

POLITICAL ECONOMY OF TRANSITION AND INTEGRATION
TENDENCIES IN POLAND

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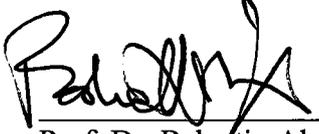
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ABSTRACT

POLITICAL ECONOMY OF TRANSITION AND INTEGRATION TENDENCIES IN POLAND

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This thesis analyses the political economy of transition and integration tendencies in Poland. It examines political and economic transition processes, policy choices for integration with western structures and influence of external factors on transition, such as the IMF and the EU. It argues that with the formation of the first non-communist Solidarity government in September 1989, neoliberal economic thinking is presented as the only alternative for the achievement of transition to a privatised market economy by both national and international elite. While neoliberal thinking provided for the free movement of capital and the expansion of the consumer market, the agricultural sector and heavy industry were negatively affected. The fact that the post-communist parties won the majority of seats in the parliament after the 1993 elections provides for the second major point of the thesis - the issue of continuity or departure in the transition process. The thesis concludes that the post-communist period presents a questioning of neoliberal policies and a reflection of revision of the neoliberal policies, however, not a departure from the long-term aim of integration with the West. It concludes that EU is consistent in its attitude, trying to provide a guideline for the transition processes. Despite criticisms of the EU attitude, the Poles see integration as an anchor and incentive for the transition process on their 'return to Europe'.

Keywords: Poland, Transition, Political Transition, Solidarity, Post-Communist Parties, Political Economy, Transition Economies, Neoliberalism, Shock Therapy, East-Central Europe, Integration, EU, EU Enlargement, EU-Polish Relations, Polish Strategy for EU Membership.



ÖZ

POLONYA'DA GEÇİŞ SÜRECİ VE ENTEGRASYON EĞİLİMLERİNİN EKONOMİ POLİTİK BOYUTU

Akşit, Sait

Yüksek Lisans, Uluslararası İlişkiler Bölümü

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Bu tezde Polonya'daki geçiş süreci ve entegrasyon eğilimlerinin siyasi iktisat boyutu incelenmektedir. Bu çalışmada, Polonya'daki siyasi ve iktisadi geçiş süreci, Batı'ya entegre olabilmek için izledikleri politikalar ve Uluslararası Para Fonu ve özellikle Avrupa Birliği'nin Polonya'daki geçiş süreci üzerindeki etkileri üzerinde durulmaktadır. Bu tezde, Dayanışma hareketinden başlayarak neoliberal söylemin serbest piyasa ekonomisinin yerleşmesinde hem ulusal hem de uluslararası ekonomistlerce adeta tek seçenek olarak sunulduğu vurgulanmaktadır. Neoliberal politikalar sermayenin serbest dolaşımını - özellikle Polonya'daki yabancı sermaye yatırımlarını - ve pazarın genişlemesini sağlarken, tarım sektörü, ağır sanayii ve bu sektör çalışanlarını doğrudan ve olumsuz etkilemiştir. Sol partilerin 1993 seçimlerinde parlamentoda çoğunluğu ele geçirmeleri tezin ikinci önemli boyutu olan politik ve ekonomik değişimin devam edip etmediği sorunsalını gündeme getirmiştir. Bu çalışmanın gösterdiği üzere sol partilerin seçimi kazanmasının neoliberal politikaların ciddi düzeyde eleştirildiği ve 1993-1997 sol iktidarın da Dayanışma hükümetlerince uygulanan neoliberal politikaların törpülediği, ancak bunun Avrupa ile entegrasyon amacıyla bir değişikliğe yol açmadığı tesbit edilmektedir. Polonya örneği neoliberal söylemin kendi açmazlarını da ortaya koymaktadır.

Bu çalışmada, Avrupa Birliği Polonya'daki geçiş sürecini etkileyen en önemli dış etken olarak ele alınmaktadır. AB'nin Doğu Avrupa'ya yönelik tutumu ve Polonya'nın AB üyeliği için izlediği politikalar incelenmiştir. AB ile entegrasyon

sürecinin Polonya'daki geçiş süreci ve 'Avrupa'ya dönüş' amacı için önemli bir teşvik kaynağı oluşturduğu görülmektedir. Tüm bunlara rağmen, AB ile Polonya'nın entegrasyon hedeflerinde ciddi sorunlar olduğu açıktır.

Anahtar Kelimeler: Polonya, Değişim, Siyasi Değişim, Dayanışma, Sosyalist Partiler, Siyasi İktisat, Ekonomik Değişim, Neoliberal Söylem, Şok Terapi, Doğu-Merkezi Avrupa, Entegrasyon, AB, AB Genişlemesi, AB-Polonya İlişkileri, Polonya'nın AB'ye Üyelik Stratejisi.



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CHAPTER 1

INTRODUCTION

Foreign rule and systems, imposed from the outside by neighbouring powers, often provoked the Poles to opposition, resistance and revolt. This tradition, aiming to preserve the Polish religious, cultural and national identity, dates back to the partition of Poland in 1795 by the three neighbouring powers, Prussia, Russia and Austria. The Poles preserved their identity and re-established their independent state in 1918 but only until 1939. In this period, however, Polish politics was dominated by rivalry between the anti-Russian and anti-German attitudes of leading politicians (i.e. Pilsudski and Dmowski). During WWII, Poland was an underground state, in opposition to and struggling against German occupation. After the consolidation of communist party rule, this tradition continued in opposition to party and state control over social, political and economic life.

Resistance to communism persisted in armed struggles and legal political movements, in workers' demonstrations and intellectual opposition. As resistance persisted, the communist party rule responded by making more concessions, attempting to obtain the consent of the opposition. However, once the protests died down, the communist party rule withdrew most of the concessions made. Thus,

repeated mass protests were at the root of Polish politics.¹ Jakub Karpinski, an intellectual who was active in the opposition, points out that the post-war history of Poland was marked by the interaction between the authorities and the people: “the nation oscillated between opposition and adaptation; the authorities vacillated between open repression and the occasional dose of tolerance.”²

The Solidarity movement, in this respect, reflected the resistance to the communist party rule. It was a unified and a unifying movement, which had its roots in the events of 1970s. Some developments on the international scene contributed to the opposition and to the sections of public that supported the formation of the opposition. The election of Cardinal Karol Wojtyła, the former archbishop of Krakow, as the Pope in October 1978 enhanced the role of the Church, which already was a crucial factor in the formation of the opposition. The 1975 Helsinki Final Act was an important factor in the East-West relations in the sense that it aimed to recognise the established status quo and the division in Europe. At the same time, it encouraged intellectuals in Poland to form the Committee for the Defence of Workers (KOR) to provide legal and material assistance to the opposition. The developments resulted in the legalisation of Solidarity in 1980 - the only example of recognised political plurality to emerge in communist Eastern Europe - which, in turn, gave way to the martial law and other events in the aftermath.

Solidarity was the first and the most influential movement to emerge in Eastern Europe that led to a negotiated political settlement between the opposition representatives and the communist party establishment in 1989. The movement

¹ Jakub Karpinski, “In Poland, a Long-Standing Tradition of Resistance,” *Transition*, 21 January 1997, p. 14.

² Ibid.

played an important role in the collapse of communist party rule in Poland and formed the first non-communist government in the communist bloc. However, it lost power in 1993 and the union failed to secure any seats in 1993 parliamentary elections. This was a reflection of Poland's historical experience - its traditionally individualist and fragmented democracy which is considered to be the prime reason for Poland's partition and loss of independence in 1795 and Pilsudski's coup d'etat in 1926 to establish an authoritarian regime. Thus, although Solidarity was an effective force in confronting and defeating communist party rule, it proved to be a destabilising force for the post-1989 transition process.

Questions concerning the economic structure and economic management of Poland were among the main causes of the revolts, strikes and protests of 1956, 1970, 1976 and 1980. The strikes were either in response to or the spark for the reform attempts of the communist party. However, attempts to reform and decentralise the economy under communism all failed because of the constraining factors inherent within the system itself as well as the constraining factors resulting from the bipolar international system. The failure of communism to reform itself politically and economically led to the collapse of party rule in 1989, paving the way for policies to transform the system of central planning to a market-based capitalist system.

After regaining sovereignty and embarking on the road to democratic change, Poland's foreign policy endeavours were reshaped to ensure its external and internal stability, its harmonious economic and social development and to strengthen its international position. In this respect, integration with western structures of security and economic co-operation were of the utmost importance and the re-establishment of a market economy was its core ingredient. Politics and economics overlap to

influence people's economic behaviour as Jacek Sayusz-Wolski argues.³ Politics alone cannot create wealth and well being and every economic program is intimately linked with domestic political issues as well as external integration tendencies. Thus, Poland's first priority was integration in the world capitalist economy.

Poland was the first country to start the process of economic transition in 1989. She was of strategic and symbolic importance for the region and for the international community, especially for the West in the early 1990s. Although the process of political transition can be considered a gradual one - the country was ruled by the parliament elected in the partially free elections of June 1989 and the first totally free parliamentary elections were held in October 1991 - the process of economic transition was not a gradual one. Contrary to the Round Table Agreement, signed in early 1989, which envisaged a market socialist model in the economic sphere by reforming the existing socialist system, Solidarity applied the most radical changes, the 'shock therapy' approach in the economic sphere to eliminate central planning and establish a private market economy. The program was named after the Deputy Prime Minister Leszek Balcerowicz who initiated the 'shock therapy'. It was the same programme that deepened the identity crisis within the Solidarity movement.

The shock therapy approach that was initiated on 1 January 1990 assumed a neoliberal path promising fundamental changes within 2 years. Therefore, the Polish case in practice provides a very important case study to examine the nature of neoliberal thinking. At the time of the 1989 events, neoliberal economic thinking was considered as the most efficient economic system. This was a result of the neoliberal

³ Jacek Saryusz-Wolski, "Towards a Single Perspective. Economics and Politics of Eastern Enlargement," in Enlarging the European Union Relations Between the EU and Central and Eastern Europe, Edited by Marc Maresceau (Longman: London, 1997), p. 283.

economic policies of Ronald Reagan and Margaret Thatcher, which seemingly created an economic boom in mid-1980s, but destroyed what remained of the welfare state. However, the suppression of civil rights under the communist party rule was an important factor that “strengthened ... Hayek-Von Mises-Popper types of arguments that non-market systems were not only economically disastrous failures but also inevitably political tyrannies which sacrificed individual rights and liberties in the chimerical search for social Utopias.”⁴

The Balcerowicz programme made the standard neoliberal economic assumptions that “people are everywhere the same regardless of culture and society, and that only the heavy hand of the state holds people back from rationally maximising their self interest.”⁵ The neoliberal thinking envisages a minimal state participation in the economy that is based on the core institutions of private property, free labour, capital and financial markets and the absence of barriers to free trade. The state should be well organised, should restrict itself to providing basic public goods such as law and order and some regulations and should leave the allocation of resources and income distribution to the market mechanisms and the private sector. In political economic terms, the neoliberal thinking envisages a country’s economy to be as open as possible with globalised institutional and economic structures. This will allow the free movement of capital, and private foreign investment to be the main source of the transfer of technology, enhancing productivity, generating economic growth, creating new markets and jobs and raising the standard of living.

⁴George Sanford, “Communism’s Weakest Link - Democratic Capitalism’s Greatest Challenge: Poland,” in Building Democracy? The International Dimension of Democratisation in Eastern Europe (Revised Edition), Edited by Geoffrey Pridham, Eric Herring and George Sanford (Leicester University Press: London, 1997), p. 176.

⁵ Christopher G.A. Bryant, “Economic Utopianism and Sociological Realism: Strategies for Transformation in East-Central Europe,” in The New Great Transformation? Change and Continuity in East-Central Europe, Edited by Christopher G.A. Bryant and Edmund Mokrzycki (Routledge:

As noted above, the state should have a very limited role and should reduce its role in economic policy-making. However, Sachs saw states as the main actors - especially the policies of the West European states - in the achievement of neoliberal policies in East-Central Europe. Western governments had "the capacity to open or close their markets to East European products; to decide on their debt, on grant aid, on loans, and on the terms for loans for political as well as economic purposes, on technology transfers, on currency support and so on."⁶ Contrary to neoliberal assumptions, the state had an incredible role in economic policy-making and directly influenced the outcome of economic policies through the use of fiscal and austerity programs and through granting market access. Indeed, by restricting the trade of agricultural goods and 'sensitive goods' - the most competitive sectors in Central and Eastern Europe - and by using contingent protection mechanisms as well as failing to promote the freedom of movement of capital, services and labour in its own market, the European Community/Union acted contrary to neoliberal assumptions and prevented a possible period of export-led growth of the East-Central European countries. In fact, the issue of Polish debt was used as a political bargaining instrument to force Poland to accept Western conditionality.

Agriculture and heavy industry were the main sectors that were affected by the neoliberal policies. While the West demanded an end to agricultural subsidies in Poland and blocked any industrial policy involving the restructuring of state-owned enterprises through the International Monetary Fund and the World Bank by threatening to freeze the loans, many western governments did not pursue similar policies in their internal market during the recession in early 1990s. Thus, the Polish

London, 1994), p. 60.

⁶ Peter Gowan, "Neoliberal Theory and Practice for Eastern Europe," *New Left Review*, 1995, Iss. 213, p. 11-12.

case in practice provides a very important case study presenting the self-defeating nature of neoliberal thinking.

The western elite, especially American and British, had no interest in helping communism to survive through reform. Furthermore, the most important figure in the Solidarity government concerning economic change, Leszek Balcerowicz, was regarded as a Thatcherite.⁷

The fact that communist party rule collapsed in a sudden and unexpected way, yet peacefully and easily, urged the Solidarity leadership to implement a rapid programme in the economic sphere as well. The programme was to take advantage of the enthusiasm created by the changes in the political sphere. Balcerowicz, in defence of the choice of shock therapy, argues that “people are likely to change their attitudes and their behaviour if they are faced with radical changes in their environment, which they consider irreversible, than if those changes are only gradual.”⁸ Thus, the speed of the programme was to ensure its irreversibility.

External factors were more important in determining the rapidity of the programme. Poland was heavily indebted to the West as a result of the accumulation of debt in the high period of East-West trade in 1970s and it was believed that Poland would not be able to get over the deep economic crisis inherited without substantial financial assistance. Poland was thus forced to accept the IMF and World Bank conditions of rapid economic reform to secure more credits. For the West, the establishment of a competitive market economy required sound monetary and fiscal policies and necessitated the liberalisation of prices, without which inflation would remain suppressed in the economy, and liberalisation of international monetary and

⁷ Christopher G.A. Bryant and Edmund Mokrzycki (eds.), The New Great Transformation? Change and Continuity in East-Central Europe (Routledge: London, 1994), p. 6.

⁸ Leszek Balcerowicz, Socialism, Capitalism, Transformation, (Central European University Press:

trade relations, without which the economy would remain isolated and distorted.⁹ The proposed change in the ownership structure in Poland, liberalisation of prices and the opening of the Polish economy to the world market, was assumed, “would all force enterprises to strive for greater efficiency” and the unemployment, that would appear, would improve work discipline and raise the quality of products.¹⁰

The Polish leadership believed that there was no alternative and that the private market economy was a system, which proved itself in the developed Western countries. The influence of advisers such as the Harvard economist Jeffrey Sachs was instrumental in preparing both the international atmosphere and the internal expectations in Poland. However, some aspects of the western demands were contrary to the policies employed in the West and the programme completely ignored the social side of transition.

The victory in the 1993 elections of the post-communist parties, the Democratic Left Alliance (SLD) and the Polish Peasant Party (PSL) when they gained the parliamentary majority, raised doubts about the continuity of the political and economic changes set forth by the Solidarity governments of the previous four years. They seemed natural allies sharing the same communist background. The two parties made populist claims during their election campaigns but a return to communism was not envisaged. Indeed, they were pro-European and there were both internal institutional and international safeguards that would prevent a reversal.

Budapest, 1995), p. 342.

⁹ John Pinder, “The European Community and Democracy in Central and Eastern Europe,” in Building Democracy? The International Dimension of Democratisation in Eastern Europe (Revised Edition), Edited by Geoffrey Pridham, Eric Herring and George Sanford (Leicester University Press: London, 1997), p. 117.

¹⁰ Tadeusz Kowalik, “The Great Transformation and Privatisation: Three Years of Polish Experience,” in The New Great Transformation? Change and Continuity in East-Central Europe, Edited by Christopher G.A. Bryant and Edmund Mokrzycki (Routledge: London, 1994), p. 176.

However, they wanted to pay attention to the social pains and difficulties caused by the transition process and apply more therapy than shock.

It was in this post-communist period that the most important issue turned out to be on the question of Poland's incorporation into the European Union, which dominated the political agenda in Poland. Poland applied for membership of the EU in April 1994. The theme of 'return to Europe,' which was widely used after the start of the transition processes in Central and Eastern Europe, highlighted both the basic reorientation of their external policies and the significance of Western organisations and financial institutions in the politics and economics of their regime change. When the Eastern European countries embarked on transition, the European Community was charged with the co-ordination of economic aid to the region. It soon emerged as the main external actor influencing and shaping the political and economic changes in the aspirant countries.

Integration with western political and economic structures, for both the politicians and the public alike, means first the financial assistance and security granted by the rich and powerful West and then increased welfare and accelerated modernisation with Western help.¹¹ Preparation for EU membership, as outlined in the 1997 National Strategy for Integration, is a process that provides a chance to catch up with European modernity and liquidate a civilisation gap between Poland and the countries of Western Europe, which was lost with the partition of Poland in the 18th Century. For the Polish elite, those steps in restructuring, transformation and institutional reform that are necessary to modernise Poland become more coherent

¹¹ Peter Balazs, "Strategies for the Eastern Enlargement of the EU: An Integration Theory Approach," in *The State of the EU. Vol.4 Deepening and Widening*, Edited by Pierre-Henri Laurent and Marc Maresceau (Lynne Rienner Publishers: London, 1998), p. 71.

and urgent with the prospects of membership into the EU.¹² Thus, the political elite in Poland sees rapid and full accession into the EU as a political and economic imperative and an essential milestone on their 'return to Europe.' However, integration is perceived to be a 'historical right' and should not be a continuous bargaining process on technical issues and competencies.

The scope of this thesis is to analyse the political economy of transition and integration tendencies of Poland after she embarked on the transition process in 1989. It is beyond the scope of this thesis to evaluate every issue, so only political and economic issues in general, the IMF economic conditionality and the EU as the main external factor, influencing the political and economic transition, are to be considered for the sake of coherence and brevity.

The objective of the thesis is to identify the dynamics, which were instrumental in shaping the political economy of transition and integration tendencies in Poland. The dilemmas among the political elite and the question of continuity or discontinuity after the post-communist parties took over, as well as their rhetoric and actual policy-making will be analysed. Equally important are the policies followed by the Solidarity movement after its fall from power in 1993 and its ambitious struggle to reunify the centre-right to re-form the government after the 1997 parliamentary elections. The western political and economic conditionality, especially IMF conditionality, the EU policy towards Central and Eastern Europe, and the endeavours of Poland towards integration with western political and economic structures will present an in-depth understanding of the evolution, the process, and the debate on political and economic transition in Poland. The Polish perspective on the EU approach and policy towards the Central and Eastern

¹² Roland Freudenstein, "Poland Germany and the EU," *International Affairs* 74, I (1998), p. 49.

European region will be put forward with emphasis on the enlargement debate. The thesis also aims to point out the integration strategy of Poland into the EU presenting an analysis of the influence of EU as an external actor on Polish domestic politics and policy-making.

The thesis consists of five chapters. The first chapter, the introduction, outlines the problems. The second chapter analyses political transition in Poland by examining the emergence of resistance to the communist party rule, the roles of the significant social forces, the Church and intellectuals in the formation of the opposition, the role played by the Solidarity movement in the collapse of the communist party rule, and the changing international circumstances, which paved the way for the collapse. It will also address, the dilemmas within Solidarity and among Solidarity leaders after they formed the first non-communist government in the communist bloc and the reasons that led to the loss of power and the fall of Solidarity movement in 1993 will be evaluated. The last part of this chapter will focus on the rule of the post-communist Democratic Left Alliance - Polish Peasant Party (SLD-PSL) between 1993 and 1997 and the policies followed by the Solidarity trade union trying to regain its influence and reunify a fragmented centre-right in Poland.

The third chapter begins by outlining the features of the East European economy under communism with special emphasis on Poland. It explores the reasons for the failure of communism to reform and decentralise the economy and the roots of the collapse. The next part of the chapter focuses on the Balcerowicz programme. The role of the international organisations with emphasis on the International Monetary Fund (IMF), the IMF conditionality and the criticisms brought before them will be analysed. The chapter ends with the evaluation of the progress of the

economic policies after the programme was initiated and the response and policy choices of the post communist parties.

The fourth chapter examines Poland's 'return to Europe'. By providing a short historical background to EC-East European relations before 1989, it analyses the EU policy of enlargement towards Central and Eastern Europe and the Polish reactions and attitudes towards the policies. The second part of the chapter will concentrate on the effects of integration on Poland and the Polish domestic policy adjustment process to the EU legal, political, economic, and institutional standards. The fifth chapter, the conclusion, gives an overall assessment on Poland's transition and external integration tendencies in both political and economic spheres and EU membership in particular.

CHAPTER 2

POLITICAL TRANSITION IN POLAND

Resistance to communism in Poland was very influential, developing into a mass movement under the Solidarity trade union with the support of the Church and the intellectuals. The development of the Solidarity movement and its legalisation gave way to the only example of political plurality in the communist bloc in early 1980s and to the collapse of the communist party rule in Poland in 1989, with the changing international system. This led to a negotiated settlement between the opposition and the communist leaders. However, there emerged major differences within the leadership of Solidarity and in the end Solidarity lost power and the post-communist parties that made promises to deal with the social difficulties, came to power with a parliamentary majority. This raised doubts about the continuity of the transition process after the 1993 elections. On the other hand, Solidarity entered into a process of redefining its role, aiming to reunify the fragmented right. Thus, this part aims to point out to the deficiency of the neoliberal thinking in not taking the historical factors in shaping the society and the political structures into consideration by starting with a brief account of the situation before 1989.

2.1 Toward Solidarity

When communist parties seized power across Eastern Europe after WW II, they sought to rebuild the shattered economies along centrally planned lines, redirecting their trade and their diplomatic relations towards the Soviet Union. In Poland the communist Polish United Workers' Party (PZPR) held power, nationalising all economic activity apart from farms and handicrafts. In its early stages, central planning was successful in reconstructing infrastructure and expanding basic industries, but over time it was unable to raise labour productivity and shift resources into new technology industries and services. In addition, under-resourcing of agriculture led to food shortages from time to time.

The first challenge to communist party policies in Poland came in June 1956, when the Poznan workers revolt occurred, protesting against food shortages and poor economic conditions. This was put down brutally but led to the election of Wladyslaw Gomulka, the more independent minded party leader to head the PZPR. He promised a more 'Polish' form of communism, eased pressure on the Roman Catholic Church, abandoned the collectivisation of agriculture, and dismissed the Soviet general who was Poland's defence Minister.

