

**Poland – 14 years
in the EU: end of the
honeymoon phase**

Changes in politics,
economy and society
(selected aspects)

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1. Politics: In Brussels, Warsaw must defend changes introduced in the country

Poland benefits from membership in the EU in respect of its foreign policy. During the 14 years since joining the European Union, Poland's potential in international relations has significantly increased. In relations with other member states of the European Union, Warsaw utilises the tools provided by the EU mechanisms and institutions (building alliances in the EU Council, initiatives of the European Commission and the European Parliament). However, the situation of the Polish government will worsen with Brexit, as Warsaw has recently chosen London as the closest ally, next to Hungary and other countries of the region, which, comparatively, have much smaller potential. Another example of Warsaw's growing role in external relations with non-European partners is the Eastern Partnership, an EU programme initiated by Poland and Sweden (1). The growth of Poland's strength in international relations is confirmed by the State Power Index, carried out on behalf of the InEuropa Institute (2).

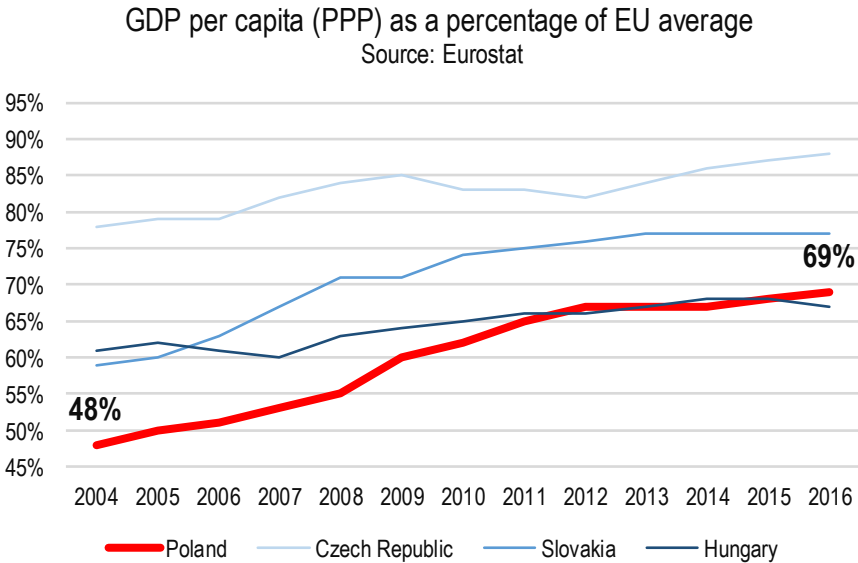
Poles continue to support the country's membership in the European Union, but they have doubts about specific policies. According to all of the surveys which have been conducted, Poles still strongly support Poland's membership in the European Union. In the last 14 years, this support has fluctuated in the range of 80 to 90 percent (which is the highest percentage in the EU). On the other hand, research pertaining to specific EU values and policies (deepening integration, international involvement of Europe, introduction of the Euro, migration policy or tolerance for different sexual orientations) show that Poles have a much more ambivalent attitude towards them. What is more, anti-EU attitudes, in various dimensions, are already strong in Poland and may grow in strength in the future, due to the likely decrease in financial support from the EU (3). At the same time, the attitude of Poles towards the European Union may be influenced by the anti-European propaganda present in public media and in some of the media associated with the ruling camp.

During the last year, Warsaw has had to flex its potential to defend its domestic policy. After the change of government in autumn 2015, the incumbent administration announced the introduction of a new, more assertive Polish policy in the EU under the slogan "getting up off our knees". Fundamental changes, however, did not take place. In the EU arena, Poland generally maintained course, with somewhat tougher rhetoric (strong opposition pertaining primarily to changes in migration policy proposed by the European Commission). The most important factor in Warsaw's relations with Brussels and other EU capitals was the need to defend Poland's internal changes, especially in the area of the judiciary (Constitutional Tribunal, National Council of the Judiciary, Supreme Court, ordinary courts), but also in other areas such as ecology (dispute over logging in the Białowieża Primeval Forest). This led to the initiation, in December 2017, of proceedings against Poland under Article 7 of the Treaty on European Union (TEU) concerning the compliance with the rule of law. During the final weeks prior to publication of this study, Polish government announced a possible compromise with Brussels, however, according to representatives of the European Commission, the existing concessions were insufficient.

