became very clear in our various discussions with parliamentary deputies and trade unionists, is the need for a strategy that poses and answers concretely the question of what to do after the crash of the financial system has occurred. A first step in this direction was the signing of the Schiller Institute's Appeal for a New Bretton Woods, by several prominent Poles—among them two former vice ministers from the mid-1990s, a former deputy of the Sejm (lower house of parliament), various economists, and two trade union leaders.