Free-market reforms have turned Poland into a maquiladora

by Anna Kaczor-Wei

After almost six years of free-market reforms, Poland has come to resemble some Ibero-American countries, such as Mexico, which have gone through almost 13 years of the disastrous prescriptions of the International Monetary Fund. These proposals were introduced into Poland by Harvard quack economist Jeffrey Sachs and other stooges of the IMF.

Poland is slowly being turned into a big *maquiladora*. This term is used to describe foreign enterprises established below the U.S.-Mexican border, which thrive on Mexico's cheap labor force and less stringent safety laws, and produce low-quality consumer goods mainly for the American market (see *EIR Special Report,* "Auschwitz Below the Border," May 1, 1991).

We can see the same tendency in Poland, where little is invested to develop modern infrastructure, science, or technology, and the only sector of the economy still showing some life, along with commerce and banking, is the production of consumer goods, often in enterprises owned partially or entirely by foreign companies like Sony, Daewoo, Fiat, Opel, and Pepsico. The process of production in those companies usually involves them buying out or establishing a few assembly lines, importing parts, such as for television sets or cars, and assembling them in Poland. Most of the products are then shipped abroad.

Sometimes foreign producers employ unskilled labor to bring costs of production even lower. For example, Opel, which bought a part of the Warsaw car factory, employed former farm workers from the dissolved state farms on the auto assembly lines, although it could have hired people who had the proper education and experience for such a job.

Additionally, most companies with foreign capital enjoy long tax holidays, in many cases unjustified, as was demonstrated recently by the Polish Supreme Chamber of Control (NIK), which inspected the work of the Ministry of Finance (one of the strongholds of Polish free-marketeers). The NIK report mentioned that the minister of finance issued decisions from early 1992 to mid-September 1994, providing tax relief to companies with foreign capital which totaled over 15 trillion zloty (approximately $650 million). Although the law requires that approval of a tax break be secured from an appropriate minister, the minister of finance rarely asked for such approval, often ignoring the law entirely.

The fight against the form of privatization imposed on the Polish economy since 1989 has always been a hot political issue (see *EIR,* Feb. 17, 1995, p. 7). However, during the last few months, new evidence has been mounting, documenting the disastrous effects of this process, which has put privatization on the top of the agenda. For example, in mid-June, the viewers of the popular television program "A Case for a Reporter," were shocked to learn that since 1990, privatized Polish enterprises, valued at $150 billion, were sold just for $500 million!

Credit policy debate

There is a growing awareness among industrial workers that the present form of privatization is just a rip-off which serves the interests of foreign capital and the Polish *nomenklatura*. In May and June, Solidarity, still the biggest trade union in the country, organized a number of demonstrations in Warsaw, during which representatives of the Ursus tractor factory, together with coal miners and workers from the Silesian heavy industry sector, were demanding, among other things, a halt to privatization.

Trade unionists from Ursus fear that the privatization of their enterprise will boil down to giving away the factory to some foreign company, like Ferguson, which will then substantially lower Ursus production and lay off workers. This is not necessary, say Solidarity leaders, because the need for tractors from Ursus is estimated at 700,000 per year, and only the lack of cheap credits for production and the decreasing purchasing power of Polish farmers prevents Ursus from enjoying this demand. It has been forced to lower production to about 20,000 tractors per year. To do their job, claim the unionists, they do not need foreign capital, but a true Polish national bank serving the interests of the productive powers in the nation.

So far, the free-market faction in the Polish government has ignored demands to stop the sellout of the economy. Despite growing opposition to privatization, the free-marketeers first managed to push through a privatization program based on 15 National Investment Funds covering 413 state-owned enterprises, and controlled by a board of managers not only from Poland but also abroad. Then, a bill, first proposed in 1992, that would induce state firms to choose a form of privatization within six months, was passed and vetoed by the President. Despite an enormous mobilization

The Polish Sejm (Parliament) on July 21 passed a privatization bill over the President's veto, and despite growing opposition to such policies, such as this rally of Solidarity in front of the Parliament in late May. The opposition is now expected to take to the streets.

of the opposition (see *Documentation*), on July 21 the Sejm (Parliament) voted to override President Lech Walesa's veto. Now the campaign against it may move to the streets, since Solidarity announced plans to stage a general strike or demonstration in September to oppose the law.

That fight against the sellout of the economy in Poland is especially significant, in view of what is going on in Ukraine and Russia, where opposition leader in the Russian Duma (Parliament) Sergei Glazyev, on June 21, openly attacked the Russian government for implementing the IMF program of privatization, which has led to the destruction of most of Russian industry.

