



PL-UE

Poland's 10 years

in the European Union

Main findings

In the course of the last ten years, Poland has become a significant political player in the European Union. In 2004, we joined the EU as a “new” Member State, full of hope, but also fearful of losing our sovereignty. In 2014, we will celebrate our first decade in the EU as a strong and influential Member State that knows how to pursue its interests but also acts with responsibility for the process of European integration.

Over the years, Poland has learned to influence and impact the EU in line with Polish interests and needs. We have supported the idea behind the internal market, knowing full well how much Poland stands to gain from it. We have been actively engaged in the eurozone reform debate, acting on the assumption that we will be part of this project in the future; **we have been very much engaged in key debates on the European system, convinced that it is our business.** For years we have been investing in the EU energy policy, to better protect our energy security. This process is being continued and has been gaining strategic momentum since the crisis in Ukraine and Europe’s response in the form of an energy union. We have applied our EU membership to shape our neighbourhood, specifically by actively pursuing the EU’s Eastern policy.

Negotiations of the Multiannual Financial Framework for 2014-2020, a key to Poland’s long-term development prospects, have been one of Poland’s most important and hardest-won political achievements. Poland has successfully negotiated PLN 441 billion (up by PLN 19 billion compared with 2007-2013) despite major EU budget cuts. Our well thought-out and consistently implemented strategy was based on an alliance with European institutions and on cooperation with countries belonging to the Friends of Cohesion group. Poland came out of these tough financial negotiations without burning any bridges.

Poland has won a strong political position and a reputation of a country that is predictable and responsible. This was possible thanks to Poland’s very good economic performance and political stability in the hard times of economic crisis, and to the high public support for integration, unlike in many other European societies. The successful Polish Presidency of the EU Council in the second half of 2011 – a good investment in a more effective implementation of Poland’s interests in the years ahead – has also contributed to it.

Poland's experience in cooperating with different institutions and Member States, and the fact that our country has become deeply "rooted" in the European process have also added to the favourable political net result of Poland's EU membership. **Thanks to a strong presence of Polish MEPs in the European People's Party, Poland has been able to effectively influence the position of this biggest political group in the European Parliament and to get its members to vote in favour of issues it considers crucial. The presence of Polish MEPs in the second biggest political group of the EP was also of importance in the context of effectively representing Polish interests.**

As a team player, we have been building effective coalitions, knowing that in a Union of 28 states not much can be achieved singlehandedly. The Visegrad Group, which together has the same number of votes as France and Germany combined, is a particularly effective instrument for pooling influence. Today, the Visegrad Group is the most successful regional group in the EU. Since 2012, we have also witnessed reinvigorated cooperation in the Weimar Triangle, which has become a very important forum of consultations and development of Poland's, Germany's and France's common positions on key European policy issues.

Poland's EU membership has had a positive impact on our country's economic performance. If our country had not joined the EU, in 2013 our GDP per capita in purchasing power standards would have been at the 2009 level, i.e. it would have been lower by 11% relative to the EU-27 average. In 2013, the value of Polish exports would have been lower by PLN 164 billion (i.e. by 25%). Our capital expenditures, in turn, would have been lower by PLN 36 billion (i.e. by 12%) in 2013, and throughout the 2004–2013 period — by PLN 200 billion (i.e. by 7.8%). Last but not least, employment would have been lower by 10%, and unemployment higher by almost 38%. In other words, the number of unemployed would have been higher by over half a million! To recap, if Poland had not entered the European Union, many more people would be out of work, we would be earning less, and the Polish economy would be developing at a much slower pace¹.

Poland's accession to the European Union on 1 May 2004 marked the beginning of an important stage in the country's economic development. Now that our presence in the EU is already taken for granted, and the absence of borders and unrestrained access to studies and work in all the EU countries have become a fact, it is worth looking back on the last ten years. On the eve of Poland's EU accession, the majority of Polish citizens looked at the European Union as a gate to a better world. However, our joining the EU was accompanied by serious concerns – the critics of enlargement painted a grim future for our country, while some parts of the society were readying themselves for years of hardship and sacrifices. It seemed that it would take one or more generations before Poland could enjoy a higher standard of living.