Gomulka gradually restored party control but economic stagnation set in by the mid-1960s. The fact that the students' revolt was put down by force in March 1968, and the Warsaw Pact invasion of Czechoslovakia in August 1968, ended intellectuals' belief that communism was reformable. The period starting from mid-1950s onwards is characterised as a reinterpretation of socialism in a more of a nationalist tone. It is also a period of de-Stalinisation, despite the unwillingness of the USSR given that Poland was strategically so important.

In 1970 Gomulka sought to carry out economic reforms. In an attempt to eliminate sources of budget deficit, especially government subsidies for food and other basic products, which absorbed about 33% of the budget, the party leadership raised the prices of food, fuel and other basic goods and cancelled the Christmas bonus that had been announced on 12 December 1970.¹ These price increases led to huge demonstrations by shipyard workers, who were considered as the elite of the working class, in Gdansk, Szczecin and Elblag. In Gdansk, in the Lenin shipyard, workers first demanded that the price increases be rescinded and then the resignation of Gomulka and other leaders. The strikes once again were brutally repressed by the government.

The shipyard strikes of December 1970 were significant, for unlike the brief Poznan demonstrations of June 1956 the workers proceeded to organise and draw up lists of demands, including the establishment of free trade unions. In addition, Lech Walesa (an electrician) was one of the young strike leaders in the Lenin Shipyard, Gdansk. Therefore, some key ideas and some of the leaders of 1980 were already in place in December 1970. The beginning of the 1970s is important because of the revitalisation of Cold War rivalry and competition between the USA and the USSR. Thus, although the nucleus of the Solidarity movement appeared in 1970, it would not come out as an organised movement.

When the unrest spread as the country learned what had happened, the party leadership and the Soviets feared civil war. The Soviets did not want to risk the prospect of détente between the US and the USSR; therefore, they decided that the Polish leadership should resolve the crisis peacefully. Pressure gained momentum as

¹ Anna Cienciala, "The Rise and Fall of Communist Nations: 1917-1994," Fall 1996, <http://www.ukans.edu/kansas/cienciala/342/ch8.html>.

a result of the revitalisation of the Cold War and thus the Polish State was hesitant to use force against the strikers. The end of the détente would make it clear that the state would use force against the strikers. Thus, Gomulka was obliged to resign and was replaced by Edward Gierek. Gierek personally visited the shipyards attempting to win the workers' consent. He did so, but he had to make concessions to prevent more strikes from taking place; he restored the old prices to stop workers' strikes and courted the intelligentsia by granting more freedom to the media.

In the early 1970s, Gierek, after consolidating his position in the party, chose to rely on a technocratic form of rule, and on his Western strategy of taking on credits aiming to modernise the Polish economy.² The massive credits and loans obtained from the West during the Nixon-Brezhnev high point of détente of the early 1970s, helped pursue and fund a rapid improvement in the Polish standard of living in the years 1971-73. This was mainly as a result of rising wages and the availability of imported goods. There was a turning point in 1974, a decline began partly due to the oil price rises and abandonment of dollar fixed exchange rates in 1973, which led to economic recession in the West and accordingly a decline in Polish exports. The continued mismanagement and lack of reform in Poland's old-style Stalinist economy contributed to the massive inefficiency and waste of resources.

The Gierek regime was faced with a budget drain caused by large subsidies for basic products. Thus, the government tried to raise the prices again in June 1976. This, again, precipitated another round of protests and demonstrations by the workers, which were again brutally put down. In the second Cold War, starting from the mid-1970s, the Polish State openly used force against the strikers. The most important consequence of the 1976 strikes, and the subsequent crackdown by the

² George Schöpflin, *Politics in Eastern Europe*, (Blackwell: Oxford, 1993), pp. 182-183.

government was that they brought the workers and the intelligentsia together, paving the way for a united opposition to the communist party rule, with the support of the Catholic Church as well.

This brings us to examine the roles of the Church and the intelligentsia that were very important in preparing the ground for the birth of the Solidarity in August 1980 and to show the overlapping interests of the different social forces: the Church, the intelligentsia and the workers.

The Catholic Church has been an important part of Polish national identity and a political force. It symbolised and defended this national identity against Protestant Prussia, later Germany, and Orthodox Russia during the years of Partition between 1795 and 1918. Furthermore, it supported the Polish underground movement under German occupation during WWII, and lost many of its clergy in the process. The Church was the only semi-autonomous social force and institution in the communist Poland. It had vast popular support. However, it was constantly harassed by the communist party rule. Popular opposition to Soviet domination and communism fused with support for the church, which became the supreme moral authority in the country.

The intelligentsia who refused to enter the party, and even some who left it, and most of the population from the peasant farmers to the workers had been loyal to and supported the church. The peasant loyalty was strengthened by church support for private farms in the 1950s. On the other hand, most of the workers came from peasant families in the early years of communism. The communist modernisation project led to the creation of a worker class who still had cultural and material links with the countryside. Although that changed in time, the Polish workers still

remained loyal, as the church was an important symbol of passive and active resistance at times.

The church supported the intelligentsia's demands for freedom of conscience in the 1960s, and adopted a strong stance after the brutal repression of the workers' strikes in December 1970 calling for "true democracy" and speaking in defence of workers' rights. In 1976, Cardinal Wyszyński criticised the draft of the new Polish Constitution, along with the intelligentsia. He said, "The Constitution should not contain anything that could limit the sovereignty of the Polish nation and state".³ This was an implicit anti-Soviet stand. Following the 1976 strikes he demanded respect for indispensable civil rights of the Poles and proposed the establishment of free trade unions. The establishment of free trade unions was an overlapping interest between the Church, workers and intelligentsia.

In October 1978, Cardinal Karol Wojtyła, the former archbishop of Krakow, was elected Pope taking the name John Paul II. This was an important development that was to have long-term consequences for Poland, as he was the first Polish Pope to date, and the first non-Italian Pope elected for centuries. The Church, then, could receive international support and a strong power base in Poland. His first visit to Poland in 1979 had a tremendous impact on the country where he was welcomed by millions of Poles. Using nationalist overtones, he spoke openly about the people's right "to have God in their lives" and the "right of freedom," which helped create the conditions in which Solidarity could emerge a year later. A reciprocal relation between the Solidarity movement and the Church was materialised.

In fact, the church was in regular contact with all parts of the society; therefore, it could easily spread information about the events. Besides, it played an

³ Cienciala, *op.cit.*

important role in education, thereby penetrating into society, in a sense creating pluralism in education, which helped the clergy spread their ideas and ideology. This was a real challenge to the Leninist party model, which gave a leading role to the communist party. From then onwards, the party lost its hegemony in education.

As noted above, the 1976 strikes brought the workers and the intelligentsia into an alliance for the first time. After the strikes, a group of intellectuals formed the Committee for the Defence of Workers (KOR) to provide legal and material assistance to the families of the workers imprisoned or unemployed because of the 1976 events. KOR was the first such organised group of intellectuals that reached out directly to the workers. KOR members mainly based their actions on the 1975 Helsinki Agreements in which all the European countries, including the Soviet bloc, had guaranteed to protect a wide range of civil rights and freedoms.

The Movement for the Defence of Human and Civil Rights (ROPCiO), a Polish chapter of Amnesty International and the nationalist Confederation for an Independent Poland (KPN) were also formed. These organisations all had their publications, which frequently reported cases of political arrests and the regime's violations of the country's Constitution or international covenants on human rights such as the Helsinki accords.

The Polish government rarely went beyond harassing the opposition. The government could not simply abolish dissident organisations because the economic situation was bad and the church was openly supporting dissident activities. Doing so would result in anti-government demonstrations which, as a consequence, would endanger US aid to Poland, especially since one of US President Jimmy Carter's key policies was support for human rights.

In 1978, an important development took place; a small group of workers in the shipyards illegally formed a Committee of Free Trade Unions for the Baltic Coast. The Committee had open support and financial assistance from the KOR. One of its founding members was the future leader of Solidarity, the shipyard electrician, Lech Walesa.

In the late 1970s, intellectuals and workers grew in confidence with the Papal visit and began to organise themselves, at first separately and later in contact and co-ordination with each other. All of this contributed to the development of opposition in Poland, independent of the formal structures of power and the gradual weakening of the legitimacy and hegemony of the communist party.

2.2 The Solidarity Movement and the State

The economic situation continued to deteriorate in the late 1970s. By the spring of 1980 Poland's debt-service ratio on a foreign debt of \$27 billion was dangerously close to 100 per cent or default; the slightest shock would have been enough to unbalance the situation.⁴ Gierek's attempt to raise retail food prices produced a series of strikes in the summer of 1980, which set the stage for the establishment of Solidarity.

The strikes again centred on the Lenin Shipyards in Gdansk. By mid-August 1980, 16000 workers were on strike at the Lenin Shipyard led by Lech Walesa, first as the leader of that strike committee and then the leader of the Interfactory Strike

⁴ Schöpflin, *op. cit.*, p. 184.

Committee (MKS) which represented and co-ordinated the strike activity at over two hundred enterprises.⁵

Inevitably, the events led to a dramatic confrontation between the government and the strikers at the Lenin Shipyards in Gdansk as the state initially refused to give in. After two weeks of tense negotiations, the government, much to the surprise of everyone, agreed to all the workers' demands. The Gdansk accord, which consisted of 21 points, was signed on 31 August 1980 by Walesa and the deputy premier Mieczyslaw Jagielski. Many of the 21 points dealt with traditional, economic job related gains such as wages, working conditions, health insurance etc., but the core of demands included basic political issues. The first and the most important point of the Gdansk Agreement, was the right to form free trade unions. Other important political issues included the right to strike, freedom of expression, the demand for the legal definition of censorship, the demand that the government free all the political prisoners and the demand for the free access to media for both the church and the free trade unions. Thus, the first organised and recognised trade union in the communist world, a tangible political force in society, Solidarity, was established. From then on Solidarity became a recognised, legal political actor, which had a strong power base in working class.

The important role played by the intelligentsia, especially by the KOR members, during the events of 1980 was remarkable. Besides being advisors to Solidarity in its negotiations with the government, they prepared the workers' consciousness for the 1980 strikes although they did not organise the strikes, mainly through KOR publication, Robotnik (The Worker) and distributed information about the strikes not only throughout Poland but outside Poland as well. This suggests that

⁵ David S. Mason, "Poland," in Developments in East European Politics, Edited by Stephen White,

the workers and the intelligentsia joined their battle against the Polish ruling party and received support from outside world.

The Gdansk agreement directly denied the leading role of the PZPR and meant an enormous defeat for the party. The party had to accept the demands because the leaders were afraid of a massive uprising, and it played for time. An equally important factor was the Soviet attitude: The party leadership had met and discussed a draft plan for the imposition of martial law as early as 24 August 1980, even before the registration of Solidarity as a legal entity in mid-November.⁶ The Soviet leadership, on the other hand, did not want a civil war in Poland, along with the risk of armed Soviet intervention, which might have led to further turmoil in Poland that might spill over other East European countries. Moreover, in the USSR there appeared a power struggle after the Brezhnev period in the politburo. Thus, there was an uncertainty in the Soviet Union. As the Soviet intervention was not forthcoming the party leaders opted for postponing confrontation with the Solidarity. The net result was Gierek's resignation.

The Solidarity period of sixteen months was remarkable in the sense that it reached out to workers, including rural workers.⁷ During that period some ten million people out of a total workforce of sixteen million joined Solidarity or its rural affiliate. With such support, Solidarity became more and more powerful, resulting in a dichotomy between rulers and ruled, as if the confrontation between state and society was one between good and evil.⁸ The party grew weaker and more indecisive while some party members demanded that the PZPR undergo democratisation and

Judy Batt and Paul G. Lewis (Macmillan: London, 1993), p. 39.

⁶ Sabrina Ramet, Social Currents in Eastern Europe, (Duke University Press: Durham and London, 1991), p. 66.

⁷ Schöpflin, op.cit., p. 184.

⁸ Ibid.

many resigned, generally ordinary workers and foremen, of whom about one million joined Solidarity.

Enjoying huge support, Solidarity acted less and less like a trade union and more and more as if it was a great national front preparing to assume power, perhaps first in local workers' councils and then eventually in the parliament. However, the Solidarity leadership was insistent that society itself would not participate in power, but those who did exercise power would be under tight control.⁹ The contradiction between Solidarity's trade union organisation and its national goals, as well as the relatively moderate policies that its leader Lech Walesa pursued in order to lessen the chance of Soviet invasion, led Poles to call the movement a 'self-limiting revolution.' Solidarity failed to propose a representative democratic platform, let alone to participate in any democratic platform. But, it relied on the weaknesses and deficiencies of the PZPR.

The weakening of the Polish communist party PZPR worried the Soviet leadership in Moscow. The Warsaw Pact countries carried out several threatening manoeuvres along the Polish borders in 1980 and 1981. The Soviet leadership constantly pressurised the Polish leaders to crush Solidarity and used the Soviet military build-up on the Polish borders as an instrument to pressurise the Polish leadership. This suggests that the PZPR lost its control over the society, except the army and thus the Soviet Union also lost its control over the Polish society.

In October 1981, Solidarity adopted a program, a list of its national goals that most importantly called for a 'self-governing republic'; pluralism of views and social, political, and cultural pluralism to be the foundation of democracy in the self-governing republic. Other goals included the realisation of basic Polish values such

⁹ Ibid.

as Christian ethics and toleration, social justice, civil liberties and Polish patriotism. The program also proposed various economic reforms including independence for socialised enterprises, and various forms of ownership. It may be suggested that for Solidarity, class concerns were secondary to national, patriotic demands.

The Solidarity Congress was condemned by the Kremlin as an 'anti-socialist' and 'anti-Soviet' orgy.¹⁰ The PZPR, on the other hand, interpreted the creation of a self-governing republic as destructive to its leading role, virtually reducing the party to little more than Poland's representative in the Kremlin. In October 1981, General Wojciech Jaruzelski assumed leadership of the party. The Solidarity-Church-government talks in November had ended in a stalemate. The party once more attempted to regain its hegemony, by countering Solidarity with a similar agenda: Jaruzelski proposed the creation of a 'National Front,' in which the communists would be the leading force. Solidarity and the church threw in their demands and insisted on the establishment of a real partnership, which Jaruzelski refused to consider. As everything was seen in moral terms, with everything done by the Solidarity as positive and the actions of the party rule as negative, any chances for a possible compromise was reduced.

On 11 December, Solidarity delegates gathered for a meeting of the National Co-ordinating Committee in the Lenin Shipyard, Gdansk. They were to launch protests in cities all over Poland on December 17 (the anniversary of the December 1970 workers rising in Gdansk) in support of their demands, and would demand a referendum on the Jaruzelski government. Jaruzelski saw this as a threat of impending revolt and under pressure from Kremlin, on 13 December, imposed

¹⁰ Mason, *op.cit.*, p. 39.

martial law, arrested the Solidarity leadership and banned the union and began a process of retrenchment he called 'normalisation'.

Jaruzelski sought to justify martial law by charging Solidarity leaders with preparing to overthrow the government and the party. Another point of legitimisation was the suggestion that martial law was the sole alternative to a Soviet invasion. Jaruzelski intended to use the "Soviet tank factor" in order to restore the hegemony of the party. He hinted that if he had not acted, there would have been a Soviet military intervention, resistance, and a terrible bloodbath. He was actually linking the Brezhnev doctrine of collective security among Soviet satellites with his powership.

The most important legacy of the Solidarity period was indicated in 1989 by Adam Michnik, a founding member of KOR and a Solidarity advisor:

In 1980, the totalitarian state gave in and signed an agreement, which allowed for existence of the first legal and independent institutions of post-war Polish political life. They lasted but a short time; long enough, however, to convince everyone that after December 1981 it was possible to speak again about 'socialism with a human face?' What remains is communism with its teeth knocked out.¹¹

The necessity to crush the opposition, rather than contain it, demonstrated with utmost clarity the bankruptcy of the party rule in Poland. The whole debate, it seems, turned out to be on the question of national issues, rather than class struggle as if the PZPR represented the Soviet Union and the Solidarity represented the national demands.

After declaring martial law General Jaruzelski established an interim governing body called "The Military Council for National Solution" (WRON). The arrest of Solidarity activists, martial law and the abolition of Solidarity were not

¹¹ *Ibid.*, p. 40.

entirely effective, basically because the party lost its legitimacy in the eyes of the Polish society. The union was rebuilt as an underground organisation, and continued its activities in organising strikes and demonstrations. In April 1982, the underground Solidarity leaders established the “Temporary Co-ordinating Commission” (TKK). Underground newsletters and publications flourished, for which the activists obtained guidance from the older generation, the veterans of the struggle against German and Soviet occupations during WW II.

In July 1982, TKK Solidarity issued a five-point plan for reconciliation with the authorities, including lifting of the martial law, amnesty for all political internees including Lech Walesa and restoration of all suspended trade unions. The authorities rejected the proposal and instead delegalised Solidarity in October, but they released thousands of lesser activists.

Political stalemate and economic stagnation continued after the imposition of martial law. Most Poles turned apolitical and apathetic as an important consequence of martial law, reluctant either to support the martial law regime of General Jaruzelski or the underground opposition of Solidarity. Despite the lifting of the martial law in 1983, neither the government nor the opposition could gain enough support to break the stalemate. People were disillusioned with the government and its policies and with socialism.¹²

Lech Walesa, who resisted great pressure from government to issue a public condemnation of Solidarity¹³ and was offered an important sounding ceremonial post in the Patriotic Movement for National Renewal (PRON) which replaced WRON,

¹² Ibid.

¹³ Cienciala, op.cit.

and later a post on the advisory council for trade union affairs¹⁴ was eventually released in November 1982. Walesa was awarded the Nobel Peace Prize in December 1983, which symbolised world recognition both for Walesa as the leader of Solidarity and for the Polish people, for their peaceful struggle for freedom and human rights.

In July 1983, martial law was formally lifted, but restrictions associated with it had been past into law. The Pope's second visit in June 1983, considering he spoke both with General Jaruzelski and with Lech Walesa, must have contributed to the end of the martial law. The lifting of martial law, combined with the amnesty in 1984, aimed to restore good relations with the West for economic reasons and to keep underground Solidarity activists and intellectuals under surveillance.

By 1984, it was clear to both the government and the opposition that Jaruzelski's program of normalisation had failed to achieve its objectives. The planned economic reform that was put into practice was not successful because of bureaucratic obstacles, conservative opposition and popular antipathy. In July 1984, Jaruzelski made another move to gratify both the church and the West and proclaimed a general amnesty. He wanted to please the church and gain its support and the West, to whom Poland was financially deeply in debt. He was looking for ways to end the US economic sanctions imposed with the declaration of martial law and open the way for Western credit for Poland. Furthermore, Jaruzelski considered the general amnesty as a way of co-opting the leaders of the Solidarity while at the same time controlling them.

However, in late October 1984 Poland was shocked by the assassination of Father Jerzy Popieluszko who was a very popular and much loved priest! He openly

¹⁴ Ramet, *op.cit.*, p. 70.

supported the ideals of Solidarity and drew huge crowds to his Warsaw church for his monthly 'Solidarity' masses. He was allegedly killed by the security police. Popieluszko's funeral was attended by thousands of people and his grave became a pilgrimage site. This was a small but an important incident that showed the strong Catholicism of the Polish people in their atheist People's Republic of Poland, and the strong support of the church for Solidarity.

By the mid-1980s, the toleration of de facto institutional pluralism in Poland was unknown elsewhere in Eastern Europe, with a wide range of samizdat and an underground society with its own literature, theatre and art. The church again played an important role as it spread a very different system of values to that of the state, with its independent network of institutions. Furthermore, the Pope's visit to Poland in June 1987 had a serious impact once again, when he stressed the need for the government's recognition of the 1980 agreements between the government and the workers, as well as those reached with the private farmers in 1981.

2.3 The Change of International System and the Role of Solidarity in the Collapse of the Regime in Poland

Soviet constraint has been an important factor for local political actors in the imposition of communism in East-Central Europe. The Brezhnev Doctrine codified this constraint into a set of rules. Thus, for any change to take place in East-Central Europe there had to be some change in the Soviet Union itself. When Gorbachev became the Secretary General of the Communist Party of the Soviet Union in March 1985, his policies of 'Perestroika' (restructuring of economy) and 'glasnost' (political liberalisation) signalled the change. The Soviet decision to withdraw its

forces from Afghanistan was also interpreted as a signal that the Soviet Union would no longer use force to impose its will to sustain its hegemony. This was a clear sign that the party would no longer be able to use the Soviet tank factor to sustain its political power. This was further confirmed in the 1986 Reagan-Gorbachev summit in Reykjavik.

In a similar line, the Jaruzelski government announced in October 1987 that it would carry out extensive reforms. To this end, government made unofficial promises that the nomenklatura system would be dismantled in much of the economy and that technical ability would become the dominant criterion for appointment.¹⁵ The economic reforms implemented mostly consisted of administrative moves and therefore brought no improvement. The weakness of the reform project and general distrust of the party rule led the Polish people to reject Jaruzelski's reform plan in a referendum that was called on 8 November 1987.

Nevertheless, the government decided on another round of price increases as the economic situation continued to deteriorate. This, in turn, sparked off two rounds of protests and strikes, first in the spring of and then in later August 1988. The strikes of 1988 were important for showing the extent and depth of the differences between rulers and ruled.¹⁶ Another important point was that the strikers, this time, were young workers who were mostly unconnected with the old Solidarity network and unintimidated by the legacy of 1981 martial law.

In the spontaneous strikes that broke out in several parts of the country in the spring of 1988 the strikers mainly put forward demands that were largely economic. But in the strikes that broke out all over the country in August, workers demanded

¹⁵ Schöpflin, *op.cit.*, p. 213.

¹⁶ *Ibid.*

political change as well, including the legalisation of Solidarity. However, the strikes were not organised by underground Solidarity. As the country was going towards a situation of ungovernability, Interior Minister Czeslaw Kiszczak met with the Solidarity leader Lech Walesa on 31 August - the anniversary of the Gdansk agreements - and offered to discuss the legalisation of Solidarity if Walesa could persuade the striking workers to return to work. Walesa was successful in ending the strikes. As a result, the Jaruzelski government launched contacts with the opposition that turned into Round Table negotiations among the representatives of the government, the Catholic Church and Solidarity in early 1989.

Here it must be stressed that both important internal and external factors made the negotiations and a final agreement possible. Poland was struggling with a huge debt of about \$40 billion, mainly to the West, which it could not pay off. This, in turn, blocked Poland's chances of gaining substantial new loans. Furthermore, the West openly supported Solidarity. This was evident in the French treatment of Walesa when he attended a conference in Paris to mark the 40th anniversary of the Universal Declaration of Human Rights. Thus, it would not be possible for the Polish government to re-establish the old Soviet type system.

On the other hand, Gorbachev was struggling for power against his conservative opponents within the Soviet Communist Party. He, nevertheless, accepted various strategies of the reform communists in East-Central European countries. It has been suggested that Jaruzelski consulted Gorbachev concerning the legalisation of Solidarity and was indicated that there was no Soviet objection.¹⁷ Schöpflin argues that the possible Soviet reasoning was that without such an opening, which would be controlled, the situation in Poland might shift towards

¹⁷ Ibid., p. 234.

ungovernability and thereby store up far greater problems for the Soviet Union in the long run.¹⁸ Thus, the USSR gave a green light not to intervene in domestic changes in Eastern Europe.