Growing differences on important issues. The position of Polish government in some areas differs from that of EU institutions and western European capitals. The biggest difference concerns the aforementioned migration policy, and in particular the issue of relocation of refugees who are already in the countries of the European Union. Warsaw decided not to participate in the system proposed by Brussels, for which the Commission sued the Polish government in the European Court of Justice. Warsaw on the one hand verbally opposes the idea of the two-speed Europe, and, on the other hand,

in the foreseeable future, there is no chance of Poland joining the eurozone (although the Polish government signals that it will not oppose the reforms of the eurozone). Other differences relate to the pace of development of climate policy or development of military cooperation (although Poland participates in the Permanent Structured Cooperation (PESCO)). All these differences will affect Poland's standing in the European Union in the future.

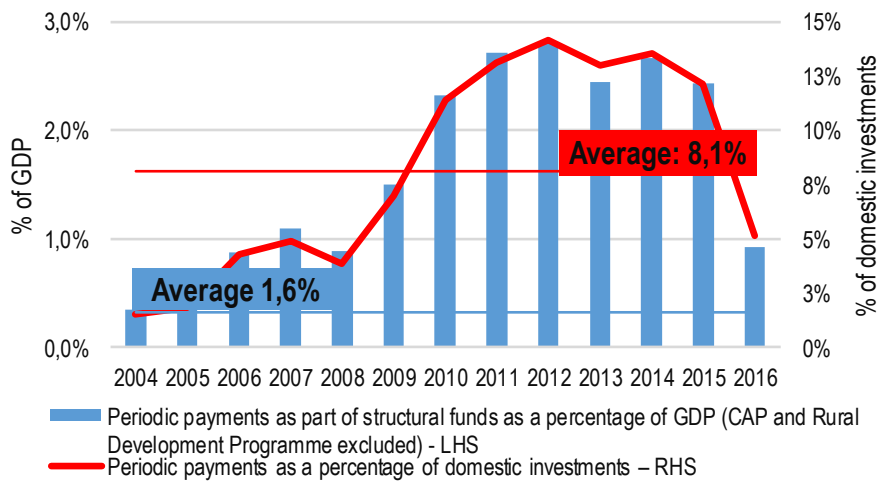
2. Economy: membership in the Union has fuelled growth and investments



Strong economic growth. As far as economy is concerned, entry into the European Union was an important stimulus of economic development in Poland. At the time of accession to the European Union, GDP per capita (calculated in Purchasing Power Parity - PPP) was more than 50% lower than the EU average. According to the latest data, in 2017 its value exceeded 70%. Relatively speaking, Poland achieved the highest growth among all countries that joined the European Union in 2004. Although today it is not possible to clearly indicate the extent of Poland's economic development compared to the situation if there had been no entry to the Union, many studies indicate a significant and positive impact of EU membership on GDP growth (4).

