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Poland and the European Union. Key Facts and Commentary

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Poland and the European Union. Key Facts and Commentary[§]

Davide Secchi*

Abstract

The enlargement of the European Union has brought to a number of significant problems. Though, many challenges have been launched to the EU-25. Poland is the largest country between the acceding ones. It is the first in terms of population, territory and of potential economic power. Moreover, its geographical position leads neighbouring EU-15 Member States to take some precautionous (or hostile) economic and political measures. After a brief description of the macroeconomic environment, the paper tries to analyse which kind of contribution Poland can afford to the integration process. The analysis passes through an evaluation of the Polish sentiments towards EU and through considering the political role of the country.

1. The macroeconomic framework

From 2004, May 1st, Poland and other 9 Countries have officially joined the European Union, designing a new profile of it.

The Union passes from 379 to 453 millions citizens (+74.8 millions, that are plus 15 in percentage terms; European Commission 2003; WTO 2004) and from €9,172 to €9,615 billions of Gross Domestic Product (€443 billions and +5%, 2002 statistics; European Commission 2003; European Central Bank 2004).

Poland affects data with 38.6 millions people and €202 billions, i.e. 52% of the new members' total population and 45% increase in the EU-10 total GDP. These simple information reveal that Poland influences, from an economic and social point of view, the new configuration of the European Union.

Before starting with comments, the State's macroeconomic framework, presented

[§] This paper expresses the attempt to understand the complex position of Poland in relation to the European Union, though it is not a technical work but a contribution to the general debate. It has been presented during the 30th of June at the weekly meeting of the association *Ewiger Frieden*, at the "Circolo Immanuel Kant" of Pavia. I am indebted to the overall participants for the interesting comments and critics to the original ideas.

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<http://www.unipv.it/cdepv/ause/index.php>

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in the table 1, can help to deepen considerations. The aim of the paper is not that of defining a precise image of the Polish economy, but data may be of some help to enhance comments.

The analysis of the GDP trend clearly underlines that Poland is a developing country. The world economic conjuncture impacts with much more evidences in the country's fragile economic structure, so that in years of growth, Poland experiences high growth rates (5.1% is the average rate for 1996-2000) and, on the contrary, in years of recession it has a significant slowdown (see 1.0% and 1.3% for the recent years). The EU average in the same years is about 2.7% and 1.1% in 2002 while estimated data for 2003 saw the EU-25 GDP to be below 1%.

Polish GDP is 3.8% of the total EU-25 value and it is, by far, the greatest economy of the Ten (second is the Czech Republic with 1.5%)¹. Per capita GDP indicates one of the actual problems facing the entire number of new member countries. The value of € 5,300 remains very far from EU-25 average of € 21,100, and from the Euro area average of € 23,000. In percentage terms, if one considers the average per capita GDP to be 100% of the entire EU-25, then the Polish data is 42.8% (year 2000 statistics).

The classification of the Gross value added by economic activity reveals that the economic structure of Poland is more and more similar to that of the advanced countries (Banca d'Italia 2003). The prominent role of services in national accounts helps to foster the economy toward a modern capitalism, where intangibles and knowledge have taken the most significant part in economic development.

Table 1 – Poland: Selected macroeconomic data, various years.

	2000	2001	2002	2003
GDP	178.0	204.5	202.3	-
GDP growth rate (%)	4.0	1.0	1.3	-
GDP per capita	-	-	5,300	-
Gross Value Added by economic activity				
Agriculture	3.6	3.8	3.1	2.9
Manufacturing	25.7	24.1	23.8	24.7
Construction	8.2	7.2	6.5	5.6
Services	62.6	65.0	66.5	66.8
Inflation rate	10.1	5.3	1.9	0.7

Source: ECB 2004; EC 2003.