The Round Table Negotiations, which began on 6 February 1989 under such international circumstances, were concluded on 5 April 1989. The negotiations produced a set of arguments that was to have important effects all over Eastern Europe. According to the agreement, Solidarity would be relegalised and would receive airtime on radio and television as well as its own national and regional newspapers. New parliamentary elections would be called, and the Solidarity-led opposition would be allowed to compete for 35 per cent of the seats in the restructured lower house of the Polish parliament, the Sejm and there would be completely free elections in the restored Senate - the Senate was abolished by the communists in 1946.

2.4 Solidarity in Power and its Dilemmas

The elections on 4 June 1989 produced a shattering defeat for the Polish communists and a stunning victory for the Solidarity led opposition. In this first partially free-election within the Soviet bloc, Solidarity won all the contested seats in the Sejm and 99 of the 100 seats in the Senate. Lech Walesa had not run for the parliament preferring to stay 'above' politics, but many veterans of Solidarity, KOR and opposition groups were elected under the Solidarity 'umbrella.'

The success of Solidarity changed the political sphere in Poland. When Jaruzelski was in search of a Premier, the communist allied parties - 'the United

¹⁸ Ibid.

Peasant and Democratic parties that the communists permitted to operate under their control since 1940s - refused to support the communist candidates and switched sides to Solidarity. This opened the way for the creation of a government dominated by Solidarity and its allies. Tadeusz Mazowiecki, a Solidarity journalist and a devout Catholic, who had been one of the leading Solidarity advisers since 1980, was appointed Premier by President Jaruzelski. Thus, on 12 September 1989, the first non-communist government in the history of the communist bloc was formed. As agreed in the Round Table negotiations Jaruzelski was elected President by the parliament but with the minimum number of votes necessary and communists were appointed to the positions of Ministry of Foreign Affairs, Ministry of Internal Affairs and Ministry of National Defence.

With the formation of the Mazowiecki government, the communists lost their leading role in Polish politics and were degraded to opposition. Perhaps what the communists in Poland and Gorbachev thought was that the communists would gain the majority of the seats in the parliament and at the worst a coalition would be formed in which the communists held key positions - such as the 'national fronts' that existed between 1945-7. But the Kremlin seemed to approve the events and the new Solidarity government in Poland. This was confirmed when Mazowiecki visited Moscow where he was warmly received. It became clear that the Brezhnev Doctrine was dead and Moscow was no longer an obstacle to systemic change. This marked the clear end of the Soviet tank factor as a forceful legitimisation.

The Solidarity government used the positive international atmosphere and vast social support to take the most radical economic steps to halt the inflation and prepare the ground for free market economy. The immediate cost of this 'shock

therapy' was borne on the workers, however, the fear that the ancient regime might be restored, and the hope of a better future led Solidarity to support the government. However, the neoliberal Balcerowicz programme amounted to a departure from Solidarity's own economic concept of the self-governing republic formulated in 1981. In support of the radical market solutions involving a profound transformation of ownership relations, Solidarity abandoned its idea of employee-controlled management of state owned economic entities. The programme did succeed in reducing inflation and boosting the availability of consumer goods. But it resulted in declining consumer purchasing power, a drop in production and a rapid rise in unemployment.¹⁹

By mid-1990, the overwhelming early support enjoyed by the Mazowiecki government began to diminish rapidly as a result of the pain caused by system transformation. The political alliance of Solidarity began to show clear signs of internal divisions, after the collapse of the common enemy: communism - the PZPR dissolved itself in January 1990 - and after the Soviet domination disappeared. Lech Walesa, frustrated with being left on the sidelines, began to criticise the government for not accelerating the democratisation process. He was forcing for a presidential election. Significantly, though, his appeal for presidency met with little sympathy from the Warsaw intellectuals who had increasingly dominated Poland's political establishment since the formation of the Mazowiecki government and the melting away of the communist power.²⁰ The intelligentsia questioned his fitness for the position; Adam Michnik for example, the editor of the Solidarity daily, *Gazeta*

¹⁹ Mason, *op.cit.*, p. 43.

²⁰ Paul Lewis, Bill Lomax, and Gordon Wightman, "The Emergence of Multi-Party Systems in East Central Europe: A Comparative Analysis," in Democratization in Eastern Europe: Domestic and International Perspectives, Edited by Geoffrey Pridham and Tatu Vanhanen (Routledge: London, 1994), p. 178.

Wyborcza, viewed him as “a radical populist and would be strong leader who might sacrifice democratic principles for the sake of policy making expediency” as well as “lacking the necessary education and the intellectual sophistication needed to manage power effectively”.²¹

The so-called ‘war at the top’ initiated the split of Solidarity and Walesa himself was the catalyst of this process. Solidarity, as it was mentioned above, was a diverse movement, which included major social groups such as intellectuals, workers and the Catholic Church. Although deep differences existed within the Solidarity since its emergence in 1981 as a result of the differing interests of these diverse groups, it was a unified movement until the collapse of communism. With the start of the ‘war at the top’ the umbrella movement of the Solidarity became an organisation of competing factions. Personal differences played an important part in the split of Solidarity accompanied by the speed of changes. The different styles of government favoured, the pace and direction of economic reform, the struggle for post-communist power between executive and the legislative branches of the government and the scale of reprisals to be taken against communists accounted to important differences among Solidarity leaders.

As a consequence of the ‘war at the top,’ growing tensions within Solidarity took on a more organised form with the establishment of a ‘Centre Coalition’ in support of Lech Walesa. Walesa criticised the Mazowiecki government for being elitist as it was heavily influenced by the intellectual wing of the Solidarity movement²². Walesa’s call for a purge of all communist bureaucrats and managers were opposed by the Mazowiecki government that believed it would be divisive

²¹ Minton F. Goldman, Revolution and Change in Central and Eastern Europe: Political, Economic and Social Challenges, (M.E. Sharpe: London: 1997), p. 231.

²² Ibid.

within the Polish society²³. The supporters of Mazowiecki responded to this by forming the Democratic Action - later renamed the Democratic Union and established as a separate party. These divisions within the Citizens' Parliamentary Club of the Solidarity movement were formalised with the formation of Democratic Action at the end of June 1990, finally leading to the dissolution of the Presidium in October 1990.

Internal pressures led Jaruzelski to resign in September 1990 clearing the way for new elections for the Presidency in December. The two major candidates were Lech Walesa, the leader of Solidarity, and Mazowiecki, the leader of Solidarity government. The conflict between the two became clearer during the presidential campaign. Walesa played on the social discontent with economic reforms, talking of 'acceleration' and making populist appeals to ease the hardships of transition. Walesa and his supporters also favoured the removal of communist bureaucrats from managerial positions and restrictions on former communists' acquisition of newly privatised industries. Mazowiecki and his Democratic Action supporters on the other hand, preferred gradualism on the move toward a market economy and the dismantling of the economic structure and opposed the removal of communists from managerial roles.

In the first electoral round in November 1990, Mazowiecki (who received 18 per cent of the votes) was defeated both by Walesa (40 per cent) and the rich Polish émigré, Stanislaw Tyminski (23 per cent). In December 1990, Walesa was elected to the presidency by a decisive majority, gaining 74 per cent of the votes cast. Walesa once again was seen as a saviour at a time of growing unemployment and disillusionment with the political leadership and hardships caused by the

²³ Ibid.

transformation process from communism to a free market economy. Motivation for the support of Walesa was dubious in the sense that he opted for speedy reforms, which would not necessarily be in the interest of workers.

Clashes between both Solidarity candidates for the presidency pushed the movement (and the union) into disarray. Besides fragmentation and the split, it was realised by the unionists that the pro-Walesa Centre Coalition - later Centre Alliance - was not a true ally of Solidarity. Although political possibilities were open to it, no attempt was made to correct the government's social and economic policies. Instead of the promised 'government of change' and of a 'new beginning' the liberal Bielecki government was formed. To the surprise of many and contrary to his presidential election campaign, Walesa insisted on preserving basic continuity in government policy, especially with respect to the economy. In addition, Walesa asked the Parliament to empower the cabinet to rewrite the nation's economic laws to allow the president to issue decrees with the force of law.²⁴ This was a mere attempt by Walesa to strengthen his personal power as the President, and was viewed as part of his authoritarian tendencies. This power, if it were approved by the Parliament, would allow Walesa to force through some economic 'shock therapy' measures, which in turn, as viewed by the intellectuals, could have disoriented and destabilised the Polish society. The powerful personality and many ambitions of President Walesa, as this incident indicates, were the primary causes of the struggle for post-communist power between executive and legislative branches of the state.²⁵

The election of Walesa to the presidency thus changed little in terms of government policy and the focus of political conflict shifted to the question of the

²⁴ *Ibid.*, p. 232.

²⁵ Ray Taras, "Leaderships and Executives," in *Developments in East European Politics*, Edited by Stephen White, Judy Batt and Paul G. Lewis (Macmillan: London, 1993), p. 178.

date of the first free parliamentary elections and the nature of the electoral law to be adopted. Walesa proposed the elections to be held on 26 May 1991, and a draft election law designed to encourage party consolidation and promote parliamentary stability. This resulted in the first defeat of Walesa as his proposals were interpreted by the post-communist parties and the supporters of Mazowiecki as serving the narrow interests of his supporters.

On the other hand, the Solidarity trade union, that had been facing an identity crisis since 1989 over whether to act as a union or as a party and had suffered a lot as a result of its involvement in Walesa's presidential campaign, was looking for new ways of influencing the country's political scene. In addition, Solidarity leaders realised that the reforms involved great hardship for their members and that the political elite that had moved into politics under Solidarity's aegis could not be counted on to protect workers' interests. Therefore, the union decided to present its own candidates in the parliamentary elections and thus, be in a position to create its own parliamentary group that could directly influence the legislature and the government.

The complex proportional emphasis in the electoral law system adopted resulted in a deeply fragmented parliament in the October 1991 elections. Parliamentary fragmentation also reflected the nature of an increasingly diverse society and its fragmented political culture. Voter turnout was just 43 per cent divided among 29 parties, which also reflected the political alienation and distrust to political parties. The former communists, the Democratic Left Alliance by then, lost their guaranteed majority in the Sejm, the former Solidarity camp was dominant, but the plethora of parties designed to represent a variety of political, social and economic interests created a new stalemate.

After the elections any coalition formed among the divergent groups in the parliament would be fragile and would require compromise over issues of reform. Walesa strikingly offered to serve as his own Prime Minister, acting once again as a saviour at a time of uncertainty. This move was opposed by the parliament, however, it was not clear whether Walesa was moving toward autocracy or simply trying to force the different factions to find some common ground and produce a working alliance.²⁶ As a result, it took six weeks to form a new government due to Walesa's reluctance (he also preferred the liberal Bielecki for the sake of reforms) to nominate Jan Olszewski, a critic of the free market economic reforms, as the Premier. The Solidarity Union, which was not affiliated with any of the parties that lay claim to a Solidarity heritage, was to be represented with 26 deputies and decided to act not as a political party but as a workers' lobby and not to join any of the two governments formed after the 1991 elections. Nonetheless, they mostly supported those governments in the belief that the general direction of reforms was in the national interest and that the union still bore some responsibility for their success.²⁷

The power games among the elite - former Solidarity leaders - continued after the elections as well because of personal differences on policy issues. The Olszewski minority government struggled to establish its authority as a result of the conflicts over economic policies, decommunization and a settling of accounts with the past. The Olszewski government collapsed in June 1992 after a bitter debate over the government's release of the names of alleged secret police collaborators occupying high public office that included Walesa himself. After the candidacy of Waldemar

²⁶ Goldman, *op.cit.*, p. 233.

²⁷ Anna Sabbat-Swidlicka, "Solidarity Parts Company with Walesa," *RFE/RL Research Report*, 30 July 1993, p. 1.

Pawlak - the leader of the Polish Peasant Party, in July 1992 a seven-party coalition under Prime Minister Hanna Suchocka was formed. Six of the seven parties in the cabinet had a common heritage in the democratic Solidarity opposition movement. Hanna Suchocka was even more of an aggressive supporter of rapid movement toward a market economy than Walesa.

The fundamental issue of conflict towards the end of 1992 was still economics. Although there were some signs of economic recovery, with increases in production and some decline in the rate of inflation, there was a continuing drop in living standards and a high level of unemployment - around 14 per cent.²⁸ As a result, the public mood became more and more militant. Strikes occurred in the summer of 1992 and Solidarity - which until the end of 1992 clung to the principle that its activities were oriented to long-term structural reform for the good of an entire industry or region and not to the short-term interests of individual work forces - proclaimed a general strike in December 1992. When, in May 1993, the underpaid group of state-budget paid employees in education, health service and others went on strike for higher wages, and the government kept its uncompromising attitude, Solidarity called a no-confidence vote on 27 May 1993. This meant that the 'protective umbrella' over the government would be withdrawn. But one thing was important: had Solidarity continued with its consistent and unlimited support for neoliberal policies of economic transformation, the result would probably have been the union's self-destruction.

Solidarity's intention was not to bring down the government. They aimed to force the government to make concessions on wages for public sector workers. However, the Suchocka coalition lost the vote of no confidence by just one vote, and

²⁸ *Ibid.*, p. 2.

three days later President Walesa used his constitutional prerogatives to dissolve the Sejm and called new elections. The internal divisions within Solidarity became more evident as several Solidarity deputies refused to support the no-confidence vote and later joined the Democratic Union.

2.5 The Post-Communist Parties in Power

The Suchocka government was the fourth and the last of the “Solidarity” governments that took responsibility for introducing a democratic system based on the rule of law and a market oriented economy after the fall of communism in Poland. Although Poland was showing signs of economic recovery and development during the Suchocka government - for the first time since the fall of communism in 1989 - this was not really reflected on the public general. That fact was also highlighted by Prime Minister Suchocka when she addressed representatives of the business community in Wroclaw on 29 July 1993 by saying that “GDP will be about 4 per cent higher this year than a year ago. However, this statistical improvement does not translate into a sense of any improvement in the situation of most families.”²⁹

As the economic difficulties continued, the support for a ‘strong government’ increased. Several public opinion polls that were conducted between October 1991 and the eve of the elections in 1993 showed political and economic dissatisfaction that was consistent across all demographic variables. The government and the political parties were in large held responsible for the political and economic

²⁹ Louisa Vinton, “Dissonance: Poland on the Eve of New Elections”, RFE/RL Research Paper, Vol. 2, No. 33, 20 August 1993, p. 7.

situation.³⁰ Furthermore, an increasing majority of the population favoured rule 'with a strong hand' and granting the government special powers to rule.³¹ In the end, democratic mechanisms, such as elections, repeatedly translated public frustration into loss of confidence in the ruling team, and the ensuing frequent changes of government disrupted the reform process.³² Besides, disillusionment with the Solidarity governments, the Solidarity trade union led the people to stay away from politics.

The Sejm's last act in May 1993 was to pass a new electoral law that set high thresholds - 5 per cent nation-wide for the parties and 8 per cent for coalitions - for the elections to the Sejm and included bonus seats for parties attracting the most votes. The law aimed to counter a fragmentation such as the one after the 1991 elections. That was achieved. In September 1993 elections, only six forces managed to clear the demanding thresholds – Democratic Left Alliance (SLD), Polish Peasant Party (PSL), Democratic Union (UD), Non-Party Reform Bloc (BBWR), Union of Labour and Confederation for an Independent Poland.

Although, President Walesa offered Solidarity to make a coalition with his Non-Party Reform Bloc (BBWR), the union leaders were convinced that it was in the union's best interest to retain its independence and were strongly opposed to its identification with any political group. They shared the same kind of worries as before the 1991 elections. This motive can be attributed to Solidarity's dilemma of whether to present itself as a trade union or a political party/force. Thus, Solidarity decided to go alone once again and present its own candidates in the September 1993

³⁰ For more detailed information on the public opinion polls for the period concerned see Mary Cline, "Political Parties and Public Opinion in Poland", RFE/RL Research Report, Vol.1, No. 43, 30 October 1992; and Mary Cline, "The Demographics of Party Support in Poland", RFE/RL Research Report, Vol.2, No. 36, 10 September 1993.

³¹ Mason, op. cit., p. 49.

³² Anna Sabbat-Swidlicka, "The Legacy of Poland's 'Solidarity' Governments," RFE/RL Research

elections. With the elections most of the Solidarity parties and the fragmented right wing were left out of the Sejm. Solidarity trade union failed to win any representation at all by just 0.1%. The measure of failure is even more evident if it is taken into account that only one in four Solidarity unionists voted for its list and only 15 per cent of those who voted for Solidarity Union in 1991 elections did so in 1993.³³

The elections were a blow for the post-Solidarity forces and the right wing parties. The largest party that had roots with the Solidarity, Prime Minister Suchocka's party, the Democratic Union (UD), won 74 seats - 16% of the Sejm - becoming an insignificant opposition party. The outcome was a disappointment for the UD, which had supported the new election law expecting a result that would provide a stable parliamentary foundation to push on with the political and economic transformation that began in 1989.³⁴ The other groups which had their origins within the Solidarity and gained representation in the Sejm were Walesa's Non-Party Reform Bloc with 16 seats and the Union of Labour - a left wing party - with 41 seats. BBWR's poor success indicated a significant loss of public support for Walesa.³⁵

While the September 1993 elections marked the end of the first Solidarity era, the two post-communist forces, the Democratic Left Alliance (SLD) and the Polish Peasant Party (PSL) became the dominant forces reflecting 36% of their popular vote

Report, 5 November 1993, p. 19.

³³ Radzislawa Gortat, "The Feud Within Solidarity's Offspring," in Parties, Trade Unions and Society in East-Central Europe, Edited by Michael Waller and Martin Myant (Frank Cass: Essex, 1994), p. 123.

³⁴ Louisa Vinton, "Poland: Pawlak Builds a Cabinet, Kwasniewski Builds a future," RFE/RL Research Report, Vol. 2 No.47, 26 November 1993, p. 31.

³⁵ Anna Sabbat-Swidlicka, "Poland: the End of Solidarity Era," RFE/RL Research Report, 7 January 1994, p. 81.

into a 'constitutional' majority of 66 per cent of the seats in the Sejm - 171 seats for the SLD and 132 for the PSL, and 76 of the 100 seats in the Senate.

When the Solidarity trade union put forward the no-confidence motion in May 1993, they argued, "the living standards of the vast majority of society have not improved but instead have worsened... The number of people out of work has risen, real wages have dropped", and accused the Suchocka government of building "capitalism with an inhuman face"; basing its economic policy on "irresponsible experiments and errors"; and claimed that there was a danger of social unrest if current policies continued.³⁶ The claims for the no-confidence vote reflected what the opinion polls suggested. Many people were tired of waiting for the economic program to have positive results and indeed, they were unconvinced that its success is what they wanted. The fear of change, the degree of nostalgia and the promises of return of the good old days, normalcy, stabilisation, the high social costs inherited as a result of the transformation process were important factors for the failure of the post-Solidarity parties in September 1993 elections.

The 1993 elections were, therefore, a race between the post-communist and anti-communist forces. The post-communist parties did not openly advocate a return to the communist past but put forward the possibility of a third way; a system that cared for the social needs. Other crucial dividing lines between the post-Solidarity and the post-communist forces were more evident for the failure of the post-Solidarity parties; these were the divisions between the supporters and the opponents of President Walesa and the supporters and opponents of the liberal economic transformation program. Thus, the deep fragmentation of the centre-right and policy differences among the fragmented groups, and the disillusionment with the Solidarity

³⁶ Louisa Vinton, "Walesa Applies Political Shock Therapy", RFE/RL Research Paper, Vol. 2, No. 24,

governments and the Solidarity Union, the post-communists' Western form of social democracy emphasising social protection, a security net and some degree of state intervention in economy and the desire for "capitalism with a human face" made it possible for the post-communist parties to win comfortably.³⁷

The most prominent feature of Polish politics between 1989 and 1993, as has been implied above, had been a lack of stability in the formal institutions of power and the chaos that prevailed in politics. In this period, Poland had five Prime ministers, four governments, three national elections and two presidents. Although 1993 elections prevented a fragmentation, it did not necessarily achieve the aim of a stable majority government. The two post-communist forces that had the majority in the parliament had policy differences, particularly in defining economic issues of fiscal policy and privatisation. They also had a simple rivalry for control over prestigious posts such as the posts of the speaker of the Sejm and the key economic ministries - four strategic key economic ministries of finance, privatisation, industry, and foreign trade which were important for shaping the economic transition of Poland - reflecting their deep differences over issues of economic policy.

The main question that faced Poland after 1993 elections was whether the post-communist government of Pawlak was to follow the political and economic policies set forth by the Solidarity governments of the past four years or not. The SLD's opposition to the economic transformation program was more moderate compared to the PSL. Although claiming to represent working class interests, the SLD was aware of the need to continue the liberal market oriented program, but the

11 June 1993, p. 3; see also Louisa Vinton, *op.cit.*, (20 August) 1993b, p. 5.

³⁷ For more detailed information on all of the parties on the eve of 1993 elections see Louisa Vinton, "Poland's Political Spectrum on the Eve of The Elections", *RFE/RL Research Report*, Vol. 2, No. 36, 10 September 1993.

PSL had long followed a consistent agenda, which required substantial state interventionism in favour of the farmers. Furthermore, the PSL was against privatisation of state-owned industries. The two parties shared the same communist background - the PSL was descendant of the communist party's agrarian ally. However, their power bases in the post-communist period have been different, which resulted in conflicting policy interests. While the PSL had support from the peasants, the SLD received support from urban workers, pensioners and intellectuals that constitute the professional and entrepreneur groups.

First of all, what need to be analysed are the promises made by these parties during the election campaign and then the actual policies that they had to follow during their rule and the reasons behind these policy choices. The two post-communist parties had made some promises that would attract many of the dissatisfied people. As was already mentioned dissatisfaction with the economic government was quite high according to the public opinion polls carried out before the elections. The Democratic Left Alliance promised to increase pensions, increase wages for teachers, health-care workers and other budget-sector employees – the main striking groups in May 1993 strikes that gave way for the no-confidence vote which resulted with the fall of the government. They also pledged to reduce taxes on state firms and forgive their debts, provide greater assistance for the unemployed, and forego planned increases in value added tax and energy price hikes.³⁸ The targeted groups were among those mainly affected by the austerity programs that were pursued during the transition to the market economy. The PSL, on the other hand, made similar promises while at the same time promising state guaranteed minimum prices for agricultural goods, easy credit for farmers, and limitations on

³⁸ Louisa Vinton, "Poland's New Government: Continuity or Reversal?" RFE/RL Research Paper,

imports of competing Western products and the cheap Eastern products to protect the domestic market.

These promises required increased spending that pointed to the dilemmas of Poland's economic transformation. The promises required sums that exceeded the resources available and the two coalition partners proposed increase of taxes on the private firms and cracking down on tax evasion and the flourishing semi-legal 'grey sphere' of economic activity, which would not cover for the extra revenues necessary.³⁹ The Olszewski government that came to power after October 1991 elections and was a critic of free market economic reforms made similar promises but had to step back and abide by the austerity. The New Finance Minister and deputy Prime Minister with overall responsibility for economic policy, Marek Borowski, signalled such an attitude by saying, "it is obvious that the scale of increase in spending on social benefits will have to be tailored to the country's financial possibilities."⁴⁰

On the other hand, the National Bank of Poland (NBP) and the International Monetary Fund (IMF) were the institutional settings that made any divergence and reversal from the ongoing economic policies quite difficult. The NBP president Hanna Gronkiewicz-Waltz, in an interview published in *Rzeczpospolita* right after the elections said that she would not allow an increase in inflation.⁴¹ The promises made by the coalition partners were certain to increase the budget deficit (which is one of the important factors in the increase of inflation) that would require extra revenues to finance it. The NBP had a role in financing the deficit up to a certain

Vol. 2, No. 46, 19 November 1993, p. 2.

