

# Polish Politics in Turmoil

By Steven J. Norton

Poland's left-leaning government survived a February shakeup which had more to do with politics than policy. Polish president Lech Walesa engineered the resignation of prime minister Waldemar Pawlak of the Peasant Party (PSL) on 7 February, accusing the coalition government of delaying reform and turning a blind eye to internal corruption. Instead of bringing on new elections, the moves have triggered a readjustment of the governing coalition in favor of the senior partner, the Left Democratic Alliance (SLD). Jozef Oleksy, a prominent member of the SLD and current speaker of the Sejm (parliament), was asked by the two parties on 13 February to form a new government. Polish and foreign observers have worried that the political stalemate would threaten the country's continued economic recovery, after very positive results last year.

The shakeup comes after months of friction between Mr. Pawlak and Mr. Walesa, and considerable conflict within the coalition between PSL members suspicious of economic reform and SLD leaders who favor it. (See *E/W Letter*, no. 5, 1993, p.1.) In particular, Mr.

Walesa seems to be motivated by a need to improve his poor standing in opinion polls ahead of a reelection bid later this year. The presi-

dent has for months blocked nominees for the cabinet posts over which he has constitutional influence (interior, defense and foreign affairs). He also threatened to dissolve parliament because it had not passed a budget within the statutory limit, even though his refusal to sign the budget bill was the only obstacle to its becoming law.

By working to destabilize the coalition, Mr. Walesa hoped to burnish his anti-Communist credentials with the electorate. The SLD is an outgrowth of the old Communist party, and its leaders are largely reformist ex-Communists. Likewise, the conservative, rural-oriented PSL had been allied to the Communists under the old regime. Mr. Walesa may also have hoped to force the popular leader of

the SLD, Aleksander Kwasniewski, into the premier's job. This would have made it harder for him to run against Mr. Walesa and saddled him with public responsibility for difficult policy choices. If so, Mr. Walesa has failed in both aims: Mr. Kwasniewski will remain outside the government, and opinion polls indicate that most Poles no longer view the communist/anti-communist debate as particularly relevant.

The SLD, meanwhile, has also been critical of Mr. Pawlak's style and resistance to economic change; party leaders have used the shakeup to remove PSL resistance to a more reformist economic program. Mr. Oleksy, a

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former minister in charge of trade unions in the last Communist government, has pledged to move forward on stalled economic reform measures, particularly privatization. While Mr. Pawlak and the PSL were suspicious of privatization generally and foreign investment in particular, the SLD intends to press forward to implement and expand the mass privatization program begun early this year and to welcome more foreign investment into the privatization process. Poland's voucher privatization program involves transferring stock in over 400 state firms to several National Investment Funds, which will operate like mutual funds with both Polish and foreign advisers. (See *E/W Letter*, no. 6, 1994, p.10.) Polish citizens will be able to purchase shares in the investment funds for a nominal fee. Companies slated for mass privatization have waited for several years while various governments clashed over details of the program.

Mr. Oleksy inherits an economy which posted 5 percent growth last year (leading the region) with a trade deficit which shrank to \$800 million (from \$2.3 billion in 1993) and

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a balance of payments surplus. Poland had no difficulty meeting IMF targets under their standby agreement, though inflation ran at 33 percent last year instead of the target 27 percent. January's inflation rate of 3.9 percent, driven by food prices, is not a good omen for meeting this year's target of 17 percent. Government finances are a mess while the budget is

blocked, but even if it is passed hard questions remain. The left-leaning government has promised to safeguard citizens hurt by the transition, but they must hold down inflation while facing opposition to higher taxes. Economic recovery has made some of these tradeoffs easier, but any downturn could put a severe test on the new government. ◇

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