Anti-Missile Shields Will Not Protect Poland From Economic Catastrophe

by Anna Kaczor

After long negotiations, on Jan. 22, the spokesman of the U.S. Embassy in Warsaw announced that the United States intends to start formal talks with the Polish government about the construction of an anti-missile system in Poland. Both Prime Minister Jaroslaw Kaczynski and then-Defense Minister Radoslaw Sikorski stressed that this kind of installation would improve Poland's security, and that this is the main criterion in their talks with the Americans. It is not clear what enemy they would defend Poland from, but there is no doubt that this billion-dollar investment (the total amount the Americans plan to spend on the construction of the system in both Poland and the Czech Republic) will not save Poland from the very real danger resulting from disastrous economic policies, rather than attacks by foreign regimes.

A country with a sluggish or decaying economy can hardly hope to be secure. National security includes working transportation infrastructure, strong domestic industry, a Hamiltonian banking system, and a growing, well-educated population. None of these factors are present in today's Poland, due to decades of harmful reforms; the great hope that came with the overthrow of the Communist regime was dashed, as Eastern Europe became a territory for international financial interests to loot, under the banner of "globalization."

In a dialogue with Polish supporters in September 2006, Lyndon LaRouche gave a summary review of the terribly damaging policies, applied to Poland: "The problem has been the trends in the policies of Poland's recent governments, but not only Poland's government. Throughout eastern Europe's Comecon economies, the price of relative political freedom from Soviet domination has been a collapse of the physical economies of those nations to levels far below those of 1989. Under the Maastricht Treaty and its principal effects, as dictated by the Thatcher-Mitterrand governments, the former Comecon region of eastern Europe, has been degraded, together with Germany and Italy, to levels of economy below that of 1989, while those states have also been pushed into participation in NATO.

"As for the economic problems of Poland now: They are virtually all the result of the chain-reaction effects of the Maastricht and ECM [European Climate Menu] systems. . . .

"All of western Europe is now virtually bankrupt, and sinking into a pit which leans toward a plunge into a new dark age. Without a breaking free of what the now archaic NATO system represents, there is no hope for any of the present nation-state economies of western and central Europe. All arguments on matters of the type to which you refer are rooted in that single issue. If Poland had not been raped, as it continues to be raped by European Union and related policies, the inequities to which you refer would not exist" (*EIR* Oct. 6, 2006).

The picture presented below confirms LaRouche's analysis. Indeed, the initial shock therapy implemented after 1989, under the dictate of the International Monetary Fund and the World Bank, and then various neoliberal adjustments made according to directives coming from the EU, left the Polish economy weakened and dependent on foreign interests. And that state of affairs is eroding the national security.

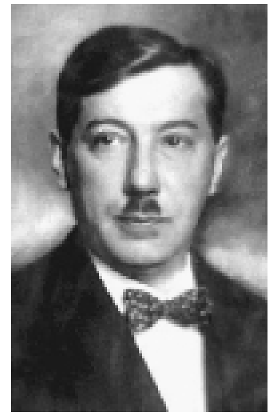
Gloomy Future for the Railroads

According to an agreement with the European Union, which Poland joined in 2004, this year the Polish railroad market will be opened up to carriers from other member countries. This liberalization of the market, as even the Ministry of Transportation admits, will most likely have a negative impact on the position of Polish carriers, which is not surprising, given that the process of reforming Polish railroads led to chaos and neglect throughout this sector.

A few years ago, the Polish State Railroads (PKP) was divided into 24 companies, which are supposed to be gradually privatized, until eventually, only the track and rail bed will remain under state control. All of those companies are in debt and struggling to survive.

The biggest Polish carrier, state-owned PKP Cargo, certainly is not ready to compete on the international market. The average age of PKP Cargo's locomotives is 26 years, the age of its rolling stock is 22-27 years, and, since the company cannot afford to make new purchases, every day there is a shortage of 400 to 1,200 rail cars and containers, chiefly those needed for transporting industrial goods. In order to avoid a total decapitalization of its assets, Cargo should spend annually about 1 billion zloty ($300 million) on modernization and expansion of its rolling stock. But, for five years now, the annual budget for this purpose has been only $73 million.