Yet, EU accession's positive effects became apparent much earlier. Within a decade, Poland's key social and economic indicators improved significantly, although changes did not always occur as quickly as might have been expected. But the concerns expressed by Polish citizens before Poland entered the EU – that Poland would become a net payer, that it would not be able to effectively spend EU money or would become a market for EU Member States' goods and services – proved unfounded.

The last ten years have shown that joining the European structures does not automatically translate into a country's better economic performance and improved standard of living. **EU membership presents itself as an opportunity, not as a guarantee of development. Whether a country can fully capitalise on this opportunity depends on how it decides to conduct its economic policy.**

Compared with other countries of the region that joined the EU in 2004 and 2007, on balance Poland has made better use of the opportunities offered by EU membership. We have become a leader of economic growth – **after joining the EU, our GDP grew 48.7%.** Poland (together with Slovakia) outperformed not only other countries in the region, but also in the EU as a whole. Besides, **Poland's economy has passed the most important test – the global economic crisis.** In 2009, Poland was the

¹ Own report based on estimates by P. Kowal, J. Kuskowski and J. Zawistowski from IMAPP Foundation using the DSGE Unified Macro Framework 1.0 (UMF 1.0) model, December 2013.

only country in the EU to avoid a recession. **In 2008–2013, Poland’s total GDP increased over 20%. It was by far the best performance in the EU.**

Our pace of growth, which was faster than in other countries, made Poland reach two-thirds of the EU’s average level of economic development. After 10 years, Poland has overtaken Hungary, a country that was wealthier than us upon EU accession. In 2003, **Poland’s GDP per capita in purchasing power standards** amounted to 48.8 percent of the EU-27 average, **while in 2012, it already amounted to 66.9 percent**, an increase by 18.1 percentage points.

Economic growth has been accompanied by major changes in the labour market. **Within the first 10 years of our presence in the EU two million jobs have been created:** members of all social groups, including half a million economically inactive people, have been employed. The economic growth has significantly improved the situation of the Polish people: in 2005-2012, the number of people at risk of poverty or social exclusion decreased by 7 million, and 1.3 million people were lifted out of poverty.

Before Poland’s accession to the EU, economists had expected that our economy would see rapid economic growth thanks to an increase in the scale of public and private investments and of their share in the GDP, a more rapid modernisation of the economy, and higher confidence of global markets resulting in a more rapid inflow of foreign direct investments. Changes in the structure of the economy had been expected in a mid-term perspective. Economists had predicted that sustainable positive effects of EU enlargement would come gradually and over a long period (after 20-30 years). The underlying economic assumptions turned out to be true. In the first years of EU membership, Poland saw an investment and consumption boom, followed by structural changes. The most important of these were a higher share of services and a lower share of agriculture in the generation of Poland’s GDP; higher productivity of the economy spurred by technological progress and greater competition on the domestic market, the inflow of FDIs, increased production of medium- and highly processed products, a higher share in world trade. The outcome of these changes is visible in annual rankings of competitiveness in which Poland has been rising gradually, but systematically. For instance, Poland has moved up from the 48th position in 2004 to the 33rd position in 2013 in the IMD World Competitiveness Center ranking.

The good net result of Poland’s EU membership would not have been possible without a consistent and responsible economic policy that eased business cycle fluctuations. Poland has managed to establish efficient institutions that guarantee economic stability, such as an independent central bank, the Financial Supervision Authority or the Bank Guarantee Fund. An effective prudential oversight of the banking sector has saved us from the pitfalls of the free movement of capital. The Polish Constitution has placed a ceiling on public debt, which has effectively protected our country against overspending. An effective model for implementing the country’s development policy using EU funds has also been put in place.