³⁹ *Ibid.*

⁴⁰ *Ibid.*, p. 3.

⁴¹ *Ibid.*

level but intended to reduce its role in 1994. Therefore, it became clear that if the coalition partners were to stick to the populist promises - according to the neoliberal thinking - they made, they would certainly need to find a way to finance the budget deficit that would be created by extra spending. In addition, NBP president was against any lowering of interest rates that would open the way for an easy and cheap credits promised mainly by the PSL.

In addition, the loss of IMF support would put the Polish transition process - and therefore the government - in a difficult position. IMF support was a prerequisite for World Bank and other financial organisations' loans and for the qualification of further debt reductions owed to foreign governments. In turn, IMF support depended on Poland's success of meeting the strict IMF criteria for the budget and inflation. The government was aware of the difficulty for economic manoeuvre especially when \$8 billion of Poland's foreign debt would be negotiated to be reduced if the government met the IMF requirements.⁴² The IMF and other international organisations' roles and constraints will be analysed more thoroughly in the following parts of the study.

Apart from the differences on economic policy issues and the international constraints, the executive spheres of influence threatened the coherence of the government. The decision by the government to allow President Walesa to assign the three ministers to head the 'presidential' Ministries of Defence, Internal Affairs and Foreign Affairs resulted in an executive division, which brought into question the stability and coherency in policy making. This move was considered as leaving the responsibility of Poland's security, international relations and foreign policy making in the hands of President Walesa indicating commitment to continuity.

⁴² Ibid.

Polish western orientation, aspirations for membership in NATO and the European Union were other factors shaping policy motives in Polish politics. There was a consensus among the public general concerning these issues. Squeezed in between Germany and Russia, Poland had security problems and concerns for centuries, and full membership into NATO was considered to be the only guarantee in the post-Cold War era. On the other hand, membership into the EU was seen as a 'return to Europe'. Poland signed an Association Agreement with the EU in 1991 that came into force on 1st of February 1994. The Polish governments had already been adjusting its standards to norms specified by the EU and with the application for membership into the EU, Poland furthered its aims of integrating with Western Europe. The SLD-PSL government published a "Strategy for Poland" after the application, aimed at sustaining growth, reducing inflation and laying the basis for EU membership.⁴³ The EU goal laid down the terms for long-term policy making in Poland that will be dealt with, in more detail, in the following part of the study.

Despite all the internal and external constraints Waldemar Pawlak followed an independent course of politics during his time in office as the Prime Minister. Pawlak slowed down all the programs inherited from the Suchocka government, especially the privatisation program, for which only his signature was needed to start off the program. He argued that the program needed review. Unlike the liberals who believed in the assumption that private ownership ensures economic efficiency and constitutes an important step of the neoliberal reforms towards a well functioning free-market economy, Pawlak argued that state and private sectors should enjoy equal treatment, in a way reflecting his belief for the necessity of state intervention. The Pawlak government pursued an agrarian agenda eager to protect sectors that

⁴³ Country Profile: Poland 1997-1998, Economist Intelligence Unit: London, 1997, p. 16.

were important for agriculture by blocking the privatisation program and providing cheap credits and subsidies to the farmers; nearly 10 per cent of the 1994 budget went to agriculture.⁴⁴ Pawlak's policy choices were mainly determined by and aimed at his electoral base. The PSL was the only party in Poland that represented sectional and group interests.

Pawlak's anti-reformist attitude and obstructionist policies led Walesa to demand his resignation in February 1995 by threatening to dissolve the parliament. For some that was seen as a political move by Walesa to exploit the tense relationship between the coalition partners and eliminate Aleksander Kwasniewski – his most prominent presidential rival for the 1995 presidential elections.⁴⁵ Lacking the support of the SLD parliamentary members Pawlak was replaced by Jozef Oleksy, a high-ranking member of the Communist Party before the transition, despite the opposition of Walesa. Oleksy assured the public that he would continue the reforms in the transformation to a free market economy, but with less shock and more therapy.

Although the Solidarity coalition's breakdown seemed inevitable - as it lost its instinct for preservation and as a result of internal conflicts of interest, and irrevocable - after a Solidarity sponsored no-confidence vote brought down the Suchocka government in 1993, many post Solidarity politicians continued to believe in an eventual reunification. Winning the next elections was exactly what Solidarity intended to do.⁴⁶ After the loss in 1993, Solidarity had been extremely active in debates on the new constitution, privatisation, taxation, agricultural policy, etc.

⁴⁴ Louisa Vinton, "Velvet Restoration", *Transition*, 30 January 1995, Vol. 1, No. 1, p. 47.

⁴⁵ Hubert Tworzecki, *Parties and Politics in Post-1989 Poland*, (Westview Press: Boulder, CO, 1996), p. 64.

⁴⁶ Mitchell Orenstein, "Who's Right? Who's Left?" *Transition*, 11 August 1995, p. 31.

besides trade union issues. The Solidarity leader Marian Krzaklewski explained in May 1995 in *Gazeta Wyborcza* (the Warsaw based daily) that he wanted Solidarity to be what it was in the 1980s - a trade union and a mass movement engaged in politics, social service, and community action, with the support of most of the country.⁴⁷

In the following period Solidarity struggled trying to clarify its identity and role in politics. It had contradictions of its own making. As a trade union it was populist and requested state assistance, and was considered, as too leftist scaring the liberals whom did not seem to be enthusiastic about taking the struggle to the streets. Economically too leftist, Solidarity was considered too rightist and conservative culturally and socially. This is one of the dilemmas of the Solidarity movement that on the one hand, it had to defend class interests and on the other hand, it politically justified itself by defending cultural and national values against communism, which had been identified with Russians.

In 1995, this became more clear. Although a 'pro-reform', right wing, trade union, political party, Solidarity marched to demand more subsidies for state enterprises from a fiscally conservative, leftist government. The demonstrations in May were seen as a campaign to destabilise the post-communist government before the presidential elections in fall 1995 and before any referendum. That was a campaign to clarify and consolidate divisions between the right and righteousness, defined as the post-Solidarity camp, and the left and communist betrayal, defined as the post-communists and their allies. Leszek Balcerowicz, president of Freedom Union⁴⁸, the father of shock therapy, ex-Solidarity adviser and former communist said, after the May 1995 demonstrations, that

⁴⁷ Ibid.

⁴⁸ In May 1994 the Democratic Union and the Liberal-Democratic Congress merged to form the Freedom Union under the leadership of Tadeusz Mazowiecki, replaced in April 1995 by Leszek Balcerowicz.

In the 1980s Solidarity was a great movement on behalf of reform that opened the path for the construction of a new system: democracy, local self-government, a market economy. Fighting with a police state, it renounced violence. Today the union is stepping off this path. It is organising people against reforms and an already democratic state. It is reaching for violence.⁴⁹

In the eyes of the liberal elite, Solidarity usually was radical and nationalistic.

The presidential elections in November 1995, was another blow for the post-Solidarity camp. Aleksander Kwasniewski, the leader of the Democratic Left Alliance won a slightly larger share of the electorate than the former Solidarity leader Lech Walesa. While Kwasniewski stressed the theme of unity, promising to overcome the old divisions, Walesa held his combative, unpredictable and divisive stance in the presidential elections. Walesa spent as much time attacking Kwasniewski as he did explaining his program. For many, Walesa was a destabilising factor in Polish politics. Lacking a strategic vision, he failed not only to direct Poland towards but also delayed the achievement of its reform goals while trying to expand his presidential powers and influence. "Polish people voted for normalcy, stabilisation and peace" argued Adam Michnik, former dissident and the chief of *Gazeta Wyborcza*, "not for a return to communism. Kwasniewski managed to present himself as a contradiction to the authoritarian, plebeian, and coarse Walesa, as a modern, self composed, and conciliatory politician, a politician of the future and of 'a shared Poland'".⁵⁰

After being elected, Kwasniewski stressed his commitment to democracy and free-market economy by saying "the choice we made in 1989 is the correct choice, supported by the majority of Poles."⁵¹ The first task that faced him just as he was taking over as President was the Oleksy affair. The outgoing President Walesa,

⁴⁹ Orenstein, *op.cit.*, p. 29.

⁵⁰ Adam Michnik, "The Velvet Restoration," *Transition*, 22 March 1996, pp. 13-16.

⁵¹ Ray Taras, "The end of the Walesa Era in Poland" *Current History*, March 1996, p. 126.

produced documents accusing Oleksy of having had contacts with former KGB and its Russian successor Federal Security Agency intelligence officers and divulging confidential information.⁵² When charges were brought against him, Oleksy resigned. Włodzimierz Cimoszewicz, the SLD's deputy leader, replaced Oleksy. Kwasniewski responded to the Oleksy affair by proposing new legislation ensuring access to secret police dossiers on politicians.⁵³

Although relations between the coalition partners were not smooth, the SLD-PSL coalition served its full four years in the government. The SLD-PSL coalition government continued the process of economic reforms and the foreign policies of the previous Solidarity governments though slower because of their concern for the hardships faced as a result of the transformation process and for the social issues. Although there were complaints about the pace of the reforms, such as privatisation, they were not implemented any more quickly under the Solidarity governments.⁵⁴ Under the SLD-PSL government the Polish economy began to accomplish positive results capitalising on the effects of shock therapy. Some credit for the improvement in the economy was attributed to the SLD as its share of votes increased with the September 1997 elections from 20.4 to 27.1.⁵⁵

As has been stated above the swing towards left was partly due to the electorate's disillusionment with neoliberal economic reforms and economic stability measures such as wage limitations - as was the case in most of the Eastern European countries. Fragmentation of the right-wing parties was another important factor for the loss in 1993 elections. The right has learned its lesson and opened the Solidarity

⁵² Jakub Karpinski, "In the wake of Presidential Elections, A Crisis of Authority," *Transition*, 26 January 1996, p. 56.

⁵³ Taras, 1996, *op.cit.*, p. 127.

⁵⁴ Jakub Karpinski, "Setting the Stage for Presidential Election," *Transition*, 3 November 1995, p. 40.

⁵⁵ Krzysztof Jasiewicz, "Elections and Voting Behaviour" in *Developments in Central and East European Politics 2*, Edited by Stephen White, Judy Batt, Paul G. Lewis (Macmillan Press: London,

umbrella once again in 1997 - this reversed the swing to the left in 1997 parliamentary elections when Solidarity Electoral Action (AWS) won a clear-cut 33.8 per cent of the vote, giving it 201 deputies in the Sejm.

The Polish parliament has been divided between two dominant groups since the 1997 parliamentary elections. The other parties that gained representation in the parliament are the Democratic Left Alliance (SLD), 27.1 per cent and 164 deputies, the Freedom Union (UW), 13.3 per cent and 60 deputies, the Polish Peasant Party (PSL), 7.3 per cent and 27 deputies, and the Movement for Poland's Reconstruction (ROP), 5.5 per cent and 6 deputies. The most important factor for the voting behaviour has been the anticommunist sentiment that endures among the country's 38 million people. In the 1997 elections, not economic policies but the religious and cultural values have been the most important determinants of Solidarity's victory.

The AWS was created in June 1996 in response to the right's catastrophic losses in 1993.⁵⁶ It is a 37-party coalition with an understanding that labour's prosperity depends on business performance. AWS' outstanding task, now that it forms a coalition with the UW, is to combine the interests of its core supporters in the heavy industrial labour force with those of the skilled workers, professionals and the entrepreneurs. According to Jakub Karpinski of Warsaw University, AWS plans to form a Christian Democratic political party, which would probably closely follow German ideas of the social market.⁵⁷ Its electoral platform stated that the party wants to watch closely the social context of economic reforms, a largely ignored dimension of change that the shock therapists treated as something destructive.

1998), p. 184.

⁵⁶ Jakub Karpinski, "Poland's Phoenix Rises," *Transitions*, November 1997, p. 65.

⁵⁷ *Ibid.*

The analysis of the political transformation indicates clearly that the neoliberal thinking fails to take into consideration the historical and cultural factors,⁵⁸ which were very important in shaping the political and other structures in Poland. The next chapter, which analyses the economic transformation process, points to the importance of these factors more clearly.



⁵⁸ Marc R. Tool "Institutional Adjustment and Instrumental Value" Review of International Political Economy, 1/3 Autumn 1994, p. 433-34.

CHAPTER 3

THE POLISH ECONOMY UNDER TRANSITION

Polish resistance was always directed to criticisms of the communist economic structure and economic management. The attempts of communist leaders to reform and decentralise the economy all failed - this was one of the important factors in the collapse of the party rule in 1989. The first Solidarity government embarked on a rapid economic transition programme; the shock therapy Balcerowicz programme, under the influence and conditionality of western international financial organisations, especially the IMF. The Balcerowicz programme was an important element of western integration tendencies in Poland. However, several criticisms were put forward declaring the programme a failure. Economic issues were the reason for the fall and loss of power of the Solidarity governments. When the post-communist parties came to power, they appealed for 'capitalism with a human face.' This was to bring a revision of the policies that were followed by the Solidarity governments.

3.1 The Polish Economy under Communism

The Communist parties emerged as well-organised groups/parties in East-Central Europe after the Second World War. Communism was seen as the only alternative to capitalist developmentalism after its failure in the 1930s, and to fascism that became dominant in the second half of 1930s to bring only destruction and devastation to the region. Soviet-type totalitarian rule was not the desired end of the Polish society, since a substantial proportion of the population was historically anti-Russian. However, Poland was left under the Soviet sphere of influence at the Yalta conference.

The communist take-over in Poland was a gradual process under Soviet patronage. The Polish communist party came to power following the elections in June 1945 as the dominant group in the Polish Government of National Unity that was led by the communist Boleslaw Beirut as acting President. The January 1947 elections strengthened the position of the communists and their allies – the Socialists, the Democratic Party and the United Peasant Party – and enabled them to have a majority in the government. After the elections, opposition parties were dissolved and the opposition leaders were forced to leave Poland. The communist single party rule was eventually established with the formation of the Polish United Workers' Party (PZPR) in 1948 when the communists finally managed to absorb their partners.

After their take-over the communist parties of East-Central Europe legitimised their control over the society through two mechanisms. The first was 'legitimation through utopia' pledging to create "an ideal system of social, political and economic institutions guaranteeing all citizens equal rights and equal access to the benefits of a

welfare state.”¹ The other was the ‘Soviet tanks factor’ to suppress the rebellious population through use of force and direct occupation by the Soviet Union allowing no alternative but the communist party rule in East-Central Europe.²

The actual communist rule was based on single party control, state ownership and central planning, which established control over the economic process deemed necessary for greater efficiency and for the ‘just’, ideal system that the communist utopia promised to deliver. The *nomenklatura*, the list of government positions that required party appointment formed a hierarchy starting from the lowest levels of the enterprise, collective farms, and local economic units to the highest levels in the party. Party rule ensured that the economic and political management complied with the rules and instructions from the political leadership. The nomenklatura was formed by enlightened and dedicated bureaucratic intelligentsia who was supposed to be free from representation of any defined interest group or classes. In reality however, nomenklatura gradually appeared to be a defined bureaucratic class/strata. This political structure would in the course of time create one of the main obstacles in reforming the communist party rule.

Similarly, central planning was “a co-ordination mechanism opposed to the market” enabling the management of economy under the party control, which the communists argued would increase coherence and efficiency of the economic system.³ It proceeded with five-year plans - the enterprises were able to influence the target plans

¹ Krzysztof Jasiewicz, “Elections and Voting Behaviour” in Developments in Central and East European Politics, Edited by Stephen White, Judy Batt, Paul G. Lewis (Macmillan: London, 1998), p. 166.

² Ibid.

³ Marie Lavigne, The Economics of Transition: From Socialist Economy to Market Economy, (Macmillan: London, 1995), p. 10.

by providing the central authority with distorted information⁴ - which envisaged growth and structural change. On the other hand, the Council for Mutual Economic Assistance (Comecon or CMEA) was created by Moscow in 1949 as a response to the Marshall Plan to co-ordinate trade and to integrate the economies of East-European communist states into Eastern Bloc.

The Stalinist model of Soviet type economic modernisation that was imposed on East-Central European states after WWII was based on investment in heavy industry to ensure growth and the collectivisation of farms. In the 1950s there was a rapid investment in basic heavy industries. As pointed out by Myant, this rapid build up in the mining, energy and metallurgy sectors continued somewhat longer in Poland and light industries were totally neglected.⁵ The system was mainly supported by the Soviet Union through subsidised low cost raw materials, oil and gas in return for low quality manufactured products of East-Central European states. These subsidies amounted to some US\$20-80bn. by the late 1970s⁶, a very high price in return for control over the region. In late 1980s the Soviet Union would realise that this was becoming a real burden for the Union itself and would decide to let the states of East-Central Europe go their own way.

The death of Stalin in 1953 led to a power struggle in the Soviet Union. When Nikita Khrushchev came to power he started the process of destalinisation, opening the way for reform in Eastern Europe as well. Khrushchev tried to soften the

⁴ Martin Myant, Transforming Socialist Economies: The Case of Poland and Czechoslovakia, (Edward Elgar: Hants, England, 1993), p. 17.

⁵ Ibid., p. 10.

⁶ David Turnock, The East European Economy in Context: Communism and Transition, (Routledge: London, 1997), p. 26.

overcentralisation and overbureaucratisation of the economy by creating regional economic agencies instead of the powerful industrial ministries inherited from the Stalin period. This triggered reform attempts in Eastern Europe as well. Poland and Hungary, similarly, made an attempt to decentralise their economic management. Poland, in this sense, went further and abandoned collectivisation following the civil unrest in 1956 and left most of the land and agriculture in the hands of private owners, which lasted until the collapse of the system - an exceptional case under communism. In Hungary, political movement toward political liberalisation was repressed with the Soviet tank factor, also bringing an end to the reform attempts in Eastern Europe.

In the 1960s the economic policy did not produce the result that was expected. Late 1968 saw the most important attempts to reform the system in East-Central Europe with the Czechoslovak and Hungarian initiatives to reform the system. These two examples revealed the essence of acceptance of economic reform by the Soviet Union. The Czechoslovak attempt was repressed by the Soviet intervention because for the Soviet leaders the Czechoslovak communist party lost its control over the state management; therefore, the reforms came to question the leading role of the communist party in the country and the Soviet communist party in the region. On the other hand, the Hungarian 'new economic management' did not face any objections, as the party rule in Hungary was not modified.

In December 1970, the Gomulka regime increased food prices by 30 per cent aiming to reduce the burden of food subsidies over the budget.⁷ This provoked mass

⁷ Roger East and Jolyon Pontin, Revolution and Change in Central and Eastern Europe (Revised Edition) (Printer: London, 1997), p. 12.

protests, which were suppressed by the security forces. After the bloody events Gomulka was replaced by Edward Gierek who restored and froze “the pre-December price levels for two years, the measure being funded by a Soviet loan.”⁸ This was to have severe consequences for the Polish economy in the following years.

After Edward Gierek came to power with the events of 1970 Poland attempted to overcome the shortcomings of its economy. Gierek’s policy, which aimed to modernise the Polish economy, was based on borrowing to finance industrial development. He aimed to increase industrial productivity through international technology transfers and import of western industrial machinery. The investments would be financed by heavy foreign borrowing from the West and the production would be directed to the Western markets.

In the period between 1970 and 1975, Gierek’s policy of modernisation benefited, from the developing East-West trade, which was a consequence of the détente. The détente also led to the Helsinki Accords of 1975. Przeworski argues that financial support from the West and “relaxation of controls over agriculture led to a marked improvement in the standard of living until 1978.”⁹ However, expectations to pay these loans back with the hard currency gains from exports to Western markets were not fulfilled. The oil shock of 1973, which led to recession in the West in the aftermath of the shock, was the main reason behind the failure of this strategy. Despite these difficulties, Poland pursued its policy of modernisation.

The difficulties forced another unsuccessful attempt to increase prices in 1976 by

⁸ *Ibid.*, p. 13.

⁹ Adam Przeworski, “Economic reforms, public opinion, and political institutions: Poland in the Eastern European perspective,” in *Economic Reforms in New Democracies*, Edited by Luiz Carlos Bresser Pereira, Jose Maria Maravall, Adam Przeworski (Cambridge University Press: Cambridge, 1993), p. 134.

about 60 per cent. Food subsidies by then were about 12 per cent of the Polish GDP.¹⁰ As noted earlier, this gave way to the events of 1976. The attempted modernisation in Poland brought some of the constraining factors to the fore. Investments were centrally allocated reflecting mainly the interests of the bureaucracy and with an obvious bias towards Stalinist heavy industry.¹¹ By the end of 1970s, Poland had accumulated a huge debt and most of the foreign loans were spent as subsidies to maintain living standards.¹²

The escalation of a new Cold War, starting from the mid-1970s, the increase in energy prices within the CMEA in 1975, combined with the failure of the Polish bureaucracy to respond to the recession in the West and to adopt to the changes in the world economy, led Poland to the crisis of 1979. The huge foreign debt of US\$26 billion was about 40 per cent of GDP.¹³ The loans were not efficiently managed to benefit any modernisation in the industrial structure; some industries were developed that required foreign technology but lacked the necessary market that was needed to support them and several gigantic investments - such as the Ursus tractor factory¹⁴ - were initiated.¹⁵ Poland faced chronic budget deficit and shortages, economic stagnation and a declining national income.

All these turned into a political crisis that led to the birth of Solidarity. The most important feature of the events was the legalisation of the Solidarity trade union that confronted the communist party, which claimed to represent the working class. When

¹⁰ East and Pontin, *op. cit.*, p. 14.

¹¹ *Ibid.*

¹² *Ibid.*

¹³ Przeworski, *op. cit.*, p.134.

¹⁴ Ursus was one of the dinosaurs of communism. It was designed to produce 100.000 tractors each year. However, in the transition period it only builds 14.000 units a year because of the low demand. See Mitchell Orenstein, "Who is Right? Who is Left?" *Transition*, 11 August 1995, p. 29.

¹⁵ Przeworski, *op.cit.*, p. 134.

the movement sought political reforms, including free elections as well as trade union demands and worker self-management for the success of economic changes, it was outlawed by the Jaruzelski regime with the declaration of martial law on 13 December 1981. The declaration was legitimised by a possible threat of Soviet intervention under the Brezhnev doctrine. The political turmoil between the years 1979 and 1982 resulted in a decline in living standards. According to Sachs, official Polish data reveal that 1978 level of per capita income in Poland was only restored in 1988.¹⁶

The Jaruzelski regime was aware of the deep economic crisis and the necessity to introduce economic reforms that was seen as part of the government's political strategy to legitimise its existence.¹⁷ It was recognised that some time was necessary before the reforms would yield positive results. On 1 January 1982, the government introduced a reform program that was consistent with and committed to the ideas developed during the short Solidarity period. The economy was considered to be in deep crisis and it was not possible to pursue economic modernisation. Economic policy shifted toward economic stabilisation aiming to maintain macroeconomic equilibrium and to reduce foreign debt. To stabilise the economy, the Jaruzelski regime reduced real wages and per capita consumption by 15 to 20 per cent.¹⁸ Furthermore, the central planning system was eliminated and replaced by government purchases, enterprises were given more freedom, and limited price liberalisation was introduced.