Strong progresses have been moved on the inflation side. The average inflation rate in the years between 1996 and 2000 was 11% (ECB 2004) while the average rate, in the same period, was 1.6% in the euro area. Difficulties in managing inflation rate in times of change and high growth are well known. Nevertheless, in recent years things have changed because of two concurring factors. On one side, the interna-

¹ For detailed data and analysis, see Praussello (2003).

tional negative conjuncture (recession, in some cases) strongly impacted to economies “in transition”; on the other side, the international standing of the national currency (the Zloty) is very low, thus it is submitted to quick appreciations and depreciations.

The labour market offers other interesting features. The employment rate was 8% points far from the EU-25 average of 63.1% in year 2000 but, in recent years, the international trend put downward the rate, widening the gap.

Unemployment rate is more than twice the European average (8.7% in 2001). Here, the Polish condition is similar to the other Central and Eastern European Countries (CEECs) and to some underdeveloped areas inside the original EU-15. This is the case, for example, of the Mezzogiorno area, where the unemployment rate is about 18.3% (with Sardinia reaching 19.1%, Sicily 20.8% and Calibre 24.8%). Other cases are that of some regions in Spain, like Extremadura and the Sur with an average of 22.1% and 20.8% respectively, and of the French *Départements d’Outre-Mer*, with Guadeloupe and Réunion showing 29.4% and 33.3%.

Far from being a typical problem of the CEECs, the unemployment rate underlines the arising of social problems when considered in relation to the youth. Poland has a youth unemployment rate of 41.5% (2001 data) that is one of the highest in the CEECs but, once again, finds similar situations in some regions of the old EU-15. A brief “shocking-list” may better explain the issue: Réunion 50.0%; Guadeloupe 45.7%; Ceuta y Melilla 40.0%; Sardinia 51.9%; Sicily 51.5%; Calibre 58.5%; Campania 59.9%².

Table 2 – Poland: Employment and unemployment.

	2000	2001	2002	2003
Unemployment	16.4	18.5	19.8	19.2
Employment rate	55.1	53.4	51.5	-
Average employment by economic activity				
Agriculture	18.7	19.2	19.6	-
Manufacturing	23.6	24.0	22.6	-
Construction	7.4	6.7	5.9	-
Services	50.3	50.1	51.8	-

Source: ECB 2004; EC 2003.

The Gross Value Added classification showed in table 1 has to be compared to the labour force employed in economic sectors. From this point of view, agriculture, that on a three years average represents 3% of GDP, employs 19% of the total labour force in Poland while the service sector, circa 65% of GDP, employs only 50% of the total labour force.

This element suggests almost two interpretations: (a) the low employment rate implies that it will probably be an expansion of the services sector; (b) the economy is

²The information has to be rectified by considering the “black work” phenomenon, widely diffused in the Southern Italian regions; however, it does not lead to a significant modification in signaling social problems.

anchored to rural traditions and the passage to a modern capitalist economy (read market economy) is still coming.

These information give the point on a country that is trying to reach its own way to development, starting from a very peculiar point. On one side, the macroeconomic framework describes typical elements of a developing country, such as a strong dependence from the international trends, a significant impact of the rural economy, a low level of GDP per capita, and so on. On the other side, a high unemployment rate and a higher youth unemployment rate, an economic structure that calls back to a developed country, united to a great potential economic growth, reveal interesting margins for reducing the gap.

2. The evaluation for accession in the EU

The European meeting of Copenhagen fixed the three main criteria for the candidate countries to accede to the European Union. These widely known criteria concern (a) political and (b) economic fields, and also (c) the so-called *acquis communautaire* reception degree. This paper will not focus on the meaning of these three criteria and on their overall acceptance³, but on those few critical issues that the Commission stresses when analysed the Poland case.

The CEECs, and Poland is not an exception, are characterised by a strong influence of the public sector in their economy. For this reason, reaching a market economy means to diminish the State influence and to foster the private one. The Polish State, at the end of 2002, controlled about 2,100 firms operating in a number of strategic sectors. The point is that about 76% of GDP was produced by the private sector (European Commission 2003). Redefining the role of the State seems to be crucial in these countries; nevertheless the privatisation process has recently faced some difficulties, due to the uncertain international economic and political environment.