All of the companies that produce and repair rolling stock



Under the leadership of Deputy Prime Minister Eugeniusz Kwiatkowski (inset), the Polish government in 1936 launched the construction of an impressive Central Industrial Region (COP) in the southwest of the country. During Kwiatkowski's first term, 1926-30, he oversaw the construction of a modern seaport in Gdynia, shown here in 1964.

are in crisis. The only one that is making a profit is owned by the American company Greenbrier, which exports all 1,500 of the containers it produces in Poland each year.

The easiest part of restructuring the PKP seems to have been the reduction of "unprofitable" railways. Out of the 26,000 km of rail lines that existed in 1990, about 6,000 km had been taken out of operation by 2005. Only 25% of the remaining track is in good condition, and only 5% can handle speeds up to 160 km/h. Most of the trains in Slask, the southern region of the country, and in Warsaw, travel at the dizzying speed of 20 km/h (12.5 mph), otherwise, they may end up derailing. There are 6,500 km of such bottlenecks due to track conditions on the Polish railroads.

The total past due maintenance of railway track is estimated at $3.6 billion, and the replacement of the worn-out traffic control equipment would cost $2.6 billion. At the same time, investment in modernization of the railway tracks dropped from 0.4% of GNP in 1990, to 0.01% in 2005. Local governments, which are supposed to co-finance regional train service, do not have enough money to do that, resulting in the cancellation of many train connections. A recent example of this is Wielkopolska, the western region of the country, where a number of popular connections between Poznan and cities in central and southern Poland have been shut down as of February.

The poor condition of the PKP was described in a series of articles in the Polish press in 2005-06 by Adrian Furgalski, director of the Economic Advisors Group, TOR. He correctly noted that "investment in the railroads is threatened, due to the limited financial involvement of the state," and presented a rather bleak perspective for the PKP, in view of the opening up of the market for train services, in the daily *Rzeczpospolita* (Jan. 22, 2007):

"Big European players, rich in capital and rolling stock, will show up. Let's look at the German and Austrian railroads. The latter wants to participate in North-South transit transportation, and will try to take over shares in a Polish company or establish a strategic partnership. A German company, Raillon, which is a part of Deutsche Bahn, has a similar attitude, and plans to sign a cooperation agreement with Polish PCC Rail. The strategy of DB will include taking over the export of goods produced by companies with German capital, and, first of all, taking over the transit connection to Russia, and further on, to Asian countries. The Germans have already signed an agreement with China, and have established a German-Russian logistics company. Russia is planning to spend $5 billion to modernize the Trans-Siberian Railroad, which serves as a line for the transport of goods between China and Europe. The estimated value of this turnover is 220 billion euros. What is Poland doing to join this business? Nothing."

Highways and Waterways

Polish roads and highways do not look any better. Poland has only 670 km (418 miles) of highways. By comparison, Germany, whose territory is only 44,000 sq km, or 14%, larger than Poland's, has 11,430 km of highways! For the last 16 years, every new Polish government has declared highway construction to be its priority, but there has not been much progress in this area. In 2007, only *6 km* of new highway construction is planned for completion! It is clear that as long as the budget-balancing mentality controls government policies, financing of any big infrastructure projects in an effective manner will not be possible. This is true, not only for Poland, but for any country, as LaRouche addressed in "The Lost Art of the Capital Budget" (*EIR,* Jan. 12, 2007), where he writes in the U.S. context:

"The function of the central government's role in the direction of the economy, should be the maintenance of a set of reliable and stable monetary and financial systems, through the aid of the functions of 'Hamiltonian' national banking and tariff and taxation policies; and, through the role of the Federal and state governments, chiefly, in the promotion of that development and maintenance of the public infrastructure which should represent, under present conditions, about half of the annual total capital investment in the U.S. economy as a whole."

With a Hamiltonian approach to credit creation, one could easily deal with any transportation gridlock, and build not only more railroads and highways, but also introduce modern water-management technologies on two major Polish rivers, the Oder and the Vistula. The latter is the biggest unregulated river in Europe. Only a few parts of these two rivers are suitable for safe inland navigation. Other Polish rivers and dikes and dams are generally not up to European standards, which call for a depth of at least 1.8 meters, 12-meter width, and 120-meter long locks. Polish waterways are often only 1.3-1.5 meters deep, and the locks only 80-85 meters long.