EU funds earmarked for stimulating investments

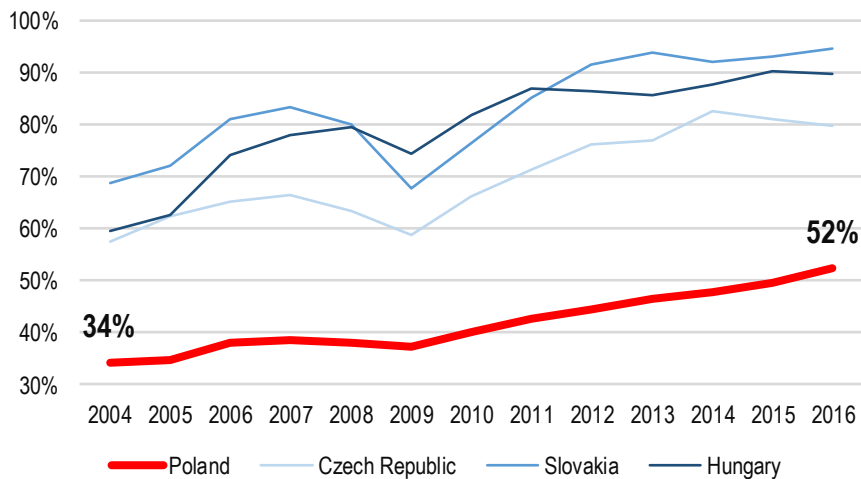
Source: National Bank of Poland



EU funds have driven investments. One of the key factors supporting economic growth is the level of investment. Poland is the largest beneficiary of EU funds, which in the vast majority of cases have been allocated to investment expenditures. Over the past 12 years, nearly every tenth zloty invested in Poland came from the EU budget, responsible in 2011-2014 for nearly 3 percent of the GDP. Polish economy is characterised by one of the lowest investment rates in the region, hence the fact that EU funds have a particularly significant impact on the stimulation of economic development (5).

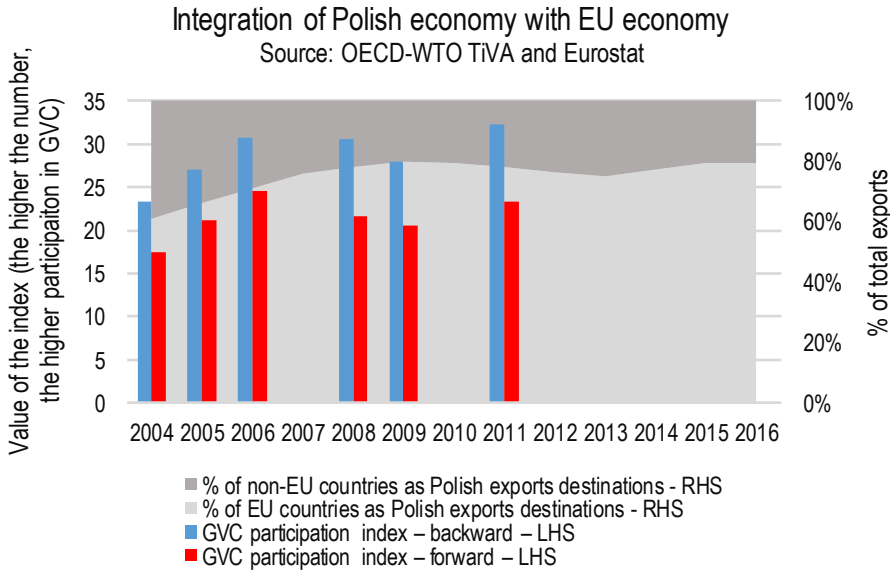
Exports of goods and services (% of GDP)

Source: The World Bank



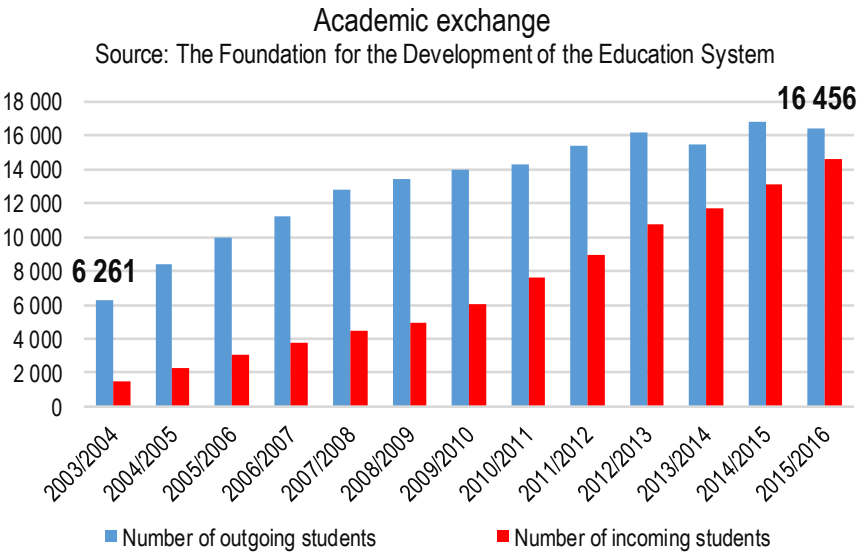
The growth and strengthening of Poland's position in foreign trade. Polish entrepreneurs have taken advantage of the opportunity for development brought by access to the world's largest free trade zone. The increased exposure of Polish companies to global competition raised their productivity and enabled development outside of the country. In the years 2004-2016, the value of exports in relation to GDP increased by 18 percentage points, and in relation to global exports - by 0.5 percentage points, which is the best result among all EU countries (3). The diversification of goods and services exported

