

One year after the EU-enlargement:  
Visions and realities for Polish economy and working life.

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## 1. Why the European Union ?

I would like to express my gratitude for enabling me to present to you the Polish view on the European integration and the experience of her one year's membership in the Community. Poland's history of the second half of the twentieth century differed so much from that of Norway, that it must also reflect in our attitude towards the Union. That's why I shall start with general remarks on the idea of European integration, something that all too often is forgotten in the bitter struggles over dumping prices or social security for immigrant workers.

Eighteen days ago the world celebrated the sixtieth anniversary of the end of the second world war, a disaster that ruined our continent and made the idea of Europe look like a mere utopia. It is, however, this utopia that the founding fathers of the European Coal and Steel Community had in mind when they forged a plan to recreate Europe. Although the beginnings were modest the present result shows their farsightedness. Europe is united as never in history. It cooperates not by means of military power but by common legal agreements, not by regional alliances but by economic agreements and not by ideologies but by sharing common values and by the power of cultural diversity. Today the EU shapes the whole continent, in fact, it defines it.

When more than ten years ago Poland presented her application for membership in the European Union, it was exactly this vision of a united Europe that we wanted to be part of. The end of the war in 1945 was not only an opportunity for rethinking the European history, as it happened in the West. In the East, there was a continuation of oppression and terror. The freedom did not come to Poland until we took it back in 1989, as it also happened in other countries of our region. The last year's enlargement of the European Union was then a logical consequence of the fall of the communism.

As I have just said, we perceive the European Union as a project of successful integration of the European nations. By using economic means the EU has achieved much more than just economic results. The inner market, which abolished boundaries and made it free for capital, services and most importantly people to flow from one country to another, is a solid basis for creating a new identity. This shared European identity is in its making but will take probably less than one generation to seem as natural as if it always has been there. Naturally, it will not replace the national identity, but it has the chance of going beyond the former feeling of being European, which very often based on being in opposition to the outer world. Now there is a chance of going back to the very first notion of our European community, the community of shared values, solidarity and future.

It is solidarity that first comes to mind when Poles think about the European Union, mainly for two reasons. First, it is an old concept but very rarely applied in the international relations. Reading history books we face thousands of instances of domination, exploit and conquer and alliances were very often directed either to fight against enemy or to protect against a threat. What we lacked was precisely the solidarity. The European Union tries to do away with this unholy tradition.

The second reason for me to speak about solidarity is both my Polish background and yours of the

trade union research institute. It is exactly 25 years ago that the Solidarity trade union was created. It was however much more than just a trade union. In 15 months of its existence Solidarity was joined by 10 million people, in a country of 35 million inhabitants. It was a true solidarity of a nation, united against a soviet-brought regime which using peaceful measures managed, despite martial law and its delegalization, to pave the way for democratic change not only in Poland, but in the rest of the Central Europe. The unification of East and West of Europe can be thus said to have started 25 years in Gdańsk.

The solidarity of the European Union is manifested on many levels, giving the member-states a feeling of security. After centuries of inter-European competition and wars we find ourselves at a completely different position. For a country that lived under a foreign domination for a period of long 45 years after the war, it carries the highest importance.

The European integration, apart from securing us from foreign threats, is also a powerful tool to shape our environment. What would be impossible for one to achieve, can much more easily be done by the whole group of countries, like the EU. Benefits are there for all, both the members, the EU as a whole and the third parties. As a splendid example of this I would like to mention the last year's orange revolution in Ukraine. After forging the election results the ruling government stood fast on its position and had no intention to accept its defeat. The solution could be found thanks to the two presidents, of Poland and Lithuania, who first engaged themselves in the negotiating a consensus and then used their new EU membership to receive the support of the whole Union. Only then was it possible to convince the government to hold a 'third' round of elections and thus saving democracy.

So, if the European Union is to be truly European it cannot limit itself to the western part of the continent. I wish to remind an expression used by the previous pope, John Paul II, who many times insisted that Europe should breathe with the both lungs of East and West. This process, though, is far from completed, as many European countries wait outside.

## **2. A year after in the economic perspective.**

I wish now to focus on the economic aspects of our membership. However, bearing in mind that preparations for the membership had started a long time before the accession date itself, one can assume with high probability that it will take a period of similar duration to enable more complete conclusions regarding social and economic consequences of the accession.

Any assessment of the first year of membership needs to be based on an analysis of facts and data depicting the scale of changes, but it also needs to address expectations in place prior to accession.

