

General Political Environment: Poland's political landscape has been marked by many changes over the course of the last several years, the most significant being accession to the European Union (EU) in May 2004. The political environment in Poland is quite volatile with every incumbent party being defeated in successive parliamentary elections. This pattern repeated itself in October 2007. The early elections of October 2007 came about as a result of the collapse of the PiS-led coalition in August following a series of party scandals and ministerial departures. In the election, the governing conservative, Catholic and populist Law and Justice Party (PiS) was defeated and its former coalition partners entirely shut-out of the *Sejm*. The opposition Civic Platform (PO) with its pro-investment and strongly pro-EU stance was victorious with 41.5% of the vote and 209 seats in the *Sejm*, a significant increase on its 2005 result of 133 seats. PO's victory was viewed as a reaction to the nationalist rhetoric and poor management of PiS and its impact on Poland's reputation abroad. PO will likely form a coalition with the Polish Peasants' Party, which will give it a majority with 240 seats and usher in an enhanced stability.

Under the previous PiS-led government Poland began to seek greater influence within EU institutions. The Polish government fought for and was largely successful in obtaining the inclusion of a non-blocking minority to delay EU decisions in a new EU constitutional treaty concluded at Lisbon in October 2007. Poland wanted to move away from a population-based system and thus reduce the voting power of the large member states (e.g. France and Germany) in EU institutions to the benefit of small and medium-sized member states, such as Poland. It is not yet clear what the European strategy of the PO government of Donald Tusk will be. However, it is widely anticipated to be more collegial and more predictable while at the same time focused on protecting Polish national interests and ensuring a strong Poland within the EU.

Even with a majority in the *Sejm* the PO-led government could be challenged by possible attempts to veto government legislation by President Lech Kaczynski of PiS, twin brother of former PM Jaroslaw Kaczynski. The President has been highly partisan in the past and is likely to try to exert this influence on behalf of PiS in opposition. The PO coalition will need the support of another party, possibly the Democratic Left Alliance, to obtain the 60% legislative majority to override any presidential veto; this would likely be forthcoming.

Investment Environment: The initial post-communist years were a period of "shock therapy" – a short and deep recession with high inflation that was countered by austerity measures. Poland was one of the most successful Central and Eastern Europe countries in reforming its economy. At this time, a new currency law made the zloty fully convertible and foreign trade was liberalized.

Foreign investors have national treatment. The Enterprise Freedom Bill passed in May 2004 replaced the antiquated Law on Economic Activity (1934) and significantly improved the business regulation environment. Canada and Poland have an Agreement on Reciprocal Promotion and Protection of Investments (entered into force November 1990).

Enormous strides have been made towards the creation of free market conditions in Poland. This attitude has only been augmented by reforms made as a result of EU membership. Certain segments of the Polish population are cynical towards a more liberalized investment environment. The victory of Civic Platform in the October 2007 parliamentary elections ensures that there will be government support for FDI over the medium to long-term.

The Polish legal and regulatory environment has changed due to the adoption of EU laws and regulations. Poland's legal system is almost completely harmonized with EU law. This attitude is very unlikely to create the conditions needed for expropriation: and as pro-market conditions only deepen with the country's integration into the EU.

Widespread low-level corruption is seen as a problem for Poland. The country scores +0.14 on the World Bank's Control of Corruption ratings. (-2.5: Worst; +2.5: Best).

Political Violence: There are powerful and militant trade unions on both the left and right of the political spectrum. Street protests and strikes in reaction to unpopular policies are a feature of Polish politics, although these have not been violent in recent years.

Political

Political Structure

Parliamentary Republic

President

Lech Kaczynski (PiS)

Prime Minister

Donald Tusk (PO)

National Legislative Bodies

- Sejm (460 seats)
- Senate (100 seats)

Major Parties (seats in assembly)

- Civic Platform (PO) (209 seats)
- Law and Justice (PiS) (166 seats)
- Democratic Left Alliance (55 seats)
- Polish Peasant Party (31 seats)

Last Elections

- Presidential: October 2005
- Legislative: October 2007

Next Elections

- Presidential: October 2010
- Legislative: October 2011

Press Freedom Survey:

- 2007 Score: 22 -Free (0: Free; 100: Not Free)

freedomhouse.org

Control of Corruption Index:

- 2006 Score: +0.14 (-2.5: Worst; +2.5: Best)

worldbank.org

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Political Outlook

Successfully transitioning from a communist state to a liberal democracy, Poland is a stable, democratic country with strong institutions. This stability has been strengthened by membership in the EU. National-level politics, while fractious and changeable, will continue to provide an overall backdrop of political stability and broad policy continuity. The October 2007 parliamentary elections resulted in a new pro-investment and pro-EU Civic Platform government that will ensure greater policy predictability and overall stability in the medium to long-term.