by Polish companies (product diversification of exports) also significantly increased, due to the fact that entrepreneurs have been constantly developing new niches on the international market (6).

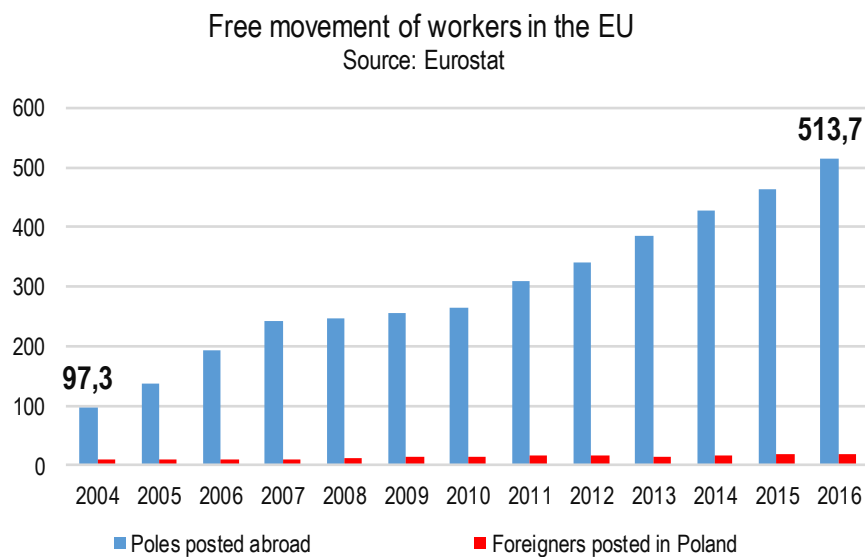


Polish economy is strongly integrated with the European and global economies. Along with the growing openness of the economy, the participation of Polish enterprises in global value chains is also growing. The European Union access has triggered a process that has increased both the importance of Polish suppliers to foreign companies (*upstream links*) and the role of foreign components in the activities of Polish enterprises (*downstream links*). This took place with the simultaneous increase of the Union's share in trade flows, which deepened the integration of the Polish economy with the economies of other Member States, in particular with the most important trade partners including Germany, the Czech Republic, France and the United Kingdom (7).

3. Society: Poles more integrated with other Europeans



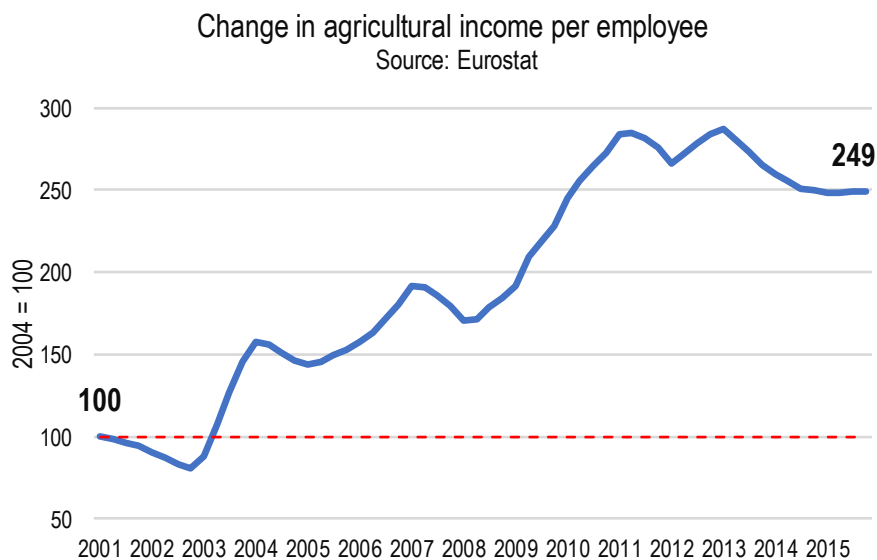
Growing scale of academic exchange. The positive impact of Poland's membership in the European Union is not limited to the economy. Important changes have also occurred in social life. Since the accession, the scale of academic exchange has grown dynamically. In the academic year 2015/2016, almost three times more students of Polish higher education institutions participated in exchanges under the Erasmus programme than a decade earlier, which gave Poland the fifth position in the EU in terms of the number of participating students (8). In the years 2004-2016, over 150,000 young people had the opportunity to broaden their horizons and gain valuable experience abroad under the Erasmus programme. What is important, even more dynamic growth has been observed in the number of foreign students coming to Poland. The country's popularity as a place of study has increased almost tenfold.



