



## CRS Report for Congress

# Poland: Background and Policy Trends of the Kaczynski Government

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### Summary

Poland held presidential and parliamentary elections in the fall of 2005. After several months, a ruling coalition consisting of three populist-nationalist parties was formed; the presidency and prime minister's post are held by Lech and Jaroslaw Kaczynski, identical twin brothers who have increasingly consolidated their power. Their government's nationalist policies have caused controversy domestically, in both the political and economic arenas, and in foreign relations as well. Relations with some neighboring states and the European Union have been strained at times, but ties with the United States have not undergone significant change. Some observers believe that a recent dispute within the coalition may spark early elections. This report may be updated as events warrant. See also CRS Report RL32967, *Poland: Foreign Policy Trends*, and CRS Report RL32966, *Poland: Background and Current Issues*, both by Carl Ek.

### Political Situation

Poland has had an eventful political evolution in recent years. Since 2001, five prime ministers have held office. Although the last government, led by the Democratic Left Alliance (SLD), steered the nation into the EU and nurtured a strong, export-based economy, its reputation was seriously damaged by a series of high-profile scandals.<sup>1</sup> In Poland's last parliamentary elections, held in September 2005, voters registered their disappointment and the SLD suffered defeat — maintaining Poland's post-1989 track record of turning out the ruling party.<sup>2</sup> Although polls during the campaign suggested that the centrist, pro-market Civic Platform (PO) would take the most votes, the nationalist

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<sup>1</sup> See CRS Report RL32966, *Poland: Background and Current Issues*, by Carl Ek.

<sup>2</sup> "The Twins' New Poland." Timothy Garton Ash. *New York Review of Books*. February 9, 2006.

conservative Law and Justice party (PiS) wound up winning a plurality seats in the lower house of parliament, the *Sejm*.<sup>3</sup> During the campaign, PiS emphasized family values and social justice and pledged to assert Poland's interests internationally. PiS portrayed itself as the agent for change that would bring about a new era in Poland, and spoke of creating a "Fourth Republic."<sup>4</sup> True to its name, Law and Justice has placed priority on improving the judicial system and aggressively rooting out corruption. Although conservative in outlook on most social issues, PiS favors social spending and distrusts privatization — and especially foreign ownership — of certain "strategic" state assets.

PiS was founded in 2001 by identical twin brothers, Jaroslaw and Lech Kaczynski. Former Warsaw mayor Lech became the successful PiS presidential candidate, defeating PO's Donald Tusk in an October 2005 runoff vote. The victory surprised many, as Tusk had held a strong lead in the polls. The two men had served together in the Solidarity party in the 1990s, but their brands of conservatism differed — a reflection of their parties' orientations. Kaczynski, for example, espoused economic nationalism and active government intervention, while Tusk believed that further market-based reforms would ensure prosperity. Analysts attribute the election results to voter approval of Kaczynski's strong anti-corruption policies; his support came mainly from older and less affluent Poles in rural areas, while Tusk appealed to younger and urban voters.

Jaroslaw initially declared that he would not serve as prime minister; analysts argue that he did so before the presidential elections in the hopes of helping Lech by defusing potential voter unease over having two siblings run the country. The premiership went instead to Kazimierz Marcinkiewicz. In mid-July 2006, however, Marcinkiewicz, the country's most-trusted office-holder, stepped down; some observers believe that the Kaczynskis, concerned over Marcinkiewicz's growing popularity and independence, may have engineered his departure. In addition, Marcinkiewicz was said to be frustrated that he had not been consulted over recent cabinet changes. After Lech named his twin brother to replace Marcinkiewicz, an opinion poll showed that only 21% of the public approved the appointment of Jaroslaw, whom many viewed as "divisive."<sup>5</sup>

After the elections, PiS and PO were expected to form a coalition, but talks soon collapsed. PiS initially decided to rule from a minority position, with informal support from two smaller parties — the rural-based Self Defense (SO) party led by populist Andrzej Lepper, and the League of Polish Families (LPR), an ultra-conservative party aligned with the Catholic church. In April 2006 the three parties entered into a formal coalition with a majority in parliament. The formation of the coalition has had both domestic and continental repercussions: Poland's Foreign Minister tendered his

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<sup>3</sup> PiS received 155 seats in parliament, PO 133, Self-Defense 56, SLD 55, LPR 34, and the Polish Peasant Party 25. In addition, two seats were reserved for Poland's German minority.

<sup>4</sup> The first republic dated from the period before the country was partitioned by European powers in the 18<sup>th</sup> century; the second came between the First and Second World Wars, and the third began after the collapse of communism.

<sup>5</sup> "Poll: Few Poles Like New Premier Jaroslaw Kaczynski." *AP*. July 17, 2006. "Polish Twins Alienating Voters and Neighbors." *New York Times*. July 20, 2006.

resignation in protest, and in June, the European Parliament stated that the leaders of LPR “incite people to hatred and violence.”<sup>6</sup>

In September 2006, amid budget disagreements, SO left the coalition, but rejoined the government a few weeks later. Over the following months, additional high level government officials either resigned or were sacked, and the Kaczynskis reportedly consolidated their power by appointing loyalists to those posts.<sup>7</sup> On July 9, 2007, Lepper was dismissed from his cabinet posts on corruption charges, but SO remained in the coalition for the time being. Out of concern that they would either lose seats or be unable to muster enough votes to pass the 5% minimum threshold necessary to stay in parliament, SO and LPR merged to form the League and Self Defense Party (LiS). The new party then proposed conditions for remaining in the coalition. On July 30, PiS rejected those terms. Observers believe the dispute will be resolved after August 22, when parliament reconvenes after recess. Early elections are possible.

## Economic Conditions<sup>8</sup>

Poland’s economy is among the most successful transition economies in east central Europe; all of the post-1989 governments have generally supported free-market reforms. Today the private sector accounts for over two-thirds of economic activity. In recent years, Poland has enjoyed rapid economic development; GDP grew by 3.4% in 2005 and 5.3% in 2006, and is predicted to rise by 6.3% in 2007. Unemployment, though still high at 12.4% in July 2007, is at its lowest level in several years.

To keep a lid on the federal budget deficit, PiS has been struggling with its coalition partners, who have sought additional funding for social programs. In the area of monetary policy, some analysts are concerned over PiS’s apparent willingness to reduce the independence of the country’s central bank. Leszek Balcerowicz, the respected former governor of the bank, criticized the desire of some in government to push for a reduction in interest rates; under his leadership, the bank geared its policies toward meeting the criteria for joining the euro, whereas PiS and its allies reportedly wished to stimulate demand and growth through rate cuts. Unlike several new EU members, the Polish government has not yet set a firm target date for adopting the euro; Prime Minister Kaczynski stated that “it is very risky and that is why I think we can only consider it when the economy has significantly strengthened.” Warsaw reportedly asked Brussels for additional time to bring down its deficit so that it may continue to receive EU assistance and eventually be able to qualify for euro adoption. In January 2007, Balcerowicz’ term expired, and parliament approved Slawomir Skrzypek, a Kaczynski ally with little experience in monetary policy, as the new central banker. In July 2007, he announced the creation of an office to study the costs and benefits of joining the eurozone; in the meantime, Mr. Skrzypek said, the central bank would remain neutral on the issue.<sup>9</sup>

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<sup>6</sup> “Stung By EU Judgement, Poland Has a Rebuttal.” *International Herald Tribune (IHT)*. June 30, 2006.

<sup>7</sup> “Poland: Packing Cabinet With Loyalists Risks Split.” *Oxford Analytica*. February 13, 2007.

<sup>8</sup> Economic data are drawn from various sources, including EIU and wire service articles.

<sup>9</sup> “Poland Economy: Central Bank Stooqe?” *EIU Viewswire*. January 4, 2007. “Poland Alters (continued...)”

Despite its center-right label, PiS has been characterized as having a somewhat statist approach toward governance, particularly in its economic policies. For example, it espouses that “national champions” in certain sectors be identified and nurtured. In addition, some have speculated that PiS may seek to overturn earlier, SLD-approved reforms that sought to introduce greater flexibility in the labor code. Also, PiS reportedly would like to introduce vertical integration of the parts of the energy sector that are still owned by the state. To reduce dependence upon Russia, which supplies a large part of Poland’s gas and oil, the government has instituted talks with Norway over laying a pipeline and constructing LNG (liquefied natural gas) terminals on the Baltic coast. In addition, Poland and the Baltic states are exploring a joint nuclear power project.<sup>10</sup>

## Foreign and Security Policy

Over the past two years, Poland has contributed a significant number of troops to the U.S.-led operation in Iraq. Observers note that the deployment is providing the Polish military with invaluable experience, not the least of which includes commanding a multinational division. However, Poland’s presence in Iraq remains unpopular at home. The government has said that Poland will maintain its 900 troops there until the end of 2007. Poland also has sharply stepped up the size of its contingent of soldiers in Afghanistan, to 1,000. In addition, Warsaw contributed 260 troops to the U.N. peacekeeping mission in Lebanon.

Poland has been a member of the European Union (EU) since May 2004 and has already experienced economic benefits from membership, particularly in the agricultural sector. Nevertheless, the Polish government was not reluctant to assert itself in a number of issue areas before joining the EU, and has been even less hesitant to do so now that it is a member. The new Polish government has sometimes been skeptical of the EU. It favors the eventual widening (to include Ukraine and Belarus) but not necessarily the deepening of the Union.

At an EU meeting in Berlin in early 2006, Poland declined to support a plan to craft an energy agreement with Russia, which in January 2005 had temporarily halted gas deliveries to Ukraine and disrupted deliveries to Europe. Poland proposed instead the creation of an energy security treaty among EU and NATO countries, which would not include Russia, but would acknowledge that Russia would remain a major supplier. Some European analysts argued that Russia should be excluded, as it supplies such a large part of Europe’s energy. However, citing past instances of energy cutoffs, Poland contended that Russia is unreliable. In November 2006, frustrated over Russia’s energy policies and its year-long Russian ban on Polish agricultural products, Warsaw vetoed talks over the renewal of an EU-Russia partnership agreement.<sup>11</sup>

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<sup>9</sup> (...continued)

Stance On Euro.” *Financial Times (FT)*. July 27, 2007.

<sup>10</sup> “Poland: Country Outlook.” *EIU*. February 13, 2006. “Poland Looks At Norway As Energy Alternative To Russia.” *IHT*. January 27, 2006. “Poland Looking To Diversify Its Energy Sources.” *IHT*. October 27, 2006.

<sup>11</sup> “Polish Chief Bears a New Vision of EU To Berlin.” *IHT*. March 8, 2006. “Twins Together, (continued...) ”

In 2007, attention focused on Poland's efforts to influence the EU voting system, which was under revision as part of a new treaty for the Union. Warsaw maintained that the proposed formula was skewed toward the largest countries, and proposed instead that voting strength be based upon the square root of each country's population; only the Czech Republic supported Poland's solution, which the Kaczynskis claimed was "worth dying for." During the negotiations, Prime Minister Kaczynski also argued that Poland's population would have been 66 million rather than the current 38 million had it not been for Germany's World War II invasion and occupation. A compromise — a delay of the introduction of the new formula — was reached eventually. Warsaw later stated that it would seek to revisit the voting issue during Portugal's EU presidency, but then backed away from that demand. Poland's behavior during the negotiations came in for strong criticism. According to the *Financial Times*, Jean-Claude Juncker, Prime Minister of Luxembourg, "said Poland's stance at last week's summit was 'very near to having been unacceptable.'"<sup>12</sup>

Under the new government Poland's relations with Germany and Russia have been strained at times. Many Polish officials were incensed over the Russo-German agreement to construct a natural gas pipeline through the Baltic Sea, rather than overland, through the Baltics and Poland. During the 2005 presidential campaign, Lech Kaczynski said that, if elected, he would maintain a "firm but friendly" relationship with Russia. He also reminded Poles of the devastation wrought by Germany during World War II, but denied that raising this issue was an attempt to influence the election outcome. In June 2006, the German newspaper *Tageszeitung* ran a satire on the Kaczynski brothers. The Polish government demanded that the German government take action against the newspaper and apologize for the article, but Berlin, citing freedom of the press, responded that intervention would be illegal and an apology inappropriate. The article is believed to have prompted Lech to cancel his attendance of a summit meeting with France and Germany.<sup>13</sup>

## Relations with the United States

Poland and the United States have historically close relations. Since 9/11, Warsaw has been a reliable supporter and ally in the global war on terrorism and, as noted earlier, has contributed troops to the U.S.-led coalitions in Afghanistan and in Iraq. Poland also has cooperated with the United States on "such issues as democratization, nuclear proliferation, human rights, regional cooperation ... and UN reform."<sup>14</sup> During Prime

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<sup>11</sup> (...continued)

Poles Apart." *The Economist*. October 29, 2005. "Poland Politics: The Awkward European." *EIU Viewswire*. November 14, 2006. "Poland Warns On EU-Moscow Partnership." *FT*. November 13, 2006.