By the mid-1980s, it became clear that economic reforms would not bring any

¹⁶ Jeffrey Sachs and David Lipton, "Poland's Economic Reform," in International Political Economy: Perspectives on Global Power and Wealth, Edited by Jeffrey A. Frieden and David A. Lake (Routledge: London, 1995), p. 463.

¹⁷ Przeworski, op. cit., p.135.

¹⁸ ibid., p. 136.

significant changes. They were “implemented inconsistently, half-heartedly and often at a superficial level only.”¹⁹ The economic sanctions imposed by the West after martial law was implemented only added to the economic difficulties faced by Poland. Despite all the efforts, resource allocation remained highly centralised. Production was highly monopolised and price regulations increased during the first half of 1980s. Although some private firms were legalised, central allocation of raw materials and foreign exchange, and the discretionary powers of the government through imposition of taxes and subsidies, prevented any form of competition. Foreign trade was centrally regulated. Trade with the West grew slower and an increase in foreign debt was recorded. Autonomy given to the enterprises combined with the central allocation of resources resulted in a change from command to negotiated economy. As pointed out by Sachs, during the second half of 1980s “prices, credits, foreign exchange allocations and subsidies were all subject to intensive bargaining between enterprises and the government and among ministries.”²⁰

By 1987, the communist party decided to implement a second stage of the reform. The aim, once again, was to stabilise the economy and increase efficiency.²¹ Realising that the measures would be painful, the government sought widespread public support to gain legitimacy. This was an important step as it indicated a recognition that “failure to restore equilibrium stemmed at least in the past from the failure of the authorities to win popular trust.”²² In November 1987, a referendum on economic reform and unspecified form of political democratisation was held, but the government

¹⁹ Martin Myant, *op.cit.*, p. 60.

²⁰ Sachs, *op. cit.*, p. 463.

²¹ Przeworski, *op. cit.*, p.136.

²² Myant, *op. cit.*, p. 62.

failed to win the support of the majority. Nevertheless, the government proceeded with price increases in an aim to achieve market equilibrium. Other reforms were introduced as well, which indicate some kind of mixed economy under a communist government for the first time.²³ Ownership relations were questioned and steps toward the acceptance of the legal status of the state owned, co-operative and private property and firms were taken. A commercial bank system and enterprise autonomy were established.

However, the government lacked the necessary social consensus for the implementation of reforms. This became clear when sharp price increases were met by a wave of strikes. Lack of legitimacy prevented any possibility of equilibrium, and forced the economy into a situation of “a chaotic spiral in which wage and subsidy increases fed still more price rises.”²⁴ Again, the reform attempts of the communist government failed, fading away the hopes that a communist party could lead a reform movement.

It was clear that any form of reform and transformation was barred by communist party rule itself. The introduction of any element of the market economy within the framework of a socialist economy would have “produced conflict with the traditional objectives of equilibrium and social stability”.²⁵ The results of the reform attempts revealed that relaxation of central control under the communist party rule yields inflationary pressures, new inequalities and the threat of unemployment as was confirmed by the Polish case during the 1980s. The intent of the party elite to preserve the communist power was another factor in the failure of reform attempts. It was argued that for success in the implementation of the reforms it was necessary to make changes

²³ Przeworski, *op. cit.*, p. 136.

²⁴ Myant, *op. cit.*, p. 65.

²⁵ Myant, *op.cit.*, p. 32.

in the political structure and the ownership of property. The third factor was the distrust of the public. The reforms in Poland in the 1980s were implemented by a military power that ousted and suppressed an opposition that had support of the majority of the Polish society. This questioned the credibility of the reform process both within and outside Poland. This was reflected in the lack of Western financial support that was detrimental for the fundamental and necessary changes at a time when the Polish government lacked the resources and the economic capability to raise the needed finances to support and legitimise its reform efforts. Therefore, the precondition for the success of the reform process was “a government with the trust and credibility to demand considerable sacrifices.”²⁶

As a result of the failure, the Polish economy soon faced serious shortages of all consumer goods on a level as bad as in 1980-81.²⁷ In January 1989 the Jaruzelski regime decided to hold talks with the opposition. The negotiations were carried out through February and March, and a final agreement was signed on 5 April. The government was willing to share the responsibility and the burden of the necessary economic and political reforms for the market equilibrium. By reaching an agreement with the opposition, the government was also willing to legitimise its existence and control over political and economic management while at the same time ensuring a communist dominance. As noted earlier the decisions were taken at the Round Table agreement. The communists believed that the decisions were not to question the status of the communist party rule in Poland. The Solidarity forces decisively won the partially free parliamentary elections

²⁶ *ibid.*, p. 69.

²⁷ *ibid.*, p. 65.

that were held in June 1989 only to undermine the legitimacy of the agreement and the communist rule. However, the political situation that remained unclear until the end of 1989, left Poland with increasing wage pressures, a hyperinflation, a huge budget deficit, a huge external debt and other structural problems that piled up as a result of the failure of economic reforms. Two decisions taken at the Round Table agreements - wage indexation and freeing the agricultural prices - were two important decisions forcing the inflation upwards.

In the second half of the 1980s, the Jaruzelski regime made attempts to accommodate the opposition and please the West to which Poland was heavily indebted, in order to be able to manage the economic and social crisis. The first move can be traced back to the general amnesty of July 1984, which the regime believed would give it a controlling hand over the actions of the opposition. However, the regime could not prevent the opposition from organising underground activities and it became impossible to suppress these activities with the changing international environment, especially the US-USSR rapprochement. Under such circumstances the Jaruzelski regime held a referendum asking the extent of the reforms to the Polish society. The reform attempts, however, did not indicate a possible transformation. The communist party aimed to earn the support of the Polish society for the reforms and thereby legitimise its existence in power and obtain the necessary sacrifices for the management of economic and social crisis. However, this attempt failed to create a social consensus.

Nevertheless, the government went on with a series of reforms and the mounting economic and social tensions triggered another wave of social unrest. The failure of economic and social reforms forced the government to hold talks with the opposition in a final attempt to control the economic and social crisis. The partially free elections also

produced a result that pointed out the lack of legitimacy of the existent party rule. Even though the communist party intended to share the responsibility for the management while at the same time sticking firmly to the power, the opposition soon demanded economic transformation and the power. The monopoly of the communist party formed the basis of the socialist economic system. When the Soviet interest in economic domination in Eastern Europe faded away with the increasing economic and political difficulties in the USSR, the monopoly of the communist party in Poland collapsed. The Polish United Workers' Party "became totally discredited as successive attempts to reform the economy were fumbled during the late 1980s".²⁸ The opposition had vast support from both society and the West, which enabled it to assume power in September 1989, soon after the elections, and initiate one of the most radical programs of transition. What characterised the reform attempts before 1989 was the fact that they were all reversed. Transition, was irreversible

3.2 Transition and the Balcerowicz Programme

A devastated economy, burdened by a heavy foreign debt to the West was what the first non-communist Solidarity government of Mazowiecki had inherited in September 1989. The government was "committed to a firm break with the Communist past".²⁹ This firm commitment was announced by Prime Minister Mazowiecki in his inaugural speech to the Sejm; "The government will undertake steps initiating the

²⁸ Przeworski, *op. cit.*, p. 170.

²⁹ Myant, *op. cit.*, p. 81.

transition to a modern market economy, tested by the experience of the developed countries.”³⁰ This was also confirmed by Leszek Balcerowicz, finance minister and the main architect of the ‘Shock Therapy’ transition program, at the annual meeting of the IMF and the World Bank in September 1989. He declared the intention of the government “to transform the Polish economy into a market economy, with the ownership structure changing in the direction of that found in the advanced industrial economies”.³¹ That was a deviation from the self-management model, which was agreed upon at the Round Table talks. The Polish elite and society were convinced that there was no alternative, no ‘third way’ and the search for and an invention of a new system would be a waste of time. The failure of past reform attempts was important in this decision.

The construction of a market economy was a ‘leap in the dark,’ as Judy Batt describes it, because there was no such example of a transition from a socialist economy to a market economy.³² The transition was to be painful with a high degree of uncertainty and mistakes but few experts realised how challenging this ‘natural experiment’ would be.

The program was prepared by Balcerowicz with the help and advice of international financial institutions such as the IMF and advisers of whom the economist Jeffrey Sachs became the best known. The package was very much in line with a standard IMF package. Sachs and other advisers were important in developing the reform ideas and preparing the international atmosphere for support. Gowan points out

³⁰ Przeworski, *op. cit.*, p. 141.

³¹ *Ibid.*

³² Judy Batt, “The Politics of Economic Transition,” in *Developments in East European Politics*, Edited by Stephen White, Judy Batt and Paul G. Lewis (Macmillan: London, 1993), p. 214.

that Sachs and other professors from Harvard and London School of Economics have been instrumental in the adoption of the 'Shock Therapy' approach by the West as the main policy of transition of the East-Central European region.³³ This led to the ignorance of the French approach³⁴ and the search for an alternative, and destroyed the Eastern European economic structure, which could have eased the transition process. The approach reduced the East-West economic and political relationship to a mere hub and spokes relationship, which in turn forced the East European states to accept the Western conditionality or attempt an isolationist policy.³⁵

Indeed the economic relations of Eastern European states with the West have always been governed by political institutions in the West.³⁶ Before 1989, East-West economic relations were co-ordinated by the Paris based Co-ordinating Committee (CoCom). The system rested on a strategic embargo preventing any access to high technology, system of tariffs, quotas and outright bans, and limited trade and co-operation agreements between the EC and individual East-European states. On the other hand, the fact that East European states were state trading partners formed huge systemic and bureaucratic barriers - despite the absence of any tariffs - for the West to penetrate into the East. The trade pattern followed the economic trends by increasing at times of growth and decreasing at times of recession in the West.

³³ Peter Gowan, "Neo-Liberal Theory and Practice for Eastern Europe," New Left Review, Iss. 213, 1995, pp. 3-8.

³⁴ The French approach favoured a gradual transition process where the CMEA-the East European economic structure- would remain intact. The evolution of a socio-economic system would depend on the interplay of forces within the country concerned and the West would not use pressure to impose a particular system. In addition, membership of the EC was considered as a long-term process, rather a pan-European confederation embracing both the EC and the East was envisaged. For a more detailed discussion see Gowan, op.cit., p. 6-7.

³⁵ Ibid., p. 7.

³⁶ Peter Gowan, "Western Economic Diplomacy and the New Eastern Europe," New Left Review, No. 182, July/August 1990, p. 65.

East European states were heavily indebted to Western governments where the debt mainly accumulated in 1970s in the high period of East-West trade. Economic relations were all established at a bilateral level and the West “never accepted multilateral links”.³⁷ Economic relations after 1989 have remained virtually the same, on a bilateral level. This gave the West an outright advantage in designing the economic relations and relaxing the barriers according to the responsiveness of each country to the Western policy objectives. Lavigne points this out very clearly by stating that the economic relations for the West is a political advantage with few economic advantages whereas for the East, an economic necessity.³⁸

The shock therapy program aimed to move as rapidly as possible to a market economy. The politicians were aware of the difficulties and warned that there would be temporary inflation, unemployment and a decline in living standards. The speed of the program was important. For Balcerowicz the existent social support for a radical breakaway would have declined after this period of ‘extraordinary politics’.³⁹ Both the internal and the international environment were suitable for a breakthrough and sectoral interests in Poland were relatively weak. A gradualist approach would not enable certain necessary changes and would not have ensured the irreversibility of the program. That was why the economic reforms before 1989 were not successful. For Sachs speedy action was necessary to prevent any demagogues from blocking the socially painful transition process.⁴⁰

³⁷ *Ibid.*

³⁸ Lavigne, *op. cit.*, p. 82.

³⁹ Mario I. Blejer and Fabrizio Coricelli, *The Making of Economic Reform in Eastern Europe: Conversations with Leading Reformers in Poland, Hungary and the Czech Republic*, (Edward Elgar: Hants, England, 1995), p. 43.

⁴⁰ Myant, *op. cit.*, p. 83.

The program was launched on 1 January 1990. The main objectives of the program according to Balcerowicz, addressed “the macroeconomic catastrophe and solving the structural problem of low and declining efficiency”.⁴¹ It had three main aspects, which were stabilisation, liberalisation and privatisation. Macroeconomic stabilisation required balancing the budget through cuts in subsidies and other government spending, a restrictive monetary policy to achieve real positive interest rates, and wage controls through strengthening the wage indexation, by taxing the state enterprises’ excessive wage increases. The stabilisation policy was to be accompanied by liberalisation of prices and foreign trade, which would eliminate shortages, introduce competition in the domestic market, prevent state enterprises from sharply increasing their prices by taking advantage of their monopoly position. Price and trade liberalisation and currency convertibility were important in obtaining relative prices. In addition, the fixed Zloty conversion rate of 9500Zl per dollar provided an ‘anchor’ against a deficit as imports were liberalised. These measures were necessary to radically halt hyperinflation and remove the shortage economy.

Privatisation formed the key element of the institutional reforms necessary to change the structure of the economy and to redistribute economic and political power. However, it was recognised that this would be a time consuming process because of the technical difficulties involved.⁴² The lack of capital, capital markets and other necessary financial institutions and difficulties concerning the determination of the values of the state enterprises and the political conflict would delay the process. It should be kept in

⁴¹ Blejer and Coricelli, *op. cit.*, p. 41.

⁴² *ibid.*, p. 71.

mind that it took ten years for Britain to privatise about twelve firms even though it had all the necessary institutional structures.⁴³

The IMF had an important role in influencing the design and formation of the Balcerowicz program. Balcerowicz acknowledges the importance of IMF role especially in giving credibility to the Polish economic program.⁴⁴ The IMF role is vital in cases where the level of foreign debt forms a constraint on macroeconomic stabilisation. The achievement of IMF conditionality, which is necessary for the seal of approval, is considered as a precondition for the required international assistance. IMF was used as a regulator and the IMF conditionality – which included the establishment of democratic free market economies after the Cold War – was the measure for organising Western assistance. The IMF as an institution was used by the West to pressurise and control Eastern European states and impose Western political objectives in the region. In the end, it is not possible for the IMF to act without the consent of its members, especially the most influential member, the US. In his criticisms against the neoliberal approach Peter Gowan points out that the goals of shock therapy were actually regime goals of the USA that would enable US penetration to “ensure that US power is strengthened in its dominance in the next century.”⁴⁵

Poland, as indicated above, was one of the many East European countries that was constrained by heavy external debt to the West and negotiating for a reduction in payments would constitute a crucial factor for the balance of payments. In that sense, Poland was the only East-Central European State that received international assistance

⁴³ Batt, *op. cit.*, p. 221.

⁴⁴ Blejer and Coricelli, *op. cit.*, p. 75.

⁴⁵ Peter Gowan, “Eastern Europe, Western Power and Neo-Liberalism,” *New Left Review*, Iss. 216, 1996, p. 137.

and debt relief during the initial phase of the transition process. International financial institutions were important sources of capital, especially at the initial stage of the program, for improving the efficiency of resource allocation, modernisation of infrastructure, the creation of a system of social security and environmental protection.

The Polish adjustment program was supported in March 1990 by a thirteen month IMF stand-by credit. The agreement provided Poland with World Bank credits of \$1.1 bn., European Investment Bank credits of \$85m, a stabilisation fund of \$1bn with contributions from western governments to support the convertibility of the Zloty. Furthermore, it was agreed in April 1991 to reschedule 50 per cent of Poland's \$33bn official debt to governments in an arrangement with the Paris Club, which would be implemented in two stages.⁴⁶ After tough negotiations, which had been deadlocked since 1992 when Poland failed to reach a final agreement with the IMF, reschedule of Poland's \$13bn debt to commercial banks (the London Club) was only achieved in March 1994.⁴⁷ Dealings with the London Club were important in showing the IMF conditionality as a prerequisite for any achievement with the West.

The initial outcome of the program was disappointing for many. Shock therapy was expected to achieve speedy adaptation and recovery, but failed. It brought a deeper recession than was envisaged. The only positive indication for 1990 was the surplus in the budgetary balance. In its 1992 *World Economic Outlook*, the IMF indicates that the macroeconomic policies implemented at the initial stage of the process could have been less restrictive, as the surpluses suggest.⁴⁸ Inflation was 250 per cent for 1990 but was

⁴⁶ Lavigne, *op. cit.*, p. 141.

⁴⁷ *Ibid.*

⁴⁸ Lavigne, *op.cit.*, p. 146.

taken under control after steep rises in January and February; industrial output recorded a sharp decline of 24.2 and 11.9 per cent in 1990 and 1991 respectively; real wages dropped by 24.4 per cent in 1990, which resulted in a fall in consumption; decrease in the GDP was 11.6 per cent in 1990 and 7.6 per cent in 1991.⁴⁹ However, Balcerowicz later declared that the decline in the official GDP figure was overestimated and the actual drop was between 5-10 per cent between 1990-91 because the contribution of the private sector was under-recorded.⁵⁰

Unemployment was estimated to be 6.1 per cent in 1990 and reached 11.9 per cent by the end of 1991. Unemployment was not considered to be extremely high in comparison to Western capitalist societies and evidence suggested that a large number of those who registered as unemployed had not been employed before. Lavigne points out that the unemployment that was generated was not very high considering the unexpected fall in production.⁵¹ This, accompanied by the low level of bankruptcies that were forecast indicate that the state owned enterprises adjusted to the deep recession mainly not by laying off workers but by continuing their activity at a “reduced pace and with a low productivity” and that the governments did not actually encourage bankruptcies for political reasons.⁵²

Balcerowicz states that the economic reform was successful and argues that the three most important aims of the program - halting hyperinflation, eliminating shortages and curing the low and falling efficiency - were all achieved.⁵³ He employs a similar

⁴⁹ *ibid.*, p. 260.

⁵⁰ Blejer and Coricelli, *op. cit.*, p. 112, Lavigne, *op. cit.*, p. 150.

⁵¹ Lavigne, *op. cit.*, p. 146.

⁵² *Ibid.*

⁵³ Blejer and Coricelli, *op. cit.*, p. 106.

argument for the drastic falls in output and real wages claiming that both figures were not as bad as they were announced to be, because the figures were artificially high during the communist period. However, it is not possible to prove or disprove this with the statistical tools available.⁵⁴

The above figures which represent in detail the IMF criteria for judging the economic success of a country and Balcerowicz's approach that consider his own program in the macroeconomic sense usually ignore the social dimension of the process of transition. The distribution of income was unjust creating winners and losers. The new entrepreneurs emerged as the main winners and the farmers and public sector workers as the main losers. Shortages were eliminated and there was a variety and quality of goods on the market but as a result of falling wages people did not have enough money to go shopping. Unemployment was seen as a blessing by the neoliberal experts and as an indication of improving structure of the economy. Although unemployment compensation and social assistance benefits were included in the social safety net that was maintained, the mechanism was far from being efficient.⁵⁵ The main contradiction concerning the policy choices to deal with the problem of unemployment was that while international financial institutions urged the Polish government to expect market forces to reduce unemployment in Poland, that was not the case in many of the members of the European Union, where orthodox economic policies that require state interventionism are employed.

Furthermore, the fall in the living standards gave way to serious problems of

⁵⁴ Lavigne, *op.cit.*, p. 150.

⁵⁵ Gerd Schwartz, "Social Impact of the Transition," in Poland: The Path to a Market Economy, *Occasional Paper 113*, IMF: Washington DC, October 1994, p. 85.

malnutrition and poverty. Malnutrition that was negligible before 1989 was 17.9 per cent in Poland according to UNICEF estimates.⁵⁶ Poverty (where the poverty line is estimated to be 40 per cent of the average wage in 1989⁵⁷) increased significantly in 1990. Estimates show the extent of poverty to be between 19 per cent to 40 per cent of the population according to different studies.⁵⁸ Workers in the state sector, who have been neutralised by the Solidarity leadership, have suffered the most in 1990 with at least 50 per cent of children whereas this was less than 28 per cent in 1989.⁵⁹

The Polish economy was expected to recover and rebound rapidly as the recession bottomed out. Instead of rebounding, the decline in the economic activity continued well into 1991. The impact of dismantling the institutions of central planning and the ease of replacing them with those of a market economy were optimistic and more destructive than anticipated. Therefore, despite the vast amount of support enjoyed by the Mazowiecki government at the beginning that was mainly a reflection of the Solidarity umbrella, as the social costs of the Balcerowicz plan began to bite dissatisfaction grew quickly. As a result of mounting political pressure because of the war at the top and in the light of the higher than expected surplus, government spending was increased to ease the social costs of the transition. The issue of economic policy became the most important issue of debate during the campaign for the presidential elections of December 1990.

⁵⁶ Gowan, "Neoliberal Theory...", p. 22.

⁵⁷ Ibid.

⁵⁸ For more detailed information on the issue of poverty and the different studies concerned see Schwartz, op. cit., pp. 84-87.

⁵⁹ Ibid., p. 85.

3.3 The Progress of the Economic Transition

Walesa urged an acceleration of structural reforms toward an efficient economic system determined to minimise the social costs. He campaigned for a 'radical change' by accelerating the privatisation. The government was criticised for delaying the institutional reform, which would lead a way out of recession and this could be overcome by starting the privatisation process with small enterprises. This was hoped to bring "a correction to and bringing to life of the Balcerowicz program and not its rejection."⁶⁰

Walesa did not actually have an outlined strategy. When he won the presidential elections he nominated the Liberal Democratic Congress member Bielecki as Prime Minister. Balcerowicz was maintained as the Finance Minister as there was little option at the time if Poland opted for reduction in its debt repayments. The necessity to combat inflation and keep international trust for any debt relief was highlighted at the Solidarity congress on 24 February 1991 in Bielecki's address.⁶¹ The support allowed Balcerowicz to retighten his economic policy again that was relaxed in the second half of 1990.

The fragmentation within Solidarity affected the economic policy in 1991. Although the government signed a debt reduction bill with the Paris Club and received a three-year adjustment loan of \$1.6bn from the IMF, Poland's failure to meet the IMF criteria resulted in the suspension of the loan in autumn. In 1991 the budgetary situation turned out to be much worse than expected and "the necessary adjustments became

⁶⁰ Myant, *op.cit.*, p. 130.

⁶¹ *Ibid.*, p. 133.

politically untenable.”⁶² Two important factors were effective in the deterioration of the budget deficit. One was the collapse of the Comecon trading arrangements and the other, the traditional revenue base of the budget. The budget was dependent on the taxation of state enterprises and the anticipated revenues declined as the financial base of the state enterprises collapsed. The government failed to address this issue and find alternative sources of revenue by introducing a personal income tax and a value added tax. On the other hand, government spending on social insurance, and pensions turned out to be higher than the limits set, due to the rise in unemployment and the increase in the number of people retiring because it was much better to collect a pension than unemployment benefit.⁶³

Throughout 1991 the growing political competition for the parliamentary elections and the minority status of the Bielecki government made things difficult and the government came under pressure from different segments of the opposition. Privatisation was high on the agenda and several methods were debated, however not many steps were possible. Political uncertainty became a severe obstacle blocking the possible reforms.