The Commission also considered Poland government's budgetary position. It emerges clearly that the trend has been deteriorated during the years 1999-2003. Poland shows a descending trend, starting from a deficit of -1.5%, measured in terms of Gross domestic product, arriving to -3.5% in 2002 and to -4.1% in 2003. Cause-effect mechanism doesn't explain so much in this case. On the contrary, it should be better to focus the attention to a series of co-causes, e.g. the increase in unemployment, the government involvement in Iraqi war, the measures for facing the international economic crisis, the slowdown in the privatisation process (share offerings increase the State's "profits" or, at least, reduces "losses"), etc. If read by the perspective of the Stability and Growth Pact, the general government deficit above the -3% limit defines a critical point for the country. On another point of view, developing countries are threatened between periods of extraordinary expan-

³ See the Comprehensive monitoring report on Poland's preparations for membership (European Commission 2003).

sions and of very low growth hence, in this case, sometimes government deficit becomes a need for reaching a kind of equilibrium.

Considering public debt, Poland looks like a very virtuous country with a 45.4% of GDP in 2003. If compared to Italy, 106.2%, or to Belgium, 100.5%, it seems that Poland has a good situation, far from the limit of 60%. However, taking into account the general trend, we see that from 2000 to 2003, public debt registered a significant increase: 36.6% in 2000, 41.2% in 2001 and 45.4% in 2003. It grows too fast: 8.8 percentage points in four years.

The two data about government deficit and debt have to be related to another element, much more important for CEECs and, in particular, for Poland. The country registered a decrease in the inflows of Foreign Direct Investments (FDI). After having experienced a great increase of the inflows in 2000, with a peak of € 10,133 millions, FDI declined in 2002 and in 2003, reaching respectively € 6,277 and € 4,335. In percentage numbers, the decrease was 38% in the years 2000-2001, and 31% in 2001-2002. The “post-bubble effect” can be clearly identified in the change between 2000 and 2001; the end of the expansion in the world economy and the shocking breakdown in financial markets led to investment shortcomings.

In order to restore the previous level of FDI, Polish government decided, in 2002, to cut taxes on corporate net revenues. The rate decreases from 27% to 19%, representing the most common measure to foster investments from developed countries to CEECs.

Labour market issues are typically related to the world of enterprises and the measures for improving foreign investments have a hard effect to the overall level of employment. However, the government decided to promote a “first job program” in order to reduce the mentioned high level of youth unemployment.

As everyone knows, on the basis of these and other elements, the European Commission stated that Poland, with other nine States, could join the EU on May 2004.

3. The Polish sentiments towards EU

Writing about a new relationship between a State and the European integration process, we need to handle with people’s sentiments about the new context within which they are.

One of the main sources of data is the Eurobarometer special issue on the CEECs sentiments about the Union and related matters (Eurobarometer, 2004 Spring). These data need to be handled with care because of rapid changes in opinions and difficulties to fit with the actual situation. However, this statistical source is one of the main important both for the subject and for the comparative basis on which it is developed.

The major part of people from Poland think that the membership is a “good thing”, but the percentage is going down very fast in the last years. Recent statistics points out a 42% of positive thinking about the EU membership, that is a -10% from the former report. In line with this sentiment, one can read that 41% of Pol-

ish citizens mistrust the European Union, while only 33% trust it. On the contrary, 49% trust the European Commission and 53% feel positive about the European Parliament⁴.

The last two percentages seem to be in logical contrast with the first two. Is it possible to mistrust the Union but to trust its institutions? This passage may be related to other factors, such as the level of democracy in Poland and the role democracy has for its citizens. The aspect will be better analysed later in this paper, but it is possible to make some further steps hereby too.