During Poland’s ten years of EU membership, we did not run a current account deficit that would have exceeded safety thresholds. Our economy remained competitive thanks specifically to moderate increases of labour costs. Also, EU accession did not have a major impact on inflation in Poland.. Thanks to effective and prudent measures, Poland’s economy only experienced a slower growth during the crisis’ critical years, at a time when almost all the other EU Member States went into recession.

Thanks to EU membership, Poland’s image and financial credibility have improved. In 2007, credit rating agencies (Standard and Poor’s and Fitch) upgraded Poland’s rating from BBB+ to A-.

Increase in credibility of Poland in the aftermath of the accession to the EU led to lower rate of return of treasury securities. Now the Polish government pays less to service its public debt. Poland’s interest rates are now at 2.5 percent (a level that could not have been reached before June 2013), which has contributed to the country’s development by reducing investment costs.

Poland has also made very good use of the opportunities offered by the EU’s common market and its four pillars: the free movement of goods, persons, services and capital. **We have become part of the world’s biggest free trade area that is home to 500 million consumers and 20 million firms.** As

recently as 2003, it seemed improbable that Polish entrepreneurs would join and make their impact on the common market. Our EU membership has lent Polish products, in particular agricultural products, more credibility. Poland has effectively increased its exports to EU countries, as well as to third countries. During the last decade, Poland's share of exports within the EU grew twice up to 4%. It is the highest increase of all the countries in the region and the second highest in the EU (after the Netherlands). **In 2013, we exported to the EU almost three times as many goods as before joining the EU. Poland has consolidated its leadership position as the biggest exporter of all the EU Member States that joined the EU in 2004 and in 2007:** almost 27% of goods exported from Central and Eastern Europe originated in our country.

Since the accession, our country's investment attractiveness has increased significantly. As from 2004, the aggregate value of foreign direct investments inflow to Poland has exceeded PLN 405 billion. In the last decade, Poland has been the most desired investment destination in Central and Eastern Europe (in particular among investors from the rest of the EU). In fact, every third euro they have invested has ended up in our country.

Assessing Poland's achievements, in particular those resulting from Poland's presence on the internal market, note should be taken of the following facts:

- **Thanks to the free movement of goods, we have seen an unprecedented success of Polish companies, which have exported goods worth almost PLN 3.5 billion to the EU in 10 years.** This is twice the value of Poland's GDP! Moreover, Poland has become one of the leading European producers and exporters in key industrial sectors (such as the automotive industry, the electronic and home appliances sectors or the furniture sector), and an important service provider on the EU market.
- **Polish entrepreneurs have turned a PLN 13.5 billion trade deficit with EU member states** in 2003 (- 2 percent of GDP) into an impressive **trade surplus of almost PLN 100 billion** in 2013 (6 percent of GDP).
- **Since Poland's EU accession in 2012, Polish firms have made a profit of almost PLN 550 billion (EUR 135 billion) on exports of services to the EU** (the positive balance exceeds PLN 37 billion (over EUR 9 billion). Thus, Poland has become the leader among countries that joined the EU in 2004; almost 30 percent of services delivered to the EU by Central and Eastern European countries in 2012 came from Poland. After 2004, Poland has seen the most rapid growth in the export of its services (an increase in value by 160 percent) of all the countries in the region. This trend was especially visible in the transport, business support and tourism sectors.
- Poland has seen an export boom and an increase in productivity: right after accession, the number of firms exporting their products and services grew twice as fast as the total number of companies. As a result, **in 2013, Polish companies earned one fifth of their revenues from exports.** Since 80 percent of these exports were to the EU, most of the revenues were generated thanks to our presence on the internal market. However, after ten years of EU membership, many Polish companies are still not present on the EU's common market. This means that they have not yet tapped into the significant development potential offered by this market.
- **In the framework of the Erasmus program more than 120,000 Polish students studied or were trained in other EU Member States and 37,000 academics lectured or were trained at universities in those States.**
- Thanks to the possibility offered by the free movement of services in the EU, Polish companies delegated approximately 230,000 workers abroad, creating jobs for 100,000 people back home.
- In the last ten years, Polish direct investments in EU Member States have increased a few dozen times from PLN 4.6 billion in 2003 to PLN 137 billion in 2012.