I have to stress that I want to avoid formulation of extreme opinions and assessments of membership. Many phenomena and trends taking place after 1 May 2004 cannot be yet unambiguously defined in categories of pros and cons or costs and benefits of membership. Let me take a few examples. Rise in food prices adversely affected everyone, while price drop on some products was felt only by their consumers. At the same time incomes of persons making living out of farming or trade in farming and food produce went up. Rise in exchange rate of Polish złoty to other currencies is a definite sign of enhanced credibility of Polish economy after accession to the EU, but on the other hand it poses a problem for Polish exporters, who – in extreme cases – decided against increasing employment despite sales increase, since they were concerned about yielding the assumed profits. On the one hand, the mass-scale imports of second-hand cars (1 mln in 2004-2005) are a problem due to adverse effects on natural environment and potential decline in safety on Polish roads. On the other hand, it radically improved availability of vehicles to indigent consumers and provided a source of employment and income for small businesses importing those cars and providing support and maintenance services and a significant source of proceeds for municipalities

through registrations charges.

And finally the key issue for assessment of our membership and our preparedness for it; an assessment which will be unable to make for a long time to come. Here I mean of course absorption by Poland of EU financial aid and putting it into use in bridging the development gap separating us from those numerous Member States that have benefited for a long time from Community - and now from Union - support. A full assessment of the impact of this assistance on the upgrading processes in Polish economy, infrastructure and environment conservation system will not be possible earlier than in a few years' time. The same holds true about the generous assistance offered by the EEA countries and especially by Norway in the framework of financial mechanism. This programme starts a new chapter in our relations and is seen by Oslo and Warsaw as an opportunity to initiate future cooperation in the areas of protection of the environment, sustainable development, health and childcare, regional policy conservation of the European cultural heritage and academic research.

Generally speaking, if enlargement is the EU's most successful policy then the Union's admittance of its 10 new countries ought to rank as its crowning achievements. Last year's accession has gone remarkably well. Nightmare scenarios of goods flooding east and people flooding west never materialised, Growth in the EU's central and east Europe members last year exceeded that of other EU states, with increased exports and foreign investment. Alleged mass-scale bankruptcies of SME's or buy-out of real estate by foreigners simply did not happen.

As a result, social mood and perception of the European Union and our membership therein have changed. The fears have sometimes given way to conviction of enhanced opportunities. For example Polish SMEs, after experiences of the first months of our presence in the Union, mostly support membership, seeing it as providing development opportunities to them. The largest support growth for accession was noted in farming and food production sectors, where it went up from mere 20% to over 70% in just a few months. Unexpectedly, there is a growing interest among Polish citizens and businesses in purchasing real estate and enterprises west of Polish border, mainly in Eastern Landers of the Federal Republic of Germany, since the real estates there turn out to be cheaper than the ones offered in Poland. Poles settling in those lands to some extent contribute to solving of the problems ensuing in recent years from huge migration of eastern Germany residents to richer western lands. It is also worthwhile reminding here that before accession no one realized that some facilitations would be so significant from the point of view of citizens, for example the fact that after May 1st 2004 an identity card permits us to travels across almost entire territory of the Community. We take it for granted now and fail to associate this fact with membership in the European Union.

At the same time there have been certain adverse outcomes after accession, both the envisaged ones, e.g. some inflation rise, and unpredicted ones, like the aforementioned drastic growth in the imports of second-hand cars . Price adjustments for farm and food products – which contributed most to membership-driven inflation rise – but they happened so fast and on such a scale that this year one should rather expect stabilization or - in some cases - even a drop in prices.

### Labour migration

Now, I'd like to focus more on two aspects of our membership: the freedom of movement and agriculture.

As we know, only three countries decided not to introduce any limitations to the free flow of workers from the new member states, namely the United Kingdom, Ireland and Sweden. The last year has proved that the black visions of Eastern Europeans flooding the Western labour markets were groundless. The biggest economy opened for i.a. Poles is in Great Britain where the number of Poles registered in the Work Registration Scheme until December 2004 was 60 thousand. Scotland has even started its own immigration programme, called Fresh Talents for Scotland, which aims at

attracting workers from the new member states.

In 2004 the increase of the British GNP due to the labour immigration was 240 million pounds and taxes payed amounted to 40 million pounds.

Also the Swedish experience is not at all what it was feared. A popular worry in the Scandinavian countries concerned the 'social tourists', people that would abuse the social systems of the receiving countries and apply for benefits. The data from Sweden show that families of immigrants from the new member states received in the first eight months after the enlargement 160 thousand crowns. This is 16 thousand per country, an amount that equals one low monthly salary in Sweden.

Furthermore, the experience of the other countries that introduced some limitations show that labour migrants don't find it difficult to find employment anyway, without regard to bureaucratic barriers of minimum payment or labour permission. This is usually done through the free flow of services and hiring companies from other countries, Poland included.

Recently, another example of need for solidarity has emerged. It is the debated 'services directive', currently discussed by the Commission. The same argument is used again: the new directive will lead to the so-called 'social dumping', where the new member states will use their comparative advantage of low labour costs. This sort of argumentation is based on a fear of competition and is contradictory to the Lisbon strategy goals which aim at strengthening the European competitiveness. Moreover, what is so easily forgotten, since 1991 the balance of trade between the European Union and Poland has always been negative for Poland. This means that the EU has benefited on the trade with Poland and was thus able to create work places. During this time the EU politicians have constantly argued that the trade liberalization is one of the basic freedoms in the EU and as such is indispensable for our integration. We agree but want to treat all freedoms as intertwined and taking their origin in the rule of solidarity.