The elections took place on 27 October 1991. The existence of twenty-nine parties in the parliament signalled a period of even greater political uncertainty and instability. Following the elections, the question of the scope and pace of reform became the most debated issue among the Polish leadership. The newly appointed Olszewski government was particularly critical of the Balcerowicz program, which they associated

⁶² Simon Johnson and Marzena Kowalska, “Poland: The Political Economy of Shock Therapy,” in Voting for Reform: Democracy, Political Liberalization and Economic Adjustment, Edited by Stephan Haggard and Steven B. Webb (Oxford University Press: Oxford, 1994), p. 222.

⁶³ Ibid., p. 225.

with faster privatisation, tough anti-inflationary monetary policy and fiscal austerity. The Olszewski government guaranteed prices for farmers, and intended to provide more financial support and low interest loans for state owned enterprises as an alternative to privatisation.⁶⁴ However, because of the IMF pressure to cut government spending for the social net that aimed to reduce budget deficit, and the constraints of the newly signed Europe agreements, Olszewski had to abandon his policy of relaxation.

The Europe agreements, signed in December 1991, established a new relationship between Poland and the EC, the most important external actor, involving co-operation in areas of politics, trade, finance and culture, which provided opportunities but also constraints. The agreement was particularly important in implying that "Poland was on the right economic track and, without imposing explicit constraints on economic policy, did express the expectations of Poland's western partners. This had the important effect of determining what policies were seen as reasonable and responsible within Poland."⁶⁵

Amid political conflict over the economic policy and decommunisation, the Olszewski government collapsed and Hanna Suchocka of the Democratic Union took office as the new Prime Minister in July 1992. The Suchocka government was a seven party coalition, which brought the entire Solidarity group under one umbrella. The choice to bring Jacek Kuron into the cabinet as the Minister of Labour and the government's statement raised hopes for a 'social market' policy based on compromise between trade unions, farmers and employers, and concerned with social issues and state

⁶⁴ Minton F. Goldman, Revolution and Change in Central and Eastern Europe: Political, Economic and Social Challenges, (M. E. Sharpe: London, 1997), p. 243.

⁶⁵ Johnson and Kowalska, op.cit., p. 231.

intervention if necessary.⁶⁶

It was clear that no government could expect the level of support that was enjoyed by the Mazowiecki government in its early days. Despite limited room for manoeuvre for the government, industrial output increased by 3.9 per cent⁶⁷ - Poland was the only transition country that recorded an increase in output – the booming private sector accounted for 58.5 per cent of the total employment⁶⁸, real wages rose, inflation was slowing down (43 per cent) and the IMF agreed to release \$700m in November 1992.⁶⁹ Although, the Polish economy showed signs of recovery in 1992, political unrest and the demands of social groups, especially trade unions intensified.

In the first half of 1993 the Suchocka government won approval for a tough budget that limited social spending (February) and a mass privatisation program, which covered 600 firms (April). The reasoning for tight monetary policy was again the Western conditionality for assistance. The IMF support was won back after the failed Extended Fund Facility (EFF) program of 1992 and a new stand-by agreement was signed after the approval of the budget. That was significant in relations with the IMF as the failure of the 1992 EFF program forced the IMF to acknowledge the constraints Poland faced and ease the performance criteria. Poland's strategic and symbolic importance was important in bringing about this result.

Yet, unemployment was still rising and the improvement and positive recovery of the economy failed to affect the public in general. Political pressure mounted towards

⁶⁶ Myant, *op.cit.*, pp. 255-256.

⁶⁷ *Country Profile: Poland 1994-1995*, Economist Intelligence Unit: London, 1994, p. 23.

⁶⁸ *Ibid.*, p. 15.

⁶⁹ Goldman, *op.cit.*, p. 244.

May 1993. Suchocka failed to meet the pay rises that were demanded by the striking health workers and teachers, to increase pensions and to protect the farmers from subsidised agricultural imports from the EU and the EU's barriers against Polish products. The Solidarity deputies blamed the government for ignoring the most vulnerable groups and filed a no confidence vote that the Suchocka government failed to survive and resigned. Walesa dissolved the parliament and declared parliamentary elections to be held in September 1993. He believed that Poland needed a strong government to "move the country away from the socialist order."⁷⁰

The overwhelming majority of the Polish people supported the economic shock therapy leading to a democratic free-market economy "in the expectation of an overnight improvement in living conditions".⁷¹ The Balcerowicz programme envisaged a rapid transition to a democratic free market economy in order to avoid public discussion, political conflicts, to limit costs and to ensure the transition was irreversible. External support from multilateral institutions was particularly important in the initial phase of the transition process.

The strategy was based solely on economic thinking alone and economic ideas from the standard IMF stabilisation packages and neoliberal thinking, completely ignoring the social aspects of the transition. Pressures for state involvement and for recognition of the social aspect of transition process were considered as constraints slowing the pace of reform. Furthermore, the Balcerowicz team made serious technical errors and failed to address some structural problems at the beginning of the transition

⁷⁰ Ibid., p. 245.

⁷¹ Ibid.

when the government had enjoyed widespread support from the Polish people. The policy of rapid trade liberalisation and internal currency convertibility was far from encouraging the expected restructuring and left the economy vulnerable to imports' severe competition, especially subsidised agricultural imports from the EU in the case of agriculture. The policies limited the government's ability to hold back imports of high quality consumer goods only to means of devaluation or domestic demand restraints and led to a deeper recession. The Polish case was particularly important in showing that transition from socialism to capitalism, no matter how radical the program of change was, would not be as easy and quick as it was anticipated, but would take years.

The post-communist parties won a strong majority in the parliamentary elections in September. This was the high cost of IMF backed austerity programs, which showed the dissatisfaction of the Polish voters. The Democratic Left Alliance (SLD) and the Polish Peasant Party (PSL) supported economic relaxation and favoured to slow down the pace of the reform toward democratic capitalism. They made promises during the campaign to increase government spending to benefit the dissatisfied social groups. The SLD pledged to raise pensions; increase wages for teachers, health-care workers and other state sector employees; reduce taxes on state firms and forgive their debts; provide greater assistance to the unemployed; and forego planned increases in value added tax and energy price hikes.⁷² The PSL had a wider agenda promising increased subsidies, cheaper credit and protection against imported agricultural products, especially from the EU.⁷³

⁷² Louisa Vinton, "Poland's New Government: Continuity or Reversal?" RFE/RL Research Report, Vol. 2, No. 46, 19 November 1993, p. 2.

⁷³ Ibid.

The most important issue right after the elections was whether the post-communist government was to pursue a policy of continuity or reversal despite the institutional safeguards such as the National Bank of Poland, which controlled the money supply and was independent of the government, and the IMF support that was essential for debt relief. The PSL leader Pawlak succeeded Suchocka as Prime Minister. He stressed his government's commitment to continuity in economic policy. But Pawlak was inclined toward relaxation, which aimed to slow the economic transition to an orderly pace and to distribute the benefits of the reform more equally.

The more western oriented and the more liberal of the two post-communist parties, the SLD, held the key economic positions with its members who favoured privatisation and continued movement toward a free-market economy. The coalition came forward with a budget that limited social spending despite their populist pledges before the elections. However, the budget provided for increases in benefits for the most ignored and vulnerable groups of the transition, particularly pensioners and the unemployed, on the condition of higher revenue turnout reflecting the struggle of Polish governments since Olszewski in an aim to strike a balance between austerity and relaxation, of IMF advice and demand of the social groups. The IMF approval for the budget led to the release of a \$500m stand-by credit, which also led to the release of the second stage of the deal with the Paris Club and the restructuring with the commercial banks that reduced the amount of indebtedness.

The Pawlak government delayed the mass privatisation program, one of the most important economic policy issues pressed by the West, arguing that the program needed review, that more information on the financial conditions of the firms involved should be obtained and that Polish management companies should have a bigger share in the

program.⁷⁴ Two groups of firms were already approved by the outgoing Prime Minister Suchocka and only his signature for the third group of 105 firms was needed to start of the mass privatisation of 415 state owned enterprises. He signed the program in October 1994 even though it was presented in May, under pressure from the IMF and the World Bank.⁷⁵

During the period of Pawlak government economic policy was clearly based on an agrarian agenda. Pawlak set minimum prices for dairy and grain products, introduced high tariffs on imported food, subsidised for certain farmers and set a compensatory price mechanism to equalise imported and domestic farm prices.⁷⁶ These protectionist measures combined with the drought led to higher prices for agricultural products - prices for potatoes, fruits and vegetables rose by 170 per cent, 131 per cent and 58 per cent respectively in 1994 - accounted for much of the inflation in 1994.⁷⁷ Furthermore, the PSL was oriented toward protecting strategically important agricultural sectors such as tobacco, sugar and alcohol by preventing the sale of tobacco plants and setting holdings to defend domestic sugar producers.⁷⁸

With the Europe Agreements coming into force in February 1994 and application for membership on 8 April 1994, the Ministry of Finance under Grzegorz Kolodko of the SLD drafted a 'Strategy for Poland' that offered a relatively constant economic policy framework for the SLD-PSL government with the aim of preparing Poland for the EU membership. While the strategy stressed the need for maintaining macroeconomic

⁷⁴ Louisa Vinton, "Velvet Restoration", *Transition*, Vol. 1, No. 1, January 1995, p. 46.

⁷⁵ *ibid.*, p. 47.

⁷⁶ Ben Slay, "Economic Recovery Falters," *Transition*, 11 August 1995, p. 14.

⁷⁷ *ibid.*, p. 14. Vinton, January 1995, *op. cit.*, p. 47.

⁷⁸ Vinton, January 1995, *op. cit.*, p. 47.

stability, it aimed to increase savings and investment over consumption to realise a 22 per cent GDP growth by the end of 1997.⁷⁹ Even though the macroeconomic assumptions were consistent with those of the previous governments, there was a departure to favour and enable worst affected groups - small farmers, state sector workers and employees - by distributing the benefits more equally.

The SLD-PSL coalition had policy differences and their relations were not smooth and coherent as was expected, but they lasted their full term of four years. They were viewed with suspicion after their pledged populist claims - as seen by the neoliberals - and their economic policy was often destabilised and undermined by President Walesa before he lost the Presidential elections against SLD's Kwasniewski.

Nevertheless, the recovery of the Polish economy continued as a result of the tendencies of the governments that tried to make corrections to the Balcerowicz programme. Industrial production continued to rise, as did the GDP. The steadily growing private sector remained the main driving factor in economic growth. By mid-1990s Poland became the first and only country to restore output to the level of 1989.⁸⁰ Increasing exports and investments became the main factors in economic growth rather than consumption. The budget deficit was below the target level and inflation was falling. Another important feature of the recovery was the fall in unemployment after it reached a peak in 1993. The IMF continued to provide support and the Polish economy was one of the strongest performing economies in the East-Central European region. Membership into the Organisation for Co-operation and Development in 1996

⁷⁹ *ibid.*, p. 47.

⁸⁰ George Blazyca, "The Politics of Economic Transformation," in Developments in Central and East European Politics 2, Edited by Stephen White, Judy Batt, Paul G. Lewis (Macmillan: London, 1998), p. 208.

exacerbated Poland's economic position. In addition trade with the West, especially the EU, had improved sharply and membership of the EU became the sole important factor in determining long-term policy objectives.



CHAPTER 4

'RETURN TO EUROPE': POLAND'S ACCESSION INTO THE EU

Since the beginning of political and economic change in 1989, Poland's foreign policy priorities¹ have been shaped to ensure external security and internal political, economic and social stability, which intended to strengthen its position in the international community. In this sense, integration with the European Union - together with NATO - forms one of the strategic aims of Polish diplomacy, both influencing and shaping the transition to a democratic free-market economy.² With the start of the accession talks on 31 March 1998 Polish-EU relations have gained a new momentum.

The EC had very limited relations with the Comecon states before the Cold War. A trade agreement with Romania was the only exception. Establishment of official relations with the Comecon countries was possible after the joint declaration of the EC and Comecon in June 1988. A substantial relationship between Poland and the European Communities³ (EC) was established in December 1989 with the conclusion of a trade and co-operation agreement.

¹ For detailed information on Poland's foreign policy priorities see Grazyna Bernatowicz, "The Priorities of Poland's Foreign Policy", <http://www.msz.gov.pl/english/polzagr/priorities.html>

² See National Strategy for Integration, Committee for European Integration, Warsaw, January 1997 in *Yearbook of Polish European Studies*, Warsaw University Centre for Europe, Vol. 1, 1997, p. 182.

³ The European Communities refer to the period before 1 November 1993, when the European Union was established with the implementation of the Maastricht Treaty.

Until the mid-1980s, the USSR under Brezhnev refused to recognise the EC officially. The EC was not accepted as an entity in line with the Leninist ideology, which argued that co-operation among the capitalist states was not desirable.⁴ First diplomatic contacts between the EC and Comecon began only in 1986 after Gorbachev came to power in the USSR.

However, with the collapse of the communist party rule, the agreements were no longer applicable and necessitated a new policy approach toward Central and Eastern Europe. The events took the EC by surprise, which did not have a well-developed coherent strategy concerning an initial reaction to the collapse of communism. However, it was soon formulated, at least in rhetoric, that the aim of the EC would be 'to accomplish the 'unity of the continent' by supporting the former communist countries' 'return to Europe''.⁵ In July 1989, the G24 (OECD) countries charged the European Commission with the task of co-ordinating aid to Central and Eastern Europe. Consequently, the EC set up the PHARE⁶ programme that was designed to support the reform programs and transition to a market economy in Poland and Hungary by financing or participating in the financing of projects aimed at economic restructuring. The programme was extended to other Eastern European countries in the following years. The PHARE programme, Generalised System of Preferences treatment, the G24 aid for balance of payments stabilisation measure formed the basis of the initial assistance to the Central and Eastern European countries (CEECs).

⁴ Werner Ungerer, "The Development of the EC and its Relationship to Central and Eastern Europe," Aussenpolitik III, 1990, p. 228.

⁵ Heinz Kramer, "The European Community's Response to the 'New Eastern Europe'", Journal of Common Market Studies, Vol. 31, No. 2, June 1993, p. 214.

⁶ The French acronym for Poland and Hungary Assistance to Economic Restructuring

4.1 Towards a EU Strategy For Enlargement: The Case of Poland

It soon became clear that this approach fell short of the expectations of the CEECs. There were disappointments among the East European states concerning the restrictions on trade and the level of financial assistance. In addition, an estimated 75 per cent of the PHARE assistance went to the Western consultants rather than the CEECs themselves.⁷ The need for a more broadly based political and economic response came with the conclusion of Europe Agreements (EAs) on 16 December 1991. The Interim Agreements concerning the trade liberalisation measures of the EAs came into force in March 1992, while the EAs came into force in February 1994 because of the delays in the ratification of the agreements.⁸

The EAs aimed to create a free trade area for industrial goods within a period of ten years from their entry into force. Although the four freedoms of trade, capital, labour and services are mentioned, the agreements fail to provide an approach embracing them all, which created some resentment in the CEECs.⁹ Yet, the free movement of capital, labour and services remain important issues of the negotiation process.

Trade barriers were to be removed on an asymmetrical basis with the EC removing tariffs, quotas and other restrictions much faster than the CEECs. This was considered to benefit the associated countries. However, agricultural trade was excluded and several reservations and restrictions were imposed on the 'sensitive'

⁷ Jan Zielinka, "Paradoxes of European Foreign Policy. Policies Without Strategy: the EU's Record in Eastern Europe" Yearbook of Polish European Studies, Warsaw University Centre for Europe, Vol. 2, 1998, p. 30.

⁸ The Europe Agreements are 'mixed agreements' that have provisions, which go beyond traditional trade agreements, and therefore had to be ratified by all member states and the European Parliament.

⁹ Renata Stawarska, "Economics of the EU Enlargement: the Positive Case," Yearbook of Polish European Studies, Warsaw University Centre for Europe, Vol. 2, 1998, p. 137.

goods such as steel, chemicals and textiles. Agriculture and 'sensitive' goods constituted approximately 50 per cent of total Polish exports to the EC.¹⁰ The protectionism and the built-in mechanisms of anti-dumping measures and safeguards employed by the EC were contrary to the claims of liberalism, prevented equality,¹¹ and reflected self-interest on the part of the EU. The CEECs certainly lacked such contingent protection mechanisms.¹² In addition, the production structure within the CEECs was not favourable with respect to the Europe Agreements.¹³ Protectionism by the EC was applied to the most competitive sectors of the CEECs, which, according to the theory of international trade, would have generated an export-led growth with free access to the EC market.¹⁴

Another limitation was the bilateralism of the Europe Agreements. At a more specific level, the agreements created problems for rules of origin and cumulation of local content between the Visegrad countries, therefore discouraging intra-CEE trade as a result of lower tariffs on imports from the EC/EU. This endangered enhanced intra-regional co-operation between the Central European Free Trade Area (CEFTA) countries and provided a "margin of preference for EU investors."¹⁵

¹⁰ Ibid., p. 139.

¹¹ Ibid.

¹² Peter Gowan, "Neoliberal Theory and Practice for Eastern Europe," New Left Review, Iss. 213, 1995, p. 26.

¹³ For a thorough discussion on the economic structure and reorientation of the CEECs see Zdzislaw W. Puslecki, "Economic Reorientations of Central and Eastern European Countries in the nineties," in Transformation und Integration Ost-Mitteuropas, Edited by K. Glass/Z. Puslecki (Osterreichische Gesellschaft Fur Mitteleuropaische Studien: Wien, Humaniora, Fundacja dla humanistyki: Poznan, 1999), p. 93.

¹⁴ Christopher Preston, Enlargement and Integration in the European Union, (Routledge: London, 1997), p. 199. Puslecki points out to the attitudes of especially the Mediterranean members of the EC, including France, that put a reserve on liberalising these sectors, see, Puslecki, op.cit., p. 93.

¹⁵ Stawarska, op.cit., p. 139.

Despite the limitations of the association agreements, there has been a significant increase in trade between the CEECs and the EU.¹⁶ The free movement of industrial goods came into effect as early as 1998; however, restrictions on cars on both sides will be lifted completely by 2002. Stawarska points out that Polish export structure which constitutes mainly raw materials, semi-processed products and low value added goods, leaves the “Polish economy more vulnerable to the business cycle of EU importers (mainly German).”¹⁷

There are still resentments concerning EU protectionism in general and particularly in agriculture. Polish farmers have protested from time to time claiming that “EU goods are supported with internal financing and export subsidies,” therefore leading to unfair competition in agricultural trade.¹⁸ In Poland and the Czech Republic, the two countries that had major trade disputes with the EU, the trade deficits form the basis of the arguments against EU protectionism.

Furthermore, the EAs strictly limited the CEE choices for dealing with their balance-of-payments problems. In Poland, it is perceived that the Polish economy was “forced into premature openness and liberalisation, while being subjected to the overly strict requirements imposed upon them in compliance with Western norms and standards.”¹⁹ Agriculture and contingent protectionism form the major area of disputes that are going to be difficult negotiation points for accession.

For Poland, like other CEECs, the Europe Agreements were an important step for accession into the EU. However, the EC was cautious and refused to include a statement in the agreements committing itself to enlargement. Despite this, the EAs

¹⁶ Heather Grabbe and Kirsty Hughes, Enlarging the EU Eastwards, (The Royal Institute of International Affairs: London, 1998), p. 12.

¹⁷ Stawarska, op.cit., p. 138.

¹⁸ Ibid.

¹⁹ Ibid., p. 135.

“extended beyond the scope of traditional association agreements in making provisions for political and cultural dialogue, and co-operation.”²⁰ Alan Mayhew points out that, with the extension of the EAs to Romania and Bulgaria in February 1993, the EAs “lost their very special meaning and became important but standard agreements with the Union’s partners in Central and Eastern Europe,” removing the possibility of immediate enlargement.²¹

The EAs were conditional on the continuation of political and economic reforms. Indeed, they form the legal basis of relations between the EU and the CEECs. They obliged the CEECs to align and approximate their economic laws to EC law and to introduce the *acquis communautaire*, gradually integrating them into the single market. The competition law and the state aid rules were given priority to be implemented with the protection of intellectual, industrial and commercial property. Indeed, Poland initiated the adjustment of its domestic law to the requirements of the EC law with the decision of the Economic Committee of the Council of Ministers in September 1990.²²

The Europe Agreements established a political dialogue between the EC and the CEECs where a wide range of issues of common interest in areas of foreign policy, security, international crime and the environment could be discussed. In this respect, three institutions were formed – the Association Council, the Association Committee and the Parliamentary Association Committee – to supervise and assess the transition process and the implementation of the agreements. The political

²⁰ Preston, *op.cit.*, p. 198.

²¹ Alan Mayhew, “The European Union’s Policy Toward Central Europe: Design or Drift?” in The European Union in the World Community, Edited by Carolyn Rhodes (Lynne Rienner: London, 1998), p.114.

²² Eugeniusz Piontek, “Central and Eastern European Countries in Preparation for Membership in the European Union – a Polish Perspective,” Yearbook of Polish European Studies, Warsaw University Centre for Europe, Vol. 1, 1997, p. 77.

dialogue developed rather slowly and only informal meetings took place before the full agreements were implemented, which “were confined to exchanges of information with little opportunity for the CEECs to negotiate seriously.”²³

The opening of the negotiation processes with the European Free Trade Area (EFTA) members in February 1993 and the pressure from the CEECs, especially the Visegrad four in the Copenhagen Declaration of April 1993 expressing their desire to be full members, forced the EU to set the basic conditions to be met for membership. In this respect, the June 1993 Copenhagen European Council was a turning point for the relationship between the EU and the associated countries. The EU opened the way for the eastern enlargement by declaring that “the associated countries in Central and Eastern Europe that so desire shall become members of the European Union” as soon as the “associated country is able to assume the obligations of membership by satisfying the economic and political conditions required.”²⁴

The Council also put forward specific political and economic criteria whereby the associated countries had to meet for accession. The criteria declared that:

Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership presupposes the candidate’s ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union.²⁵

The Copenhagen Council was important in acknowledging a shift in the EU policy toward Central and Eastern Europe. Now, it was not a question of ‘if’ but ‘when’ the EU would enlarge to include the CEECs. However, the EU was reluctant

²³ Preston, *op.cit.*, p. 200.

²⁴ Council of the European Union, Presidency Conclusions: Copenhagen European Council, Brussels, 1993.

²⁵ Ibid.

to spell out a timetable. This was the first time that the EU imposed specific conditions to be met by the aspiring countries. The reluctance of enlargement could be read in between the lines: “The Union’s capacity to absorb new members, while maintaining the momentum of the European integration, is also an important consideration in the general interest of both the Union and the candidate countries.”²⁶

While providing specific conditions the EU reaffirmed its classical method of enlargement.²⁷ Inotai, on the other hand, points out that the prerequisites put forward by the EU was to affect the start of the negotiations and “the very chances of joining” unlike the previous enlargements, where the conditions set only affected the chances of accession.²⁸ He further argues that the Copenhagen criteria indicate a shift in putting “the emphasis of future enlargements from political to economic merits.”²⁹ The EU reported the improvements in the CEECs mainly in technical economic or financial terms and there was continuing pressure for economic reforms and privatisation in the CEECs parallel to the packages imposed on them by the IMF.