- Although in 2005 the CEO of one of the largest low-cost airlines in Europe said: “Who wants to go to Gdańsk? There isn’t a lot there after you’ve seen the Shipyard Wall.”² In the last ten years, foreigners have made over **630 million** trips to Poland, of which over 140 million as tourists. Foreign travellers to Poland have spent a total of PLN 284.3 billion³. In 2014, one hundred cities in the world have direct flight connections to Warsaw, four times as many as before Poland’s EU accession.
- Liberalisation of air transport services has contributed to the dynamic development of air traffic (in 2004–2013, 185 million passengers passed through Polish airports); enabled the entry of low-cost airlines into Poland; and made travelling in Europe easier for millions of Poles. In 2004–2013 as many as 82.8% of all Polish tourists travelled to EU Member States (Poles made 80.6 million trips, of which 66.75 million represented travel to EU Member States)⁴.
- Thanks to the implementation of EU legislation, phone and data roaming rates dropped fourfold in Poland. In 2007, only 9.2 percent of Polish citizens travelling to the EU used roaming services. By 2013, this number increased to as high as 60 percent.

Over the last decade Poland has become a construction site. EU funds have played a major role in helping the country modernize faster.

The total investment volume grew by 75% in 2004-13. Between 2009 and 2011, the cohesion policy funded 51.6% of Poland’s public investments. Despite fears, **from the first year of our membership in the EU Poland has received more from the EU budget than it has contributed to it. Since 2009 Poland has been the principal net beneficiary of the EU budget.** After deducting Polish contributions, **we have received PLN 250.5 billion (EUR 61.4 billion)** since our accession ten years ago⁵. This means that for every zloty it paid to the EU budget from PLN 125.4 billion (EUR 31 billion), Poland received three zloty out of it for a total of PLN 375.9 billion (EUR 92.4 billion)⁶. Outcome of the Multiannual Financial Framework negotiations shows that Poland is likely to remain the biggest net beneficiary in 2014-2020 as well. No other country in the history of the cohesion policy had ever received as much funding within one financial perspective as Poland under current framework.

Funds received in 2004–2013 were well spent by Poland:

- thanks to EU funds in 2004–2013 over 160,000 projects were implemented⁷, some of which are still in progress. **673 km of motorways have been built; 808 km of expressways** have been built or modernised⁸, 36,000 km of sewage network and 683 sewage treatment plants have been constructed⁹.
- Companies also benefitted from EU funds. Since 2004 **entrepreneurs have carried out 62,600 projects** for which they received approximately PLN 85.5 billion in EU funding¹⁰. In 2007–2013 the

² K. Done, “Polish low-cost airlines set to expand into UK and Irish markets” *Financial Times*, 8 December 2005.

³ “Turystyka w Polsce w latach 2004–2013. Oszacowania wskaźników ekonomicznych,” Department of Tourism of the Ministry of Sport and Tourism, (as at 14.03.2014).

⁴ The total number of tourist trips takes into account both travel to one country, as well as multi-country trips. The total number of tourist visits, without taking into account the total number of visits in respective countries, amounts to 76.95 million.

⁵ Data based on “Zestawienia transferów finansowych środków unijnych w ciągu 116 miesięcy członkostwa” (as at 31 December 2013) of the Ministry of Finance; for the sake of comparison, euro amounts have been converted into zloty at the NBP average annual exchange rate for that year.

⁶ *Ibid.*

⁷ See <http://www.mapadotacji.gov.pl/statystyki-i-porownania> (as at 24.03.2014).

⁸ Based on information provided by the General Directorate for National Roads and Motorways dated 22 January, 2014.