Poland has become a leader when it comes to posted workers. Deep changes were also experienced by the Polish labour market. Using one of the four freedoms of the single market, Polish enterprises posted over half a million people to work in other Member States, becoming number one in the Union (9). Thanks to this mechanism, Polish companies have managed to gain a leading position in many industries on the European market, which include, inter alia, long-haul road transport of goods. However, recently adopted regulations limit the possibilities of posting workers, which will reduce the scale of this phenomenon (10).



Tourists spend more in Poland, Poles travel abroad more. Membership in the European Union has resulted in the transformation of Polish tourism. Despite the relatively constant number of foreign tourists, in the range of 12-17 million people a year, the amount of money they spent during their stay increased by more than half. The reason behind this increase is the fact that visitors decide on longer stays and more often use specialised tourist services (including health tourism) (11). The reduction of travel-related barriers has also contributed to the fact that more Poles choose to travel abroad – 12 percent ventured abroad in 2004, compared to 20 percent in 2016.



A large increase in farmers' real wages. The Common Agricultural Policy and freedom of trade in food products has changed the situation of the poorest social group in Poland. Thanks to direct subsidies and an increase in demand for Polish agricultural produce, real wages of farmers have increased by 150 percent since the beginning of the century. The scale of poverty in this part of society and the difference in earnings in comparison with other sectors of the economy have significantly decreased

(12). The EU support has also allowed for the modernisation of Polish agriculture, reducing its labour intensity and allowing some of its employees to transition into more productive activities.

4. Conclusions: the end of the honeymoon phase

The upcoming changes in the European Union may be challenging for Poland. Although Poland's membership in the EU, especially in the economic and social dimensions, is undoubtedly a success, the trends that are emerging may prove difficult for any cabinet that will rule in the coming years in Warsaw. The European Union without Great Britain may become more protectionist and less free-market orientated, while Poland has so far been one of the promoters of internal market integration. The EU is working on agreeing on a common migration policy, which Warsaw has strong opposition to. Further development and tightening of climate policy criteria may affect Polish power sector, which is still largely based on fossil fuels. Subsequent reforms and further integration of the euro zone, although recently somewhat restrained, may mean that Poland will find itself on the periphery of EU policy (14).

The negotiations of the next financial perspective will be a test. All these trends will be reflected in the debate on the EU budget for the next seven-year period after 2020. The European Commission's proposal assumes, among other things, reduction of funds for cohesion policy and agricultural policy, which Poland strongly benefits from. The money pools will probably increase in the areas into which Poland reaches to a lesser extent (funds for innovation, migration policy or military cooperation). Proposed introduction of new criteria for using the budget - apart from the GDP, factoring in for example unemployment or migration, may also work to the disadvantage of Warsaw. Linking EU funds with the observance of the rule of law is also a possibility. The debate will also be a challenge, as funds in the new budget will be limited as a result of the exit of the United Kingdom from the EU. All of these aforementioned factors will complicate the situation of Warsaw in the forthcoming negotiations.

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