This shift in policy emphasis reflected the changing international context as well. The Mediterranean enlargements of the EU proceeded under continuing pressure of bipolar European system, which disappeared with the collapse of communism. However, enlargement to Eastern Europe was not an immediate concern for the EU. Hans van den Broek confirmed this in his address at the EU-Slovakia Joint Parliamentary Committee in 1996 by stating that “No Candidate for

²⁶ Ibid.

²⁷ Preston, op.cit., p. 201.

²⁸ Andras Inotai, “The CEECs: From the Association Agreements to Full Membership?” in The Expanding European Union – Past, Present, Future, Edited by John Redmond and Glenda G. Rosenthal (Lynne Rienner Publisher: Boulder, London, 1998), p. 159.

²⁹ Ibid.

membership of the European Union can assume that enlargement will go ahead anyway for broadly political reasons.”³⁰

The Copenhagen European Council “provided a framework for the development of future policy... by explicitly linking the Europe Agreements with the expectation of EU membership.”³¹ Another important decision was to shift the use of PHARE assistance to support the development of infrastructure, which was rather necessary for investment support in the CEECs. The Union’s political concessions were significant, but it failed to provide a positive attitude on trade issues and particularly on agriculture. The continued attachment to protectionism created resentments in the CEECs, particularly in Poland and Hungary where minor trade disputes for the EU were making the headline news and were considered as the main response of the EU to the needs of these countries.³² Mayhew indicates that the EU attitude on trade issues point to powerful protectionist forces within it that are against accession.³³

Besides providing a set of measures to be met by the associates during the transition process, the Copenhagen European Council prepared the ground for the establishment of a multilateral dialogue with the CEECs and the need for reforming the EU itself before the enlargement. Inotai points out that the restructuring of the EU’s institutional and policy matters were not only necessary for its enlargement but

³⁰ Jacek Saryusz-Wolski, “Towards a Single Perspective. Economics and Politics of Eastern Enlargement,” in Enlarging the European Union Relations Between the EU and Central and Eastern Europe, Edited by Marc Maresceau (Longman: London, 1997), p. 277.

³¹ Jackie Gower, “EU Policy to Central and Eastern Europe,” in Back to Europe: Central and Eastern Europe and the European Union, Edited by Karen Henderson (UCL Press: London, 1999), p. 8.

³² Mayhew, op.cit., p. 116-117.

³³ Ibid., p. 118.

also a precondition for its survival and adaptation to the new global needs.³⁴ These issues were to be taken on in the proceeding European summits.

The Essen European Council was important in formulating a pre-accession strategy for the associated countries to follow in their preparation for membership. The Europe Agreements, the PHARE programme, the 'structured relations' and the White Paper on integration into the internal market were to form the basis of the 'pre-accession strategy'.

The structured relationship - now called the structured dialogue - represented a move from bilateralism to multilateralism in EU policy toward Central and Eastern Europe, acknowledging the inefficiency of the political dialogue. The structured dialogue aimed to involve the CEECs in the various activities of the EU by holding regular multilateral meetings at the heads of government and ministerial levels. It aimed to provide a forum for discussion of issues of common concern such as agriculture, transport, economics, justice and home affairs, etc.

The structured dialogue has mainly been ineffective because of the diverse views and needs of the associates. Especially the Visegrad countries were ahead of other Central and East European countries in pursuing political and economic reforms and believed that the structured dialogue was far from addressing their need for more precise measures.³⁵ The meetings under the structured dialogue lacked the legislative capacity but they had an important symbolic and psychological significance.³⁶

³⁴ Inotai, *op.cit.*, p. 160.

³⁵ Michael Alexander Rupp, "The Pre-accession Strategy and the Governmental Structures of the Visegrad Countries," in *Back to Europe: Central and Eastern Europe and the European Union*, Edited by Karen Henderson (UCL Press: London, 1999), p. 94.

³⁶ Marc Maresceau (ed.), *Enlarging the European Union: Relations Between the EU and Central and Eastern Europe*, (Longman: London, 1997), p. 10.

The pre-accession strategy centred around the adoption of the Internal Market acquis by the candidate countries. The Cannes European Council endorsed the White Paper³⁷ in June 1995, which comprised the key guidelines necessary for the associated countries, to facilitate their adaptation to the internal market. It provided for a conceptual framework defining the relevant internal market acquis for the approximation of legislation in the CEECs, which included a detailed list of legislation and policies in various sectors. The White Paper also put forward a sequencing of the legislative programme, leaving it to the associated countries to work out a timetable for approximation.

The White Paper also stressed the need for the administrative and technical structures to regulate, implement and enforce the legislation effectively. In this respect, the PHARE programme was further enhanced and adjusted to meet the requirements of EU technical assistance. Preston points out that the White Paper “reflected the importance given to the market mechanism in the transition process in order to bring the associates to the accession threshold.”³⁸

While pointing to the obvious complexity of the process of integration for the CEECs, the White Paper was considered as unsatisfactory in Poland. It was felt that the Paper presented the associated countries with conditions to follow in fields such as the social and environmental standards, which were tougher than the members of the EU had to comply with.³⁹ The White Paper followed the classical method of

³⁷ White Paper: Preparation of the Associated Countries of Central and Eastern Europe for Integration into the Internal Market of the Union, Commission of the European Communities, 1995, COM (95) 163 final.

³⁸ Preston, *op.cit.*, p.203.

³⁹ Elzbieta Kawecka-Wyrzykowska, “Effects of the Europe Agreement on Polish Economy and Pre-accession Challenges,” Yearbook of Polish European Studies, Warsaw University Centre for Europe, Vol. 1, 1997, p. 131.

enlargement “by making future accession exclusively dependent on the ability of the associated countries and not on mutual adjustments.”⁴⁰

The Paper was translated into the national languages of the candidate countries and was important in constituting “a valuable aid to governments and parliaments in their work on the approximation of legal systems.”⁴¹ However, there was no indication of specific targets, which would make it possible to judge the progress of the associated countries. The Paper was seen as “a road map without kilometre marks,”⁴² which provided the CEECs with little additional incentive to undertake the “potentially painful reform of their regulatory regimes”⁴³ without a definite commitment to enlargement from the EU concerning the timing of accession. For Poland, a clear timetable was necessary to help “mobilise the necessary social efforts and encourage people to work harder. Lack of decision on the part of the EU makes the whole process of Poland’s integration into the EU slower and the EU position less credible.”⁴⁴

It was at the Madrid European Council in December 1995 that the European Union scheduled to begin the initial stage of negotiations with the CEECs after the conclusion of the 1996 Intergovernmental Conference (IGC). This was expected to take place by mid-1998. In addition, the Council asked the European Commission to prepare opinions on the candidate countries’ progress toward accession. The responses to the questionnaire prepared by the Commission for the candidate countries would form the basis of the Commission avis for each country. This policy initiative was important in indicating a change in EU policy toward Central and

⁴⁰ Inotai, *op.cit.*, p. 161.

⁴¹ Stawarska, *op.cit.*, p. 140.

⁴² Preston, *op.cit.*, p. 203.

⁴³ Kawecka-Wyrzykowska, *op.cit.*, p. 131.

⁴⁴ *Ibid.*, p. 132.

Eastern Europe. The criteria set by the European Council in Copenhagen, and the pre-accession strategy and the White Paper were all unilateral steps on the part of the EU. The questionnaire presented to the candidate countries indicated a change, where each party had to take the others' views and problems into account, while working the steps together.⁴⁵

The IGC started under the Italian presidency in the first half of 1996 with its main objective being to reform the institutions and the decision-making process of the Union, in the light of the next enlargement. The questionnaire concerning the opinions of the Commission was also sent to the candidate countries.

The outcome of the IGC was important concerning the eastern enlargement for both the timing and the extent of reforms considered necessary for the enlargement process to begin. The Amsterdam European Council concluded the work of the IGC in June 1997 opening the way for the Council to deal with the applications. The final Treaty of Amsterdam was signed in October 1997.

However, the institutional reforms introduced at the Amsterdam European Council were very modest and the most important issues were left to be solved at a later date. The *Economist* stressed that "by putting off the toughest issues, Europe's summits managed to adopt a new treaty – but one that still leaves the Union ill-prepared for its eastward enlargement."⁴⁶ Despite this, the Commission is of the opinion that the first wave of eastward enlargement can proceed but another intergovernmental conference was deemed necessary before the membership of the

⁴⁵ Piontek, *op.cit.*, p. 74.

⁴⁶ Quoted in Stawarska, *op.cit.*, p. 141. See also "Mountains Still to Climb," *The Economist*, 21.06.1997, p. 27

EU exceeds twenty “in order to carry out a comprehensive review... on the composition and functioning of the institutions.”⁴⁷

After the completion of the IGC in June, the Commission published its document, ‘Agenda 2000,’⁴⁸ concerning the future development of the EU. The Agenda comprised Commission’s assessment of a whole range issues including enlargement, the reform of the Common Agricultural Policy (CAP) and structural policies, the new financial framework for 2000-2006 and the Commission’s opinion on the CEE applicants. Mayhew points out that Agenda 2000 is a strategy prepared “in a very professional way” outlining the principles and measures that both the EU and the applicant countries have to deal with.⁴⁹

The European Council at Luxembourg in December 1997 issued the most awaited invitations for the start of negotiations. Poland, alongside the Czech Republic, Hungary, Slovenia and Estonia together with Cyprus began the negotiation process for membership on 31 March 1998. The pre-accession strategy was to be reinforced to mobilise various forms of EU assistance to help the applicant countries approximate their laws to the *acquis*. The Accession Partnerships were going to be the new legal instruments providing a framework that put forward the priority areas for further work identified in the Commission’s opinion, with the applicants setting up national programmes and timetables to adopt the *acquis*.

With the negotiation process well under way and expectations in Poland to join by the end of 2002, the uncertainties of the EU’s enlargement strategy seem to have clarified to a certain extent. Since the first enlargement of the EU, the method

⁴⁷ Protocol on the Institutions with the Prospect of Enlargement of the European Union, Treaty of Amsterdam, Office for the Official Publications of the European Communities, Luxembourg, 1997.

⁴⁸ Agenda 2000: For a Stronger and Wider Union, Commission of the European Communities, COM (97) 2000 final, Brussels, 15.07.1997.

⁴⁹ Mayhew, op.cit., p. 122.

of admission has always been to place the onus of responsibility on the applicants to adjust to the rules of the 'club.' So far, this has been the case with the Central and Eastern aspirants of the EU as well. The applicant states are expected to adopt the full *acquis*, as it exists at the time of entry despite the fact that the level of EU integration is much higher than ever before. However, the EU recognises that transitional periods will be needed in areas such as agriculture and free movement of persons, but expects them to be limited in scope and duration.

It may be stated that EU policy toward Central and Eastern Europe has been consistent, comprehensive and relatively clear. However, it has been "reactive rather than pro-active, vulnerable to accidental and parochial pressures, guided by short-term rather than long-term considerations, and lacking in sound institutional reform."⁵⁰ Maximum liberalisation was essential from the EU point of view "to the East European economies because otherwise they would collapse under the impact of superior foreign competition."⁵¹

The Europe Agreement laid out the legal basis of relations between the EU and Poland. It was an important step speeding up the reintegration of Poland into Western economic and political system. Paradoxically, it weakened the Polish bargaining position.⁵² The Copenhagen European Council listed the objectives that had to be met for accession. However, the objectives were rather general in content. The Essen European Council designed the pre-accession strategy, which was enforced by the White Paper at the Cannes European Council outlining a framework for the adoption of the Internal Market *acquis*. The pre-accession strategy and the

⁵⁰ Zielonka, *op.cit.*, p. 42.

⁵¹ Frances Millard, "Polish Domestic Politics and Accession to the European Union," in Back to Europe: Central and Eastern Europe and the European Union, Edited by Karen Henderson (UCL Press: London, 1999), p. 216.

⁵² Kawecka-Wyrzykowska, *op.cit.*, p. 132.

White Paper constitute the most important step in influencing the institutional and administrative structure of Poland and other CEECs because of its emphasis on regulation, implementation and enforcement of the legislative programme. After the negotiations began the Accession Partnerships became the main instruments of the enhanced pre-accession strategy, together with the annual reports of the Commission.

Despite the start of the negotiations the main criticisms on the EU strategy still persist. The Europe Agreement is considered as unfavourable to Poland despite its principle of asymmetry. The growing trade surplus on the part of the EU is taken as one of the main indicators of proof. Although the Europe Agreement mentioned the 'four freedoms' of the European Internal Market, it failed to institute them. On the other hand, the pre-accession strategy only dealt with the two of the freedoms, the trade in goods and the free movement of capital. The other two freedoms still remain issues discussed in membership negotiations.

Another aspect of criticism has been the lack of progress in the liberalisation of agricultural goods and the protectionist policies of the EU concerning the 'sensitive goods.' In this respect, the EU policy is perceived as disappointing and unsatisfactory because of the great importance of agricultural sector in the Polish economy.⁵³ On the other hand, the EU argument has been not to endanger the internal EU production with rapid Polish export expansion, which experts argue would be insignificant, compared to EU internal output and EU imports of these products.⁵⁴ A mechanism of contingent protectionism hardly exists in the CEECs, including Poland, which Inotai points out will put them in a vulnerable position after the establishment of complete free trade of goods – still not including agriculture –

⁵³ *Ibid.*, p. 130.

⁵⁴ *Ibid.*, p. 126.

because that “would cover 96 per cent of EU exports to the CEECs, but only about 70 to 80 per cent of the CEEC exports to the EU.”⁵⁵

The unilaterality of the EU and reluctance to spell out a date for the enlargement are other criticisms concerning the EU policy. The Europe Agreements, the Copenhagen criteria, the pre-accession strategy and the White Paper are considered to be one-sided solutions, where the views and needs of the CEECs were duly taken into account.⁵⁶ Even the Accession Partnership and the annual reports of the Commission are considered prescriptive and unilateral, drawn up exclusively to the measure of EU⁵⁷ trying, as Mayhew points out, to enforce the candidate countries to do what the EU cannot achieve in negotiations, therefore, impeding the productivity of the negotiations.⁵⁸

Some issues also remain that might delay the timing of accession and determine the trade off between the EU members. The EU member states’ interests on the issue of enlargement are geographically diversified, which is closely related to the debate on deepening and widening. Mayhew points out that the leadership in the promotion of accession process moved from the Commission to the member states after December 1995 Madrid summit.⁵⁹ Germany was the main promoter of membership of first Poland and then the Czech Republic and Hungary, and it supported a differentiation process on the basis of the EU avis. However, the current German coalition although advocating eastern enlargement, does not feel like being the leader or the promoter. It is widely argued that a great political personality like

⁵⁵ Inotai, *op.cit.*, p. 163.

⁵⁶ Piontek, *op.cit.*, p. 74.

⁵⁷ Stawarska, *op.cit.*, p. 149.

⁵⁸ Alan Mayhew, “Eastern Enlargement: A win-win Enterprise,” *The European Policy Centre Occasional Paper*, The European Policy Centre, Brussels, October 1997, p. 66.

⁵⁹ Mayhew, 1998, *op.cit.*, p. 121.

Chancellor Kohl for the advocacy of eastern enlargement is missing. On the other hand, countries like France and Spain argue that the eastern enlargement process should not weaken the EU or dilute the EU or threaten the existing integration.

Notwithstanding all the progress, the pressures from the CEECs for a date for enlargement, and expectations in Poland to join in by the end of 2002, the EU has not yet spelled out any dates for the first wave of accession of the associated countries. On the other hand, it is expected that some adjustments on the EU side will take place – at least on institutions – before the enlargement process takes place. It is likely that the EU is looking for the least costly option.

Despite all the criticisms, the preparation for accession into the EU continues to be the major objective of the Polish government. This brings us to study the effects of EU policy in Poland and the Polish strategy for integration into the EU.

4.2 The Effects of the Integration Process on Poland

The EU has been a political, economic and social model for Poland. Membership into the EU is perceived as the main modernisation anchor and an essential milestone on the Poles' 'return to Europe.' Each government, regardless of the nature of the governing coalitions, and every foreign minister, regardless of personality and party affiliation, reiterated the Polish commitment to EU membership. Nevertheless, despite the consensus on EU membership and the continuity on Polish foreign policy aims, there were differences of emphasis and

criticisms about the EU's attitude to Poland both within the elements in the governing coalitions and within the fractions of the opposition.

As noted above, the adjustment process in Poland began with the official recommendation of the Economic Committee of the Council of Ministers in September 1990, to harmonise Poland's new legislation to the requirements of the European Community.⁶⁰ After 1991, the provisions of the Europe Agreement became important elements speeding up the pace of structural economic changes and ensuring the political and economic continuity in the transition process. The Agreement was instrumental in tying Polish domestic politics to international commitments, thereby promoting stability by preventing frequent policy changes.⁶¹ In addition, the gradual approximation of the Polish legal system to that of the EU enhanced the stability of the system of free market economy.

In November 1992, the Polish government adopted "A Programme of Activities Adjusting Poland to the Requirements of the Europe Agreement" in order to identify the main objectives and tasks facing all ministries and governmental bodies.⁶² In 1993, the programme was extended to include the harmonisation of Polish law with those of EU, and in March 1994, the Council of Ministers passed a regulation obliging all the governmental institutions to assess the conformability of Polish legislation with the provisions of the Europe Agreement.⁶³

For Poland, membership into the EU became a real target after the Copenhagen European Council, which opened the way and set out the criteria for membership. Poland applied for full membership in the EU on 8 April 1994. The Pro

⁶⁰ Piontek, *op.cit.*, p. 77.

⁶¹ Kawecka-Wyrzykowska, *op.cit.*, p. 128.

⁶² Anna Zielinska-Glebocka, "The Challenge of Eastward Enlargement After the Treaty of Amsterdam. Viewed from the EU and Poland," *Yearbook of Polish European Studies*, Warsaw University Centre for Europe, Vol. 2, 1998, p. 119.

⁶³ *Ibid.*, Piontek, *op.cit.*, p. 77.

Memoria attached to the official application for membership indicated, “for Poland, accession to the Union means consolidating the results of democratic and systemic transformations and accelerating her economic development.”⁶⁴

The aim of membership was an important incentive that enabled both the government and the people to endure the economic and political transition process. In mid-1994, soon after the application, the PSL-SLD government adopted a ‘Strategy for Poland’ that outlined a medium-term economic policy based on an open trading regime and sound macro-economic and structural adjustment policies aiming to transform Poland “completely into a market economy in order to become a fully fledged EU member state.”⁶⁵

Despite the macro-economic measures taken under the Strategy, Prime Minister Pawlak’s attitude toward economic restructuring and privatisation led to tensions within the coalition and conflicts with President Walesa. The ambiguities that Pawlak presented during his premiership between October 1993 and March 1995 on foreign policy issues and his favourable economic policies towards the agricultural sector proved obstructive. Jozef Oleksy’s premiership (March 1995-February 1996) was also dominated by presidential hostility and the presidential elections that were to be held at the end of 1995.

Frequent changes in the government and the problems between President Walesa and Prime Ministers about the reform process characterised Poland’s domestic politics. This also created problems for the formulation and implementation of policies on adjustment to the European Union, between the foreign ministry,⁶⁶ the

⁶⁴ Cited in Kawecka-Wyrzykowska, *op.cit.*, p. 130.

⁶⁵ Nicholas Hopkinson, “The Eastern Enlargement of the European Union,” *Wilton Park Paper 91*, London, December 1994, p. 13.

⁶⁶ Ministry of Foreign Affairs was considered a ‘presidential’ ministry. See Chapter 2.

President and the Prime Minister. However, the tensions eased as the EU pre-accession strategy required adjustments in increasing number of policy issues.⁶⁷

Further difficulties were created because of the co-ordination mechanism for the implementation of Europe Agreement and other aspects of the European Integration. The Government Plenipotentiary Office for European Integration and Foreign Assistance attached to the Prime Minister's Office, as an under-secretariat was responsible for both the legal approximation and the use of PHARE assistance. Concentration of responsibility in the hands of one man "was a danger that more technical and complex matters, which necessitated detailed domestic interest definition, would be left aside."⁶⁸ Indeed, Millard points out that several governmental institutions failed to submit their draft legislation to the Plenipotentiary.⁶⁹ The Office of the Plenipotentiary could not provide an efficient system of co-ordination and "did not assist the more broadly based incorporation of all departments of government into the European process."⁷⁰

Under the Oleksy government, Poland finally began its mass privatisation programme. In addition, the white paper exercise was carried out with the Council of Ministers decision in the form of *White Paper on the Timetable for the years 1996-1997 with Regard to the Adjustments of the Polish Economic and Legal Systems to the Requirements of the Europe Agreement*. This was to provide "a comprehensive two year working scheme" drawn up on the detailed schedules of domestic legal acts that each governmental institution outlined to be under its competence.⁷¹ The Polish White Paper, completed in mid-February 1996, followed the guidelines set in the

⁶⁷ Alexander Rupp, *op.cit.*, p. 99.

⁶⁸ *Ibid.*

⁶⁹ Millard, *op.cit.*, p. 205.

⁷⁰ Alexander Rupp, *op.cit.*, p. 99.

⁷¹ Piontek, *op.cit.*, p. 78.

European Commission's White Paper, which aimed to facilitate the process of adjustment in the CEECs. It adapted the guidelines to the Polish realities. Although officially not published the Polish White Paper presented the state of law in Poland and the necessary adjustive actions in 34 chapters.⁷²

Equally important was the preparation of the reply to the European Commission's questionnaire, which was to form the basis of the EU avis on Poland's membership application. The questionnaire put forward questions for the Polish authorities in 23 areas including the macro-economic indicators, the state of industry and agriculture and other various policy issues. It aimed to evaluate the extent of the approximation of laws and to assess the level of development in Poland. The task was completed within three month - from April to July 1996 -, which "proved to be a good exercise for the central administration and its agencies" and "put their organisational efficiency and their ability to co-operate and co-ordinate projects to the test."⁷³

The exercises were important in facilitating the reform of the central administration system. Under the Act of 8 August, 1996, the Committee for European Integration was established as the main governmental body for inter-ministerial planning and co-ordination on "policies regarding Poland's integration with the European Union, Poland's adjustment to European standards, and the governmental administration's acts in the sphere of incoming foreign aid."⁷⁴ It

⁷² Ibid.

⁷³ Stawarska, op.cit., p. 142.

⁷⁴ Piontek, op.cit., p. 78.

comprised seven ministers⁷⁵ most directly involved in EU integration process and the committee's secretary.⁷⁶

The committee provided a forum of discussion on issues of EU compliance, which was an important step forward "in maintaining an overview of complex and multifaceted developments, and in providing fast solutions to problems."⁷⁷ Furthermore, the power of arbitration, in case of conflict between ministries, was an important improvement compared to the limited instruments of implementation and the low effectiveness of the previous Government Plenipotentiary co-ordination mechanism.⁷⁸ The new arrangement did not eliminate conflicts between the governmental institutions, especially between the committee and the ministry of foreign affairs, because of overlapping competencies. Nevertheless, it provided the EU side with a clear picture of the Polish position and "the complexity of some issues for the Poles" as the new arrangement allowed for contacts at an increasing number of levels.⁷⁹ In parallel, a Super Ministry of Economy and a Super Ministry of public Administration and the Interior were established. Welcomed by the EU the new institutional arrangement facilitated the integration of sectoral interests in formulating integration policies, which created a "multi-level policy-making environment."⁸⁰

Another important step concerning Poland's strategy of preparation for accession into the EU was the 'National Strategy for Integration,' which was

⁷⁵ Ministers of Foreign Affairs, Internal Affairs, Economy, Finance, Labour and Social Policy, Agriculture and Food Economy, and Justice.

