



Guest Editorial

The Accession of Poland to the European Union

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I. Introduction

The membership of Poland to the EU will be the completion of the process of its reintegration with the Euro–Atlantic community, for which it has always been a constitute in historical and cultural terms. If Europe had not been divided at Yalta, Poland would most probably have participated in the Euro–Atlantic structures like all the other Western European states.

It is significant that in the United Kingdom (UK) the expression, ‘Europe’ is widely used as a synonym of the EU. Therefore, countries like Poland, the Czech Republic or Hungary are referred to as, ‘Central Europe’ or ‘Central and