Meanwhile, the Polish press (or Polish-language press, since about 80% of it is now owned by foreign companies) is merrily proclaiming the growth of the economy and, especially, the growth of exports. It has coined a new term, "export along the border," to describe the desperate attempts of inhabitants of border regions to make some money off of impoverished Germans, Czechs, Slovaks, and Ukrainians who come to shop for their own consumption or to resell Polish goods to their fellow countrymen. People from as far away as the Crimea and Vietnam come to Poland to sell some miserable commodities brought in a few bags at the flea markets, or to buy whatever may be in demand in their country in the hopes of making some profit by reselling it. According to the daily *Gazeta Wyborcza* on July 10, it is estimated that during the first eight months of this year, the income from this kind of "export along the border" will reach $3 billion. Of course, there is also a lot of smuggling going on, usually cigarettes and alcohol from Russia and Ukraine to Poland, or from Poland to Germany. The second most popular commodity smuggled recently on this route is metals such as copper or nickel, not to mention a growing drug trade.

Cutting back on science and technology

One does not need much technology or energy for these kinds of economic activities, and both the production and consumption of energy have been decreasing during the last few years. In 1993, consumption of energy was only slightly above the level of 1970 (64.6 billion kilowatt-hours), while production fell below the level of 1985 (133 billion kwh). At the same time, the sectors of industry which could have been producing high-technology goods and machine tools, namely, military-related industry, have been in a state of agony for the last five years. From 80 plants employing 200,000 highly skilled workers, there are now only 31 plants with 80,000 people.

The reason for this is not only the reduction of the Polish Armed Forces and the decrease in arms exports by 85%, but also the drastic free-market reforms which do not allow cheap credits or state-financed infrastructure projects for highways (hardly existing in Poland right now), or high-speed railroads. On the contrary, railroads are actually being shut down; so far, over 1,000 kilometers, and 6,000 km more in the near future, plus 7% of operations will be stopped, the board of the Polish Railroads announced recently. The reason: Those railroads do not yield a profit—which is not surprising, because, as a result of the stagnation of the economy, freight transportation collapsed from about 500 million tons in 1980 to a little over 200 million tons in 1994.

The Polish Ministry of Transportation is involved in talks with Poland's neighbors and also China concerning the expansion of railroads. However, none of the ambitious plans have even been started yet because of a supposed lack of money. That is unfortunate, because such plans could fully utilize existing productive potential and help in converting military industry into civilian production.

This attitude unavoidably leads to the shutdown of research and development facilities. From 21,000 research institutes of various types in 1980, there are now about 12,000; the number of employed scientists and researchers dropped from 22,000 to 12,000 during the same period; the number of inventions filed, decreased from 6,000 in 1980 to 2,600 in 1993, while $500 million invested in R&D by the government constitutes only obout 0.05% of national income.

More budget-balancing insanity

What does Polish Finance Minister Grzegorz Kolodko propose to cover the growing needs? Because he is a close collaborator of the IMF, the answer is predictable: Increase taxes, cut government spending, and borrow more money abroad. That is exactly what the government intends to do. While, under pressure from the public, the government proposes to decrease the value added tax (VAT) on energy carriers from 22% to 12% in 1996, at the same time, it has introduced a new 7% tax on basic inputs for agricultural production, pharmaceuticals, and medical and rehabilitation products.

Kolodko also wants to cut social security subsidies by 4.8%, funds allocated to the Agricultural Social Security Fund by 17%, subsidies to the Labor Fund by 16%, and expenditures on family benefits by 5.6%. Subsidies to economically active individuals and companies will fall by 33%, and housing benefits by 16%. It is not surprising that two months ago, credit-rating companies such as Moody's gave Poland a very strong B, probably also to encourage the Poles to undertake one more suicidal venture, namely, selling Eurobonds, which Kolodko advertised in June during his tour to the United States, Hongkong, Seoul, Tokyo, and Germany. He told Poles that this is just "a good way to borrow money on the international market." All this, despite increasing warnings inside the country against the danger of allowing foreign capital to speculate on government bonds and shares of Polish companies sold on the Warsaw stock exchange, and despite the obvious danger involved in such operations, as was seen in Mexico last December.

Mexico and other Ibero-American nations learned the hard way what the *maquiladora* type of economy leads to. Now, a lot of voices, especially coming from the Catholic Church and labor organizations, are openly calling for a debt moratorium, or even putting the IMF on trial for crimes against humanity. It stands to reason that the idea of a coalition of indebted countries that Lyndon LaRouche proposed already in 1982 in his program "Operation Juáres," should be expanded to other continents in order to reorganize the present collapsing international financial system and open the way to a new just economic order.

Documentation

Privatization threatens Polish independence

The following is a speech given on July 21 in the Polish Parliament by Deputy Wojciech Blasiak, from the Coalition of the Independent Poland (KPN), before the vote on whether to overturn the Presidential veto of a bill that would speed up the process of privatization in Poland. Subheads have been added.