⁷⁶ Piontek, *op.cit.*, p. 79

⁷⁷ Alexander Rupp, *op.cit.*, p. 100.

⁷⁸ Jan Borkowski, "Co-ordination of Poland's European Integration Policy," *Yearbook of Polish European Studies*, Warsaw University Centre for Europe, Vol. 2, 1998, p. 52.

⁷⁹ Alexander Rupp, *op.cit.*, p. 100.

⁸⁰ *Ibid.*

published in January 1997. The National Strategy for Integration (NSI), organised the undertakings under the integration process, defined the mechanism for co-ordination and co-operation of the process as well as the political and economic objectives. It intended to ensure continuity in Poland's policy towards the EU and addressed all issues of concern for the integration process.

The NSI stated the main reason of Poland's quest for membership by making a historical reference, which still remains the main motive:

For over one thousand years Poland has belonged to Europe in the geo-political, cultural and economic sense. Our country has shared its basic values, which we helped to create and defend. Therefore, NSI is not a strategy for the return to Europe, but rather a strategy for integration with European structures, in the construction of which, our country, against its interests and popular opinion, could not participate after 1945.⁸¹

Integration with the EU is considered as an instrument that "will help to accelerate economic growth, modernise the economy and the legal system, and eliminate the technological gap" between Poland and other European countries.⁸² Poles believe that this is confirmed by the fact that the "common European historic experience, in the recent past as well as that more distant, shows that societies remaining out of the mainstream of economic co-operation get left behind."⁸³ Danuta Hübner, the then Secretary of the Committee for European Integration, points out that both the accession and the complete benefits of membership could only be realised "by the central administration's suitable preparation, the introduction of changes in the legal, economic and institutional spheres, and... on the preparation of the society itself," and these were the main issues that the NSI emphasised.⁸⁴

⁸¹ National Strategy for Integration, *op.cit.*, p. 187.

⁸² *Ibid.*, p. 182.

⁸³ *Ibid.*

⁸⁴ Danuta Hübner, "On 'National Strategy for Integration,'" *Yearbook of Polish European Studies*, Warsaw University Centre for Europe, Vol. 1, 1997, p. 177.

The new AWS-UW government, which was to face substantive problems in the negotiation process, remained committed to the reforms that were necessary for accession. Earlier in September 1997, the European Commission set up a group of experts to report monthly on various issues evaluating Poland's progress and therefore, putting the Polish government under pressure.⁸⁵ The reports mainly concentrated on economic issues including the restructuring of the remaining large state enterprises and agriculture, further reduction in state aids, banking reform and environmental protection among many other issues. Indeed, the government embarked on a vigorous domestic reform process on health, education, social security system, regional administration, and coal-mining industry.

Although the government was criticised for introducing too many reforms, very fast in a very short period of time, the move was considered as badly needed, and also courageous on the part of the government. Reforms are costly, for rather a poor country like Poland who did not have enough budgetary sources to support the reform process. The EU financial support was not perceived to be big and to help much, which could have made the reform process smoother. The reforms are perceived to be painful in the short-term but are expected to yield benefits in the long-term. For Poles, "adjustment costs, high as they are, are not a price of integrating Poland into the world but the price of overcoming backwardness and inefficiency."⁸⁶ Therefore, they consider association with the EU, however difficult, as the way of making the Polish economy more competitive and wealthier.

With the start of the negotiations the government formed a Committee for European Negotiations to co-ordinate the work of the negotiating groups and serve as

⁸⁵ Millard, *op.cit.*, p. 214.

⁸⁶ Kawecka-Wyrzykowska, *op.cit.*, p. 129.

a direct contact with the EU. The Committee's secretary is the former Polish ambassador to the EU, Jan Kulakowski, who is an "extremely knowledgeable person about the inner workings of the EU and a doughty battler for Poland's interests."⁸⁷ The Committee for European Integration, weakened to a degree by the formation of the Committee for European Negotiations, now is responsible for co-ordinating internal policies concerning the Polish economy as well as the adjustment of the Polish legislation to that of the EU.

The current Polish agenda for integration is rather well elaborated and the government has prepared timetables for each ministry outlining the task of adjustment to be completed by the end of 2002 before the expected date of accession into the EU. The schedule may be tight and optimistic for some ministries, but are perceived to be mainly realistic and can be fulfilled at the designated date.⁸⁸ The Poles want to participate in all areas of integration with full membership rights and do not agree with any 'second class' membership as outlined in the NSI.

The main problem facing the government is the restructuring process that involves agriculture, coal mining and steel industries. Poland is still suffering from the burden of the high proportion of heavy industry in its GDP. It is certain that the restructuring process will impose sacrifices and suffering for some and introduce redundancies. In the last ten years, since Poland embarked on a transition process, Poland has made real physical progress and has shown a dynamic growth performance, which is proved by the statistical data. Dynamism is important for catching up with the members of the European Union.

⁸⁷ Millard, *op.cit.*, p. 215.

⁸⁸ Interview with Dr. Renata Stawarska, Deputy President of Polish European Community Studies Association (PECSA), Director of Centre for Documentation and Research on the European Communities, University of Economics in Poznan, 09/11/1999. Dr. Stawarska served on the government team, which negotiated the Europe Agreement and still is actively involved in the integration process.

Poland wants to be part of the EU for historical, political and economic reasons. To achieve this aim, Poland has progressively adjusted itself to the EU. The real process of Poland joining the EU in economic areas is already under way, though with conflicts still continuing in agricultural trade. The economic dimension of enlargement has proved to be of more importance and it is likely that “a successful enlargement will not take place until Western politicians and public opinion [are] convinced that enlargement will not entail negative economic consequences and huge budgetary costs.”⁸⁹

With this view, Polish government has been vigorously preparing the central administration to integrate various sectors in the integration process and to ensure that the process involves all levels of governmental institutions and the society. In addition, the learning process initiated with the start of the transition process among the Polish elite continued to enable the Polish governance to pursue multilateral and multi-level contacts with the EU governance. The aim is to “acquire the political finesse of governing within multiple layers of competencies” at all level of national and regional governmental administration.⁹⁰

The introduction of changes in legal, economic and political spheres aim to ensure that Poland is well suited to become a fully fledged EU member by the end of 2002 opting for as few transition periods as possible. However, as the negotiations are getting tougher and tougher, people become less and less enthusiastic about EU membership. Latest results of the opinion polls confirm that people are becoming

⁸⁹ Saryusz-Wolski, *op.cit.*, p.278.

⁹⁰ Alexander Rupp, *op.cit.*, p. 97.

more sceptical and are less and less for it as the restructuring process involves a wider section of the Polish society mainly in agriculture and heavy industry.⁹¹



⁹¹ Latest opinion polls suggest that only 47 per cent of the Polish society is in favour of EU membership. See “Empty Train to the EU?” *The Warsaw Voice: Polish and Central European Review*, 24 October 1999, No. 43 (574) <http://www.warsawvoice.com.pl/v574/New01.html>; For detailed information on how the Poles perceive the EU and what they expect see Marek Kucia “Public Opinion in Central Europe on EU Accession: The Czech Republic and Poland,” *Journal of Common Market Studies*, Vol. 37, No. 1, March 1997; Elzbieta Skotnicka-Illasiewicz “Poland on its Way Towards Membership of the EU and NATO: Hopes and Anxieties in a view of Public Opinion Polls,” *Yearbook of Polish European Studies*, Warsaw University Centre for Europe, Vol. 2, 1998; “Negotiations with the European Union - Opinions of Poles,” Report of the Institute of Public Affairs, in *Yearbook of Polish European Studies*, Warsaw University Centre for Europe, Vol. 2, 1998.

CHAPTER 5

CONCLUSION

Poland was the only country where transformation to political pluralism and to a new economic system was rooted in a ten million member social movement that in 1980-81 took the form of a trade union - that is, Solidarity. The roots of Solidarity date back to the 1970s. As a consequence of economic crisis and continued stagnation in Poland, workers staged demonstrations and protests in 1970 and 1976, first demanding economic reforms and then political democracy in an attempt to create better conditions. But the communist party rule failed to reproduce itself. The party leadership attempted to make reforms several times only to fail as a result of the problems inherent in the nomenklatura system. The intellectuals and workers concluded that communism was unreformable.

Co-ordinated collective resistance was organised once again in 1980 as a reaction to the deteriorating economic conditions. The roles of the church and the intelligentsia were important, not only in keeping certain values but also in organising. The church in the communist period was an exception as it worked largely outside the authorities' control. Its goals were often contrary to the official ones and it had the means to realise those goals - hierarchy, devoted followers and separate communication and education network. These allowed the church to

influence the Polish society in its support for the workers and the intelligentsia. Moreover, the Polish Pope was a holy guide. The church still remains an important factor in Poland (i.e. it is somewhat ambiguous about its attitude towards EU membership). In addition, the Christian-nationalist fraction of the AWS presents an anti-EU stance. The intelligentsia, on the other hand, monitored human rights abuses and spread the word in bulletin, magazines and other publications in an attempt to prepare the workers' consciousness, and later were advisers to them in the 1980 negotiations.

Solidarity's legal existence in 1980-81 was an exception as a political force in a communist state, challenging the leading role of the Polish communist party, the PZPR. The movement in the early 1980s aimed to restore the pre-communist state. Its program was formulated originally by the pre-war Polish Socialist Party along the lines espoused by other European socialist parties of the time.

After imposing martial law and delegating the Solidarity trade union, the Jaruzelski rule attempted to reform the economic and political system along the ideas developed during the short Solidarity period. However, it was clear that any form of reform, transformation or introduction of any elements of the market economy would be contrary to the objectives of the communist party rule. It would yield inflationary pressures, inequalities and unemployment conflicting with the equality and social stability ideals of the communist party rule. The intent of the party leaders to preserve power and the distrust of the public were other factors in the failure of reform attempts. Although the Jaruzelski regime made several moves in the second half of 1980s - the lifting of martial law, general amnesty, referendum on the extent of reforms and the round table talks - to accommodate the opposition and please the West, it was not able to legitimise its existence and to obtain the necessary sacrifices

for the management of economic and social crisis.

The communist party intended to share the responsibility while at the same time sticking firmly to the power. However, the opposition first demanded economic transformation and then the power. Thus, changes in Eastern Europe started with Solidarity in 1980, but the movement could not find the favourable international circumstances. The declaration of martial law in December 1981 only enabled the communist authorities to postpone the inevitable changes. On the other hand, although Solidarity continued its activities in co-ordination with the intelligentsia and the church, as an organisation it never fully recovered from the impact of martial law. However, it retained its mythical status.

Although the initiative in 1980 was in the hands of the workers, in 1989 it was in the hands of the elite. This time international circumstances were favourable with Gorbachev initiating his reforms and signalling that the Soviet Union would not intervene in internal affairs of Eastern European countries. The round table talks in 1989 were negotiations between the elite and the communist party leadership and the re-establishment of Solidarity was only a part of a wider agreement between the elite. The society was alienated from politics, suspicion became a part of everyday life and the society no longer believed in the efficacy of pressurising the government from below.

Since then Solidarity suffered a profound identity crisis. As an instigator of political transformation, it provided an 'umbrella' protecting the initial changes in society and particularly supporting the neoliberal economic policies that were contrary to its original program and its class interests. The movement was disoriented after rivalries, particularly between Walesa and Mazowiecki - the so-called 'war at the top.' Personal differences over government styles, economic policies and other

issues inevitably led to divisions.

Although divided internally, the union entered the 1991 elections to gain representation - as an independent organisation, however, as they believed that the deputies elected to the parliament under the aegis of Solidarity did not protect the real interests of the union. After the elections the power game among the elite, the government, the parliament and the president continued. The union was more radicalised as the neoliberal policies created declining living standards and high unemployment. There emerged a very important dilemma over whether to act as a trade union or as a political party/group. As the consequences of the governments' policies began to bite, the 'protective umbrella' was withdrawn leading to the end of the first Solidarity era in Poland. The withdrawal of the protective umbrella meant a turn back to its real task of protecting the rights of the workers - a task lost while Solidarity claimed to be bearing responsibility for the success of the reform process and supported the neoliberal policies, believing that the reforms were in the national interest of Poland.

The Solidarity trade union accused the last 'Solidarity' government before the 1993 elections of building 'capitalism with an inhuman face', while the post-communist parties emphasised the general desire for 'capitalism with a human face' and social protection. Therefore, the fact that the post-communist parties managed to gain a majority in the parliament after the 1993 elections was a warning that the Polish society rejected the shock therapy neoliberal policies enforced upon them by the western powers. Solidarity was an effective force in confronting and defeating communism, but it was the main destabilising force during the early years of the transition process and the public desire for stability was one of the important factors that brought the post-communist parties to power. It was the desire for stability -

again - and unity that allowed Kwasniewski to be elected the President in 1995 against the unpredictable and divisive Walesa who was creating political uncertainty with his authoritarian tendencies. The Union then turned to its roots to rebuild and reunify the centre-right around itself and win the next elections. The internal diversities within the union and its dilemma of pursuing leftist policies requesting subsidies for the state run enterprises and claiming to be a right-wing party continued.

When the post-communist parties assumed power, the main question that faced Poland was whether there would be a continuity or a departure in the political and economic transition processes. They made populist claims - according to the neoliberal thinking - during their election campaign, but did not openly advocate a return to the communist past. Indeed, they were pro-European and aspiration to get incorporated into Western institutions was the main factor influencing their foreign policy-making. It was in this period that EU membership became a real target for Poland - the guiding principle of their internal and external integration policies. However, as well as being committed to 'Europe' and capitalism, the post-communist parties favoured a degree of economic interventionism and social protection. Despite the constraining factors such as the IMF and the National Bank of Poland - which was dedicated to reduce inflation - the post-communists intended to slow the economic transition to an orderly pace and to distribute the benefits of the reform more equally during their rule. They made the same macroeconomic assumptions as did the Solidarity governments and the Strategy for Poland, which put forward the post-communists' macroeconomic forecasts, implied that they did not intend any reversal from transformation to free market economy. On the other hand, they were responsive to the concerns of their electors and tried to achieve a

balance between the Western demands for liberalisation and internal pressures to ease the difficulties faced by various sections of the Polish society - especially farmers, state sector workers and employees.

When Pawlak formed the first post-communist government in 1993, he openly argued that the state and the private sectors should enjoy equal treatment. All Polish governments since the Olszewski government, reflected this tendency for state interventionism in economic policy-making. This was a definite departure from the assumption of the neoliberal thinking. This was contrary to the belief of the neoliberals that pressures for state involvement and recognition of the social aspects of transition were mere constraints, slowing the pace of reform.

Despite sharing the same communist background, the Democratic Left Alliance (SLD) and the Polish Peasant Party (PSL) had policy differences and their relationship was not as smooth and coherent as was expected. Their policy differences mainly concentrated on economic issues where Pawlak followed an agrarian agenda halting privatisation, whereas the SLD was more liberal and more committed to privatisation. It was under SLD's Jozef Oleksy government that the mass privatisation program started. Despite all criticisms that the pace of reform and restructuring under the SLD-PSL governments was slow and was not carried out for political and social reasons, the economic recovery continued and strengthened. The private sector was the driving factor and increasing exports and investments rather than consumption became factors contributing to economic growth.

The prospect of EU membership had become the main influence on political, economic and institutional change in the second half of 1990s. The EU laid down the legal basis of its relationship with Poland in the Europe Agreements, the criteria for membership at the Copenhagen European Council and progressively presented the

candidate countries with the political and legal rules that they had to adapt their domestic political, economic, institutional legal settings and standards. The policies presented a continuity in putting the responsibility of adjustment on the aspirant countries although the fact that EU had to adjust its institutions and policies was recognised. It was made clear that the enlargement process would not only be a political one - political in the sense that the EU would support the democratic development of Eastern European countries as members of the EU which was the case with the Mediterranean enlargements - but rather would be based on mainly the economic merits of the candidate countries. However, the criteria were very general in content, which make it very difficult to assess the progress that a country has made.

Indeed, the Copenhagen criteria, the pre-accession strategy and the White Paper were specifically designed to provide a guide to the Eastern European countries in transition. The issue of invitations to start the negotiations process indicated a differentiation in Eastern Europe - between East-Central Europe and South-Eastern Europe - where East-Central European countries directly bordered Germany which believed that these countries had to be paid more attention. Poland was in this privileged group, invited to start the negotiation process for membership in March 1998. However, the invitation of Estonia and Slovenia signaled political considerations on the part of the EU who wanted to be involved in regions of heated political debate.

The EU decision taken at the Helsinki Summit in December 1999 to start the negotiation process with the rest of the candidate countries indicates that the EU is trying to overcome the feelings of 'new dividing lines in Europe' by incorporating and controlling all the countries more closely while at the same time trying to

complicate and delay the process of enlargement. The EU is not ready for an enlargement process with various problems such as the reform process of institutions and policies - mainly the Common Agricultural Policy (CAP) - and increasing unemployment that need to be addressed and will certainly prove difficult to reach a consensus.

The EU became the major external actor influencing domestic policy-making in Poland and the Union is assigned a special role by the neoliberal economists for the success of the neoliberal shock therapy. The EU, the IMF and the World Bank had similarities in their attitudes towards and demands from Poland. Basic parallelism concerned the linkage of western assistance to the condition of transition to democratic pluralism and free market economy. Other important similarities were the demands for restructuring, complete liberalisation and an end to subsidies and state aids mainly to the agricultural sector and the state-owned enterprises. The EU argued that maximum liberalisation was necessary to help them survive under the impact of superior foreign competition. The demands that the West made from Central and East European countries were more than what they actually gave to them. Therefore, criticism levelled at the EU's economic policies towards Central and East European countries found their reflection in the criticism directed at neoliberal economic thinking. In fact, the factors identified in the study provide an important overall picture for pointing out to the deficiencies of neoliberal thinking.

The attachment to protectionism in the EU was contrary to the neoliberal assumptions that Sachs makes. However, it may be suggested that the neoliberal attitude of the EU in fact appears to be instrumental. Agriculture remains the most affected sector in Poland as a result of the neoliberal policies. While demanding liberalisation in the agricultural sector, the EU restricted market access to Polish

agricultural goods and had a highly protected agricultural sector under the CAP, which needs to be reformed not only for enlargement but also to meet the World Trade Organisation (WTO) requirements. In addition, while the IMF and the World Bank demanded an end to agricultural subsidies in Poland, EU agricultural exports to Poland were heavily subsidised leading to several protests by the Polish farmers and demands by the Polish politicians on the EU to stop subsidised exports. Similarly, protection against the so-called 'sensitive goods' and the built-in mechanism of protection are other contradictory policy attitudes creating resentments in Poland.

In the same way, international financial institutions blocked the Polish governments, for example the Olszewski government, from pursuing an industrial policy that would involve restructuring of state-owned enterprises by providing them credits and subsidies before privatising them, whereas the same western governments provided subsidies to and eased the credit conditions for particular industries during the recession in the early 1990s. Another issue was the contradiction of expected policy choices to deal with the problem of unemployment. The market forces were expected to solve the unemployment problem that emerged in the transition countries, where unemployment was considered as a positive sign by the neoliberals for the establishment of market forces within the economy. However, the governments in various members of the EU are expected to find a solution to the unemployment problem that forms one of the most important problems in the EU.

Indeed, neoliberals assumed that once stabilisation, liberalisation and privatisation - the three aspects of the 'shock therapy' Balcerowicz programme in Poland - were rapidly carried out, a capitalist market economy would spontaneously emerge and the privatisation of property would create incentive for restructuring the market. However, most of the privatisation methods used in East-Central Europe by

the influence of Western advisers amounted to a mere dismantling of the centrally planned economy without creating any real incentives for restructuring. On the other hand, lack of capital in Poland as in most of the other East-Central European countries, meant that - this was presented as the key means by Shock Therapists - foreign direct investment would form the main source of capital for privatisation in the region. The EU sought to use the PHARE programme and policies such as the rules of origin principles to create a margin of preference for western multinationals in the acquisition of control over several eastern firms. As shown by Gowan many firms in strategic sectors were acquired to strengthen western global power in the long-term but lacked any significant investment strategy to improve the firms' productivity in the short-term. Most of the foreign direct investment in Poland is concentrated in sectors that are developed and profitable and the private sector has not shown any interest in the socialist heavy industry sectors, which still burden Poland and require huge capital for restructuring.

The neoliberal strategy was based relatively on economic thinking, which had no practical and historical models. It did not take into consideration differing cultures and national histories and experiences that Poland had to live through. The neoliberal thinking simply assumes people to be the same everywhere and once released from the grabbing hand of the state the people themselves will set up the necessary institutions. However, historical experiences show that the culture and experiences of people affect the structural characteristics of the economy they live in and are not 'natural' or 'given'. Therefore, every economic model needs to be modified to fit different countries.

A major point of criticism was the fact that such a system of capitalism envisaged by Sachs did not exist in the Western world itself. While in his long-term

goals he argued for an economically minimalist state, in the short-term he placed important responsibilities on both the Western governments and the national governments that he advised, for the achievement of the institutional adjustment he considers essential for the success of neoliberal policies. However, he fails to address the issue of longer-term governmental agenda. The Western state structures, especially the EU, which the countries of Eastern Europe see as a political, economic and social model, participate in economic policy-making with trade policy, industrial policy and monetary policy which amount to state intervention in the allocation of resources. A simple change in the interest rates that a central bank determines and in the taxation policy of any government amounts to a change in the allocation of resources. All of these indicate the dilemma of neoliberal thinking.

All major political parties in Poland favoured at least a degree of state interventionism and social protection as well as being committed to the transition process and integration into the western structures. The least interventionist is considered to be the Freedom Union, the junior coalition partner in the government after 1997 under Leszek Balcerowicz who seems to have learnt some lessons from the failure of shock therapy. The level of state involvement in economic policy making in Poland still remains an issue of discussion. The same issue is severely being debated in the European Union as well and the level of state intervention expected by the EU from the East European states is not yet clear, reflecting different policy choices among its members.

Despite the start of the negotiation process and the prospect of joining by the end of 2002 - the Poles themselves acknowledge that this is optimistic and are aware of the fact that the December 1999 Helsinki Summit decisions will delay the enlargement process - the main criticisms of the EU strategy still persist. A sense of

grievance, resentment and disappointment within the Polish society over EU inflexibility, protectionism and attitude still remain. Nevertheless, the prospect of EU membership is a very important incentive that enables both the government and the people in Poland to endure the economic and political transition. Association with the EU is perceived as a way of overcoming backwardness and inefficiency, and modernising Poland.

The current Polish strategy is sound, providing a detailed and an ambitious agenda for the Polish government and society in their aim to be integrated into the EU. The main problem facing the current government of Solidarity Electoral Action and Freedom Union is the restructuring process that involves agriculture and heavy industry. Indeed, this indicates that the main sectors that have been affected and had to suffer under the transition process remained unchanged in both the Solidarity and the post-communist periods regardless of the coalition government that served. In addition, as the restructuring involves more and more sections of the society become more sceptical about the restructuring process and EU membership, however the rhetoric for 'return to Europe' is still the driving force.

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