For the last 20 years, investment in this kind of infrastructure has been dropping by 20% annually. Only 5% of the waterways are up to standard, while in Germany this level is 70%, and in France, 30%. Not surprisingly, water transportation companies are going out of business, and those still in operation are not motivated to make investments. Polish barges and tugboats are on average 20 years old. As a result, only 0.6% of transported goods are moved via waterways, which amounts to just 8 million tons, mainly sand, coal, and steel products.

Foreign Industry in Poland

The numbers presented above should be enough to convince anybody about the lamentable state of the economy. But, almost every Polish government manages to find some statistical data to present as proof of alleged economic development. The recent reason for celebration on the part of some government officials is new foreign investment, which is supposed to create new jobs and help with unemployment. Indeed, the list of foreign investors has recently expanded to include such companies as Dell, Rockwell, Toshiba, Sharp, and Indesit, which were reported to have created 30,000 jobs in Poland during 2006 alone. But the question is, at what cost. All of these companies are granted long tax holidays by the Polish authorities, refunds of their costs of employment, and often, government funds for their projects.

Polish companies do not have a chance of competing against the generous conditions offered to foreign firms. Even a representative from the neoliberal Adam Smith Center commented, in an interview last September for the nightly news program "Wiadomosci," that a Polish entrepreneur who has planned to hire two more workers, will have to give up this idea, due to the higher taxes he will be paying to finance one job in a foreign company.

The reasons for this recent flow of investment into eastern Europe were explained in an article by Rainer Apel, "European Auto Industry on a Chopping Block" (*EIR,* June 30, 2006). It is a part of globalization, based on cheap labor. If those companies find better conditions elsewhere, they will not hesitate to close down their factories in Poland, as they are doing now in western European countries, in order to get subsidies from the EU to build in eastern Europe and Russia.

Most Polish companies that were doing relatively well before the collapse of the Communist government in 1989, now belong to foreign interests. The numerous scandals associated with privatization have been described many times by the media, but even those privatization schemes which are presented as a success, are in reality a big loss from the standpoint of national economic sovereignty. Poland's steel mills serve as an example.

In 2002, four major steel mills—Huta Katowice, Sendzimira, Florian, and Cedler—consolidated into one company, and then sold to the international conglomerate Mittal Steel, giving the latter control over 70% of steel production in Poland. Mittal, of course, is the cartel "blob" *par excellence,* as described by *EIR*'s economics staff: "The same French/Anglo-Dutch Synarchist financiers who in 1929 set up an International Steel Cartel to control and regulate global steel production, and to destroy the authority of sovereign nation-states, have increased their effort to recreate a gigantic cartel, far bigger than that of 1926. The 1926 cartel was steered by Hitler-handlers Baron Kurt von Schröder and Bank of England governor Montagu Norman.

"Today's Synarchist cartel frontman, Lakshmi Mittal and his Mittal Steel—financed by Goldman Sachs and Anglo-Dutch banks—reached tentative agreement June 26, 2006 to purchase the Luxembourg-based Arcelor steel giant, Europe's largest steelmaker. Slicing up and bankrupting the steel sector was the precondition for cartelization, so that there was little resistance" (*EIR,* Aug. 11, 2006).

This comparison alone should shock the Polish elites, given that in the 1930s, the Polish government fought hard in its efforts to re-nationalize German-owned steel mills in Poland, knowing that the steel produced there, by Poles, was being sent to Nazi Germany.

In 2005, before being taken over by Mittal, Arcelor had also purchased one more Polish steel mill, Huta Warszawa, which before that, for over ten years, belonged to the Italian corporation Lucchini. After taking over the mill, Arcelor brought most of the restructuring projects there to a halt. In December 2006, the European Commission started an investigation into the alleged improper use of 50 million euros of aid, allocated by the EU for this purpose. There is a chance that the EC will demand the return of at least some of this money.

Huta Warszawa was supposed to produce high-quality steel from scrap metal delivered from the north of the country. But due to various restructuring projects, a big part of the mill is now idle, and some of its acreage has been allocated for housing construction. Arcelor is expected to start selling off the land. Since 2003, a few furnaces have been demolished, while the office buildings are now used by banks.

The reduction of the production capacity of the Polish steel mills follows the agreement with the EU, which demanded that, by 2006, production of steel be cut by 900,000 tons, and steel-industry employment by 7,300 people.