The above observations let me conclude that work migration is a result of both unemployment in the countries of origin and labour shortages in the receiving countries. Further, the evidence shows that a competitive economy is able to absorb new workers by creating new jobs and thus expand production. The countries that did not introduce any limitations do not claim to regret it, the opposite is more likely. The labour immigration helps the receiving countries to solve some employment problems, like need of highly qualified labour (e.g. in the health care), and adds to the budgetary income. We can also observe that the more liberal an economy is, the more benefits it receives.

The experience of the first year of our membership in the field of trade has been very positive for Poland. For the first time in 14 years the trade balance has been positive for Poland. The export has increased by 33 percent while the import – by 23 percent. The export's increase was due mainly, though not exclusively, to the demand for Polish agriculture products.

### Agriculture

The Polish agriculture has been the most mythologised, together with the expected flood of Polish workers, aspect of our integration with the European Union. It happened both in Poland and in the EU; the prejudices being different and specific for both sides.

Before I go on to demythologising the Polish agriculture, let me first make a short introduction, which will help you to understand why it is the way it is. The present state of the Polish agriculture, all that is perceived as its drawbacks, is a simple consequence of the Polish history in the last 50 years and is not some typical, national feature. The private ownership of land was in fact the only private economic property one could have in the communist times. On one hand, this was a result of a great resistance of Polish peasants against collectivization of agriculture and as such was highly uncommon for a communist economy. On the other hand, Polish farms could not develop in size

and productivity because of the total control of state and inefficient socialist economy. Thus, the process of modernization and efficiency could start only with our accession to the EU.

The average size of a Polish farm is 8.5 ha. While this number for the whole European Union is 18.4 ha, this varies immensely in different countries: from 70 ha in the UK to 6.4 ha in Italy and 4.3 ha in Greece.

The Polish arable land is third biggest in the EU, after France and Spain, and amounts to 18.5 mln ha of which 92.2 percent is in private possession, compared to 80 percent in 1989, the year of the end of communism in Poland.

40 percent of the Polish population live in the rural areas, i.e. 15 million people. Of those 5.5 mln people support their living solely by agriculture and 1.6-1.8 mln do so partly. Many of those whose life support depends only on their farm do not produce anything for sale and solely for their own use. Those people live outside the country's economy as they do not participate in the economic exchange. As such they do not constitute a problem to the economy and only to the social picture of Poland.

The Polish peasants have – in opposition to popular thinking before the enlargement – massively applied for direct payments and did it correctly, i.e. the applications were as a rule properly filled and accepted. Of 1.4 million applications 1.3 million has already been handled and the remaining 100 thousand, which needed verification or correction, are being finalized. This is good news for both sides: for Poland – because we proved to be well prepared and hope for most benefits from the membership, and for the EU – because good use of those benefits will contribute to faster integration.

As mentioned before the Polish farming export has boosted in the last year. The reason is quite obvious: apart from lower prices the products are simply of a very good quality. It is the policy of the government to strengthen the proper ecological character of our farming production. One of the important elements of the agriculture policy of is “the Action Plan for ecological food and farming in Poland”.

Given the aforementioned examples, it seems justified to say that Polish society did not experience the “Accession shock” predicted by many politicians and analysts. Nothing happened that radically and adversely surprised Polish businesses or Polish farmers and definitely nothing that surprised them in a decidedly negative way.

It turned out that the dozen years of preparations yielded effects. In many areas we are able to take advantage of the opportunities and possibilities it offers. This is evidenced by such facts as dynamic development of Polish exports and the scale of interest in financial support from the Common Agricultural Policy funds or structural funds.

It seems that, among others, it is in the aforementioned phenomena and trends in the economy, social life or financial issues that one should look for reasons why the „accession shock”, experienced by states of previous accessions and by some states acceding to the EU at the same time as we did, was virtually absent in Poland. This is corroborated by the present level of social support for membership. In November 2004 53% of Poles were satisfied with EU membership, in April 2005 it was 63 %. The largest number of satisfied Poles are under 24 with a high education, owners of companies and farmers – 65 % of the last group gave positive responses.

It was said that accession came politically too late, and institutionally too soon, for many incoming states. The Polish experience contradicts this assumption. We have taken our chance and utilised our opportunity. In the European process one cannot be emotional. The issue is not to be “Euro-optimistic” but to look carefully and coolly at the interest game and analyse potential consequences

for Poland –positive and negative – of adopting particular solutions. At the same time, this year's experience has been a good lesson for us to think in terms of Europe as a whole.