Recently, the European Parliament elections have given a significant and concrete relevance to the people's sentiments toward the EU. The European overall turnout was very low in the greatest part of the Member States. However, many of the CEECs registered the lowest turnout figures, and Poland was not an exception with 20.4% (Euobserver.com 2004)⁵. Mistrust to European institutions seems to be the *leitmotif* of recent trends in European citizens' opinions. It may be redundant to notice that the real data worsened the percentage registered in the latest Eurobarometer Report (Spring 2004).

Concerning economic and monetary issues, Poland supports the euro as a common currency, with 59% citizens being for it and only 29% against it. It is worth noting that the State with the greatest aversion to the common currency is the United Kingdom (61% against) and that the new members generally support the euro (60% for it). This element is, in the opinion of the writer, far from ideal sentiments of unity and very near to actual economic needs. All the Ten CEECs, and Poland is not an exception, have passed through hard times of great monetary instability, due to their slight position in international financial markets. The role that the euro is reaching in international markets may help these economies not to be so exposed to capitals in- and outflows. For this and for other reasons, euro is thought as an economic anchor more than an ideal mean for unity. Furthermore, Poland seems to follow the UK in many fields, not in currency related ones.

The recent war in Iraq saw Poland, with Spain, Italy and the UK supporting the US foreign policy. The search for an international role for Poland is witnessed by the interpretation that political parties have given to the new relationship with the USA (Wilga 2003). On the other side, the position in foreign affairs led by the UK, has brought to a temporary break in European Members relationships. The so-called engine of the EU integration process, i.e. France and Germany, had a different position about the war, so that they didn't agree with the line adopted by the US. What emerges from this mismatch in foreign policy lines is that the EU is not at stake, concerning foreign policy. It seems also that the UK traditional opposition to a stronger integration in Europe has won, succeeding in blocking (or delaying) the process in connection with "federal" issues (taxes, security and foreign policy,

⁴ The European average people thinking for EU membership being a good thing is 46% while 41% people tend to mistrust the EU; 54% is the European data for those who tends to trust the European Parliament and 48% is the other one concerning trust in the Commission.

⁵ See also the statistics from the official site of the 2004 European Parliament elections <http://www.elections2004.eu.int/>.

military defence, economic policy, minimum standard education, environmental policy, etc.).

Despite this common thinking, the average percentage of CEECs citizens supporting a European common foreign policy is about 68%, and those supporting the common defence and security policy are 74%. Poland registered 70% concerning the first issue and 79% in relation to the second.

How can we read these information? They seem to be very far from the Polish real political approach. Poland is still seeking an international role in foreign matters, but not only. Nowadays, the only political power able to guarantee a military counter-aggression are the United States of America. Supporting its actions in international field should have been understood, maybe not approved, but in line with establishing a long-lasting relation with a new and powerful ally.

In this military field, the EU is still nothing; even its Member States are nothing in the international scene. Thus, hoping that it will be an international role for EU, Poland decided to have a different foreign policy. Therefore, Poland wishes that EU will build-up a European common foreign policy but it tries to be covered in short period needs. Nonetheless, this is a schizophrenic policy, if considered from the European point of view because the actual lines of foreign policy leads to difficulties in negotiation processes (see, for example, the case of the European Constitution). A number of Member States, within the EU Council, may have problems in budgeting funds for CEECs while diverging in foreign political issues.

The thesis here proposed is that Poland (and maybe some other of the Ten) is seeking a legitimacy in foreign affairs, but the EU remains in the background. Some Authors underline (Wilga 2003) that Poland perceives the EU as an external body. Therefore, relations are set on a utilitarian basis, i.e. to a contractual basis in which Poland gains something (a game with a positive sum).

Afterwards, data and explanations proposed have to be discussed in relation to other important elements.

4. Poland-EU: relationship setting

The economic position leads Poland to feel like depending from the European Union, on one side, and to satisfy the need-to-affirm national identity in the remaining political fields such as foreign affairs, on the other side.