⁹ Based on evaluation study “Ocena efektów inwestycji środowiskowych finansowanych w ramach NPR 2004–2006 oraz danych z KSI (SIMIK 07-13)” drafted by the Ministry of Infrastructure and Development dated 21 March, 2014.

¹⁰ Based on information provided by the Ministry of Infrastructure and Development dated 17 December, 2013.

implementation of just one programme¹¹ produced the following results: the implementation of 551 new technologies in enterprises, as well as 215 results of R&D work. In addition. As part of the so-called incubators 972 innovative ideas were supported and 2960 e-services were introduced¹².

- In 2004-12, Polish farmers received PLN 53.7 billion in direct payments from the EU budget. During that time, an average of 1.4 million farms benefitted from direct payments. This means that one beneficiary was eligible, on average, for PLN 38,362¹³. Poland's agriculture and the agri-food sector were considerably modernized – over 1.5 million farmers received nearly a third of EU funds, i.e. more PLN 117.7 billion (EUR 29 billion)¹⁴.
- EU funds have also helped to change the education system – **over half of Polish schools** (close to twenty thousand) **have been equipped with computer labs**. In total, around 250,000 computer workstations have been created. Furthermore, over 2,800 preschools have been set up, with a further 2,200 units generating additional preschool places¹⁵.

Thanks to Poland's EU membership, **Poles have access to the labour markets of other EU Member States and may benefit from European social security**. The free movement of workers within the EU has led to migrations from Central and Eastern Europe, a phenomenon whose scale proved bigger than had been anticipated prior to the 2004 enlargement. A large number of Poles have taken advantage of the free movement of persons, which is a fundamental principle of the internal market. The possibility of taking up legal employment in EU Member States has reduced the natural risk relating to emigration in the pre-accession period. This, in turn, has led to a positive change in the way people thought about the European labour market, which has become just as accessible as the Polish labour market. Today it is perfectly natural to choose between a job in Rzeszow and one in London, while before 2004 many feared that Western Europe would run out of jobs for new EU Member States' citizens.

Migrations of Poles have certainly had a big impact on the country's socio-economic situation, but seen from today's perspective their net result is relatively difficult to assess and by no means conclusive. In the short run, the opening of Europe's labour markets no doubt helped reduce tensions on the Polish market. A drop in the economically active population was offset by migrants' money transfers back home (in 2004–2013, money transfers amounted to approximately PLN 145.2 billion¹⁶ EUR 36 billion and were equivalent to 60% of net EU budget transfers). Compared with other countries of the region, the scale of emigration was not as big as in Lithuania, Latvia, Romania and Bulgaria, which have recently seen more of their citizens leave the country.

The report would not be conclusive without mentioning Polish Euroenthusiasm – another Polish achievement in the EU which is no less important than good economic performance. Ten years ago Poles could hardly be labelled the Community's most pro-European members. Shortly before the accession as few as 42% of Poles believed that EU membership was good for Poland. Polish Euroenthusiasm grew steadily each year as Poles became increasingly aware of the benefits of EU accession for Poland.

Today, when there is a very clear support for the EU among all Polish social and age groups, **we often fail to realise the long road that we have travelled as a nation during the last decade**. Thanks to the openness and trust of millions of Poles, pro-European sentiments are now a valuable capital that many other EU Member States could only envy Poland.

¹¹ "Innovative Economy" Operational Programme.

¹² Based on information provided by the Ministry of Infrastructure and Development dated 17 December 2013.

¹³ See http://www.arimr.gov.pl/uploads/media/20012014_Platn_bezp.7-13.pdf (as at 24 March, 2014).

¹⁴ *Zestawienia...*, *op. cit.*

¹⁵ Based on information provided by the Ministry of Infrastructure and Development dated 24 January, 2014.

¹⁶ Based on information provided by the NBP, as at 24.03.2014; for comparative purposes, euro amounts have been converted into zloty at the NBP average annual exchange rate for that year.