Today we are considering a veto of the President of the Polish Republic against a bill which, together with the Constitution, which probably will be passed, is the most important question in this term of the Sejm [Parliament], since it will shape the character of economic policies. This bill will define the direction of ownership restructuring and, in this way, decide the future economic and social structure of our country.

Therefore, the decision concerning this bill will influence not only our fate, but also that of our children, the future of coming generations of Poles. In such a situation, the government of Mr. Jozef Oleksy introduced this bill . . . in the emergency mode. That mode, by its nature, from the beginning presumes fast and superficial possible changes in that government proposition. The question is: Why? Why did the government want to introduce a bill which has a key significance for the future of Poland, quickly and quietly? What is really at stake here?

The essence of the privatization bill

As I stressed in my first speech as a representative of our Parliamentary Club, the essence of this bill . . . although it is not original or new for the political group he represents [the SLD, a post-communist party], is to deprive employees of enterprises, their representatives, and management of the right to participate in decision-making concerning the fate of an enterprise going through ownership restructuring. The essence of this bill, the essence which was minimalized, concealed, marginalized, boils down to introducing administrative orders from above in so-called commercialization and privatization of enterprises.

The core of this bill is to reduce workers and management of state enterprises to the role of a passive labor force that can be sold, rented, or given away, under some supervision. Voluntarism in ownership restructuring, although very limited, has been the last social and political barrier against realizing the plan, which was started by the Mieczyslaw Rakowski government and later confirmed by the Round Table deal.

The objection of employees against commercialization,

Polish Deputy Wojciech Blasiak (left) and Helga Zepp-LaRouche, chairman of the Schiller Institute, Germany.

or a particular sort of privatization, has been the last barrier against shaping Polish political and social structures according to the interests of the domestic political-financial elites and foreign capital. This bill is intended to remove this barrier. . . .

We also criticized the bill for the irresponsible and uncontrollable way in which it puts all the power into the hands of state officials, the power over the national wealth valued at trillions. In the absence of institutions such as a state treasury, an Attorney General, or a clear plan of privatization, this bill, in our opinion, may lead to many crimes, i.e., it increases the possibility of prodigality, malversation, and economic crimes on the part of the state bureaucracy, liberated from any responsibility and direct control.

Extreme forms of state control

We also criticized the bill since, in reality, it introduces extreme forms of state control, preserves all negative features of socialist state ownership, but also adds new, shifting social and trade union controls into the hands of the state *nomenklatura*. In our opinion, the discussion is pointless, since the most important thing here are the rapacious economic interests of certain groups, which the SdPR [post-communist coalition] represents here.

This bill will allow a party bias in nominating people to fill lucrative posts in a few thousand commercialized and privatized enterprises. This bill creates legal and political conditions to finish, in 1996 and 1997, the process of ownership restructuring which started under the auspices of the International Monetary Fund in 1987 under the government of Mr. Mieczyslaw Rakowski. This is the process of politically steered transformation of the political class of totalitarian communist bureaucracy, which was in charge of the national wealth, into a class economically enfranchised . . . at the expense of that wealth.

That was in our opinion the essence of the Round Table talks [in 1989]: We will give you a part of the political power, but you will allow us to get property in enterprises and banks. This process of ownership restructuring has been only a part of the adjustment program of the IMF, a program typical for indebted countries of the Third and Fourth World countries. In the past this program was called the Balcerowicz Plan only in order to conceal its foreign origin.

A Third World model

This program brings Poland closer not to European structures, but to the economic and social structures of Latin America or Third and Fourth World countries. The model of Third World privatization and so-called commercialization is being implemented, and it is creating a new financial and political oligarchy similar to other Third World countries; groups of people who are subjectively and objectively compradors, not able to secure sovereign development and stable economic growth in Poland. Already today, the main aspiration of those new social groups is often limited only to a vassal-type integration with western Europe and giving up our own independent economic development.

Even worse, this is threatening to entangle Poland for many generations in a peripheral, ancillary development typical of Third World countries, or rather, not development, but the backwardness of a country with an unskilled labor force and industry based on low-technology processing. Unfortunately, this is a result of the present process of enfranchising foreign capital at the expense of national wealth, putting foreign management in the National Investment Funds, or generally favoring foreign capital over the Polish labor force and Polish capital, including state-owned, in the privatization process. This is threatening us with a particular economic partition which may occur due to including parts of Polish industry, banking, and commerce into economic boundaries of other economies, although geographically they stay in Poland. This is threatening us with the loss of our economic independence, and, as a consequence, turning Poland into a political vassal. This may happen within the lifespan of one generation.

We ask whether this bill serves the interests and the well-being of the labor force, or perhaps the goal is to strip from it the right to participate in decision-making on privatization. What is at stake is the economic interests of workers, farmers, and fishermen. Or perhaps the goal is to enable the SdRP and the government to finish enfranchising the elites it represents, as well as foreign capital, at the expense of Polish national wealth.