Despite an underdeveloped economic position and people's mistrust sentiments (also focused against the European Union), the Polish perspective has to be integrated. The thesis here supported can be described as follows.

Poland is a newly created democracy that experimented, for a long time, one of the most rigid dictatorship in the world. The European Commission gave a positive evaluation to advancements in democracy. Notwithstanding the presence of some political parties that can be classified as "extremists", is a working democracy. The democratic experience is still a "work in progress", through which Polish people try to express their need of representative democracy. The people's democratic choice

is still fresh in memory, so that they are still confirming this as an everyday choice. This need may be expanded to every level through which democracy can be expressed, even at the European level. Therefore, people's mistrust in the EU may be interpreted (only in part) as related to the lack of democracy at that level. Why do I limit democracy to a national perspective only? Why do I vote for the EP if it doesn't function as a real legislative branch? Let's take the issue from a wider perspective.

Poland registers a low level of investments in Research and Development (R&D); it is about 0.75% of the Gross Domestic Product. The overall CEECs show percentages below 1 – the exceptions are that of Czech Republic and Slovenia with 1.24% and 1.51% – while the EU-15 average more than doubles (1.9%) the CEECs average (0.79%).

In contrast with this element but as a partial explanation of it, the CEECs level of education is very high if compared to the European Member States with problems of underdevelopment. Polish citizens (25-69 years old) having a higher level of education (university) are 12.3%, those having a medium level (high school) are 70.7% and the remaining citizens with a low level of education are 17%. Czech Republic, Hungary, Latvia, Slovenia and Slovak Republic have similar percentages; the other CEECs show higher levels of people reaching a university diploma or more. The very strength of systems like Poland is the low level of people having a scarce level of education. It can be written that, from this point of view, while the EU-25 average of people with a university diploma is higher (20.6%), it is not the one related to the lower level of education (30.7%).

Italy and Portugal, for example, register the worst systems of the whole EU with, respectively, only 10.6% and 9.7% of people in the highest level of education, 35.6% and 11.5% in the middle, 53.8% and 78.8% having a scarce level. Only Spain and Greece show percentages similar to Italy and Portugal but with higher levels of citizens with a university diploma.

It emerges clearly that Poland (and the other CEECs) has a great potentiality both in terms of the effects on the labour market and of the contribution to the EU economy. Labourers from Poland have, on average, a higher level of education than labourers from the other parts of the EU-15. In terms of competition advantages Poland shows a great potential.

Moreover, the element may be used as a mean to understand the Polish sentiments and relationships with the EU. We can accept the thesis of Wilga (2003) concerning the Polish constitution of 1791 and Poland historical experience with the veto power. Wilga wrote that the veto power in Poland was one of the main reasons of democracy falling down in the XVIII Century. According to statistics showed above about the level of education, we can argue that citizens know the impact of the undemocratic veto power. This knowledge may support the thesis that they do not approve to vote for a EU still based on it. Hazarding to be redundant, one can affirm that they have recently chosen for democracy: why not extending it at the overall levels of power?

On the economic point of view, it seems that Poland has a high level of connection with the other EU Member States. The history of European integration is a history of interrelations between reciprocal needs of States and Europeans (Majocchi 1996). Different elements have been used to measure the degree of integration, but one of the most diffused is the level of commercial exchanges. The average of in- and outflows in goods and services that a Member country exchanges with the other EU Members is about 60% of the total exports and imports. Polish exports outflows direct for 68.7% in the EU-15 market and 61.7% of imports inflows come from the EU-15. From a commercial point of view, Poland accession to the European Union seemed to be a marked route.

At the end, critics from Poland may be constructive ones. Using this approach, we can read statistics showing support for a common foreign and security policy as a wish to build something together. On the contrary, we have a first general idea on the reasons why they do not support the present EU, nor the constitution. If we are right, then the question is: do we have any spaces for making further steps in the democratic process of European integration, with Poland and the other new Member States?

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