<sup>12</sup> "At Talks On Europe's Charter, A Crisis Is Averted, For Now." *New York Times*. June 23, 2007. "Germany Hits Out At Polish War Dead Claim." *FT*. June 27, 2007.

<sup>13</sup> "Polish Leader Names Twin As Prime Minister." *IHT*. July 11, 2006. "Poland's President Says 'Shadow' Hangs Over Relations With Germany." *AP*. August 30, 2006.

<sup>14</sup> U.S. Department of State. *Background Note: Poland*. March, 2007.

Minister Jaroslaw Kaczynski's September 2006 visit to Washington, D.C., Secretary of State Condoleezza Rice described the two countries as "the best of friends."<sup>15</sup>

Early in 2007, after years of informal discussions, the Bush Administration began formal negotiations with Poland and the Czech Republic over a proposal to establish missile defense facilities on their territory to protect against missiles from countries such as Iran and North Korea; the plan would entail placing tracking radar in the Czech Republic and interceptor launchers in Poland. If agreements are struck, and if the Polish and Czech parliaments approve the projects, construction on the sites would likely begin in 2008, with initial deployments expected in 2011. Some Poles believe their country should receive additional security guarantees in exchange for assuming a larger risk of being targeted by rogue state missiles because of the presence of the U.S. launchers on their soil. In addition, many Poles are concerned about Russia's response. The Polish government reportedly has been requesting that the United States provide batteries of Patriot missiles to shield Poland against short- and medium-range missiles.<sup>16</sup> Polls show the Polish public is opposed to such a base. Nevertheless, during a July 2007 meeting in Washington, D.C. with President Bush, President Lech Kaczynski reportedly indicated continued support for the program, and also emphasized the need to bolster Poland's security.

In September 2006, President Bush publicly acknowledged the existence of a secret CIA program to detain international terror suspects worldwide. Earlier media reports alleged that Poland and Romania were among the countries that had hosted secret CIA prisons, although officials of both governments have denied these allegations. A European Parliament probe conducted throughout 2006 cited no clear proof of prison sites in Europe, but could not rule out the possibility that Romania had hosted detention operations by U.S. secret services. However, in June 2007 a Council of Europe report claimed to have evidence that U.S. detention facilities had been based in the two countries. President Kaczynski has stated that, since he assumed office, "there has been no secret prison — I am 100 percent sure of it," and that he had been "assured there were never any in the past either."<sup>17</sup>

Some Poles have argued that, despite the human casualties and financial costs their country has borne in Iraq and Afghanistan, their loyalty to the United States has gone largely unrewarded. Many have hoped that the Bush Administration would respond favorably by providing increased military assistance and particularly by changing its visa policy, which currently requires Poles to pay a \$100 non-refundable fee, and then submit to an interview at a U.S. embassy or consulate — requirements that are waived for most western European countries.

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<sup>15</sup> "Prime Minister's Visit Highlights Poland's Growing Role As U.S. Ally." *State Department Press Releases and Documents*. September 14, 2006.

<sup>16</sup> "Sikorski Exit Is Bad For MD Bid." *Oxford Analytica*. February 8, 2007. "Bush Persists On Placement Of European Missile Defense." *Washington Post*. July 17, 2007. For additional information, see *Long-Range Ballistic Missile Defense in Europe*. CRS Report RL34051.

<sup>17</sup> "Reports of Secret U.S. Prisons In Europe Draw Ire and Otherwise Red Faces." *New York Times*. December 1, 2005. "European Aided US Renditions." *FT*. June 8, 2007. "Inquiry Finds Evidence of Secret Prisons CIA Ran Facilities In Romania and Poland, European Agency Reports." *IHT*. June 9, 2007.