From Science-Driven Industry to Assembly Lines

A general analysis of the privatization process is laid out in a report published by the Polish Industrial Lobby (PLP) in March 2006. It stated the following: "So far, the many years of the privatization process in Poland have benefitted mainly foreign investors, and created an oligarchical social structure in the country. For most of society, this constitutes a developmental regression in every respect. The new government faces the difficult task of leading the country out of a very deep moral crisis, a huge debt, and rebuilding the creative capabilities of the nation. We need new laws to protect natural resources and the property of the State Treasury [state-owned companies—AK] from looting."

The authors of the report were particularly disturbed by plans to privatize the energy sector, and by the fact that in the middle of 2007, Poland will have to open up its energy market to EU countries. The report warned that Western companies "are trying to take over Polish power plants, in order to gradually reduce their production and increase exports from their own facilities."

In October 2006, at a PLP conference devoted to the consolidation of the defense industry, Dr. Ryszard Grabowiecki noted that those branches of Polish industry that were most science-directed, profitable, and had the biggest exports, were the ones turned over to foreign ownership in Poland. As a result, at the end of 2004, 47.5% of fixed capital assets in the manufacturing industries belonged to foreign interests. This has led to a significant reduction of basic research and development in industry, and to elimination of production based on domestic documentation and cooperation. Instead, production consists of assembling final products based on imported blueprints and components.

According to Grabowiecki, at the present time imports of components of final products constitute 60% of Poland's annual goods imports, at a value of over $66 billion. This shows the loss of jobs in industry, and its regression. The trade deficit is growing every year, reaching $12.2 billion in 2005. Poland's foreign debt is also rising, from $69.4 billion in 2000, to $130 billion in 2005.

The main subject of the conference was the government plan to consolidate the defense industry, in light of integration with the EU. Although the program was generally supported by the participants, they warned that it would be difficult for Polish companies to compete with Western giants. As one of the participants said, "It may not be enough just to undertake efforts to repair the defense industry, without addressing the problem resulting from the fact that during the Third Republic [after 1990—AK], the Army has been liquidated in its defense form and changed into some sort of gendarmerie to maintain order, on its own territory or far away from Poland." An American anti-missile system is hardly a substitute for a functioning Army.

Agriculture Heisted for Biofuels

Membership in the European Union provokes mixed feelings among Polish farmers, as well, despite the initial euphoria caused by subsidies from Brussels. The Polish countryside differs greatly from Western European farms. More than 38% of the population of Poland lives in rural areas, and the average size of a farm is small; 75% of the rural population lives on farms no bigger than seven hectares. There is high unofficial unemployment, and widespread impoverishment. Attempts to fulfill EU demands have made the social situation only worse, and the production limits on milk, sugarbeets, and livestock, imposed by Brussels, cause problems even for relatively modern farms. The big "incentive" coming from EU now is a subsidy for producing biofuels, which is supposed to lower unemployment in the countryside and reduce the cost of production for farmers, who would produce biofuels for their own consumption.

Ludwik Staszynski, member of the Polish Peasant Party, describes the social cost of reforms in the countryside in his book *Trapped,* where he mentions that, according to the Main Statistics Office, the proportion of rural population living in extreme poverty has been growing, from 12.6% in 2001, to 17.5% in 2003. He also lists numerous examples of ideologically motivated privatization in the food-processing industry, much of which is now in the hands of Cargill, Danone, Nestle, Gerber, Suedzucker, and other foreign companies.

The Social Cost of Neoliberal Reforms

It is also very disturbing that more and more young people, between the ages of 25 and 34, are leaving Poland to look for employment abroad. Because of high unemployment in Poland, for years hovering around 16-18%, many people decide to work abroad, in hope of finding work at higher wages. According to a report published by the European Citizen Action Service at the end of 2006, more than 1.2 million Poles left the country during the last few years, which constitutes 3% of the population, and 5% of labor force. Some sources claim that the numbers are much higher, over 2 million people.

They represent various professions, starting with doctors, who find employment in the Scandinavian countries or Great Britain, nurses, bus drivers, plumbers, construction workers, but also unskilled labor, finding employment in factories, services, and on farms. Many people agree to take jobs below their skill levels.

Citizens of new EU member countries can work legally in eight out of fifteen of the "old" member countries, and the rest can keep labor restrictions only until May 2011. Most Poles who leave go to Great Britain, Germany, Northern Ireland, or Italy. Some find employment in the neighboring former Comecon countries, Slovakia or the Czech Republic, mainly at foreign-owned companies like Volkswagen or Toyota.

Many families end up being separated for a long time, because one of the parents goes abroad to work. There are also less frequent, but particularly worrisome, cases of single mothers leaving their children in orphanages, to go and find work abroad.

Most people live and work in decent conditions abroad, but it happens occasionally that Poles are brutally used by unscrupulous employers. The extreme example of this was the farm-labor camps in southern Italy, shut down in 2006, where people were living in unspeakable conditions, being beaten, intimidated, and eventually robbed of their earnings.

At the same time, a growing number of Polish employers are experiencing labor shortages and are considering hiring foreigners, especially from the East. Last Summer, the Polish media reported that 100,000 Ukrainians were working in Poland.

Poland's population is shrinking, due to a low birthrate of 1.36 children per woman of child-bearing age, significantly below the levels necessary for the reproduction of society. In 2000-2004, due to the low birthrate and emigration, the population of Poland dropped by 80,000. There were 356,000 births in 2004, or 35% lower than in 1990. The main reason for the collapse of the birthrate is the uncertain future and declining standards of living.

The latter are typified by the collapse of the health-care system. Virtually abandoned by the state, hospitals and clinics are chronically indebted, and many of them face closure. After a dramatic incident at the beginning of February, when the Wroclaw University Clinical Hospital, which has a large pediatric oncology unit, was threatened with foreclosure by its creditors, Health Minister Zbigniew Religa promised a three-year, 750 million zloty program to repair the financial situation of eight major hospitals in the country. With no real physical economy in the country, however, this kind of aid will not resolve the issue in the long term. More than 100 other indebted hospitals will have to struggle on their own.

Kwiatkowski's Industrial Center

EIR has written extensively about the murderous impact of neoliberal economic reforms, implemented in various parts of the world, including in eastern Europe, with the help of the IMF, Maastricht Treaty, or other globalization-promoting outfits. There has always been an alternative to those reforms, in the form of the Eurasian Land-Bridge and the New Bretton Woods system, which LaRouche movement representatives have discussed many times with political, parliamentary, and academic circles in Poland.

The country's own turbulent history can also provide examples of inspiring achievements, accomplished despite adverse conditions and wars. One of them is the reconstruction of the Polish state at the beginning of the 20th Century, after over 120 years under foreign rule by the three neighboring empires (Austria, Prussia, and Russia). Between 1918 and 1939, Polish governments had to consolidate three economically different regions, reconstruct the education system and state institutions, and establish their own foreign policy.

Under those circumstances, at the initiative of deputy Prime Minister and Treasury Minister Eugeniusz Kwiatkowski, the government in 1936 launched the construction of an impressive Central Industrial Region (COP). It was located in the southwest of the country, and covered 15% of Poland's territory at that time.

The following industrial projects were part of the plan: a steel mill and an electrical equipment plant in Stalowa Wola, a rubber factory in Debica, an automobile factory in Lublin, an aircraft factory in Mielec, an aircraft engine and an artillery factory in Rzeszow, hydroelectric power plants in Roznow and Myszkowice, and expansion of the chemical factory in Moscice. Military industry in the Staropolski Industrial Center was expanded in half a dozen towns. Most of those investments were localized in regions with high unemployment, and the construction succeeded in reducing social tensions and began to strengthen the Polish economy. The government carried most of the burden of financing the project: in 1937-1939, the COP consumed approximately 60% of all Polish investment funds.

During Kwiatkowski's first term, 1926-30, he oversaw the construction of a modern seaport in Gdynia. Other projects, finished under the auspices of the government between the two wars, included modernization of the central south-north railroad system, and the expansion of the Warsaw industrial center.

Kwiatkowski understood that independent economic development was the only guarantee of security and national sovereignty. The first phase of the COP was supposed to end in 1940. The Nazi invasion of Poland in September 1939 interrupted the project, but it was certainly the correct approach to nation-building. If nations, including the United States, change the rotten policies of recent decades, bury imperial-style globalization, and move now, worldwide, to the "new economics,"—based on national sovereignty, high-technology growth, and fair trade in the mutual interest—Poland has these precedents to turn to, as the basis for breaking with the murderous and suicidal blunders of the recent past, and reclaiming its identity as a scientific, cultural, and industrial powerhouse among European nations.

This article was first circulated in Polish via www.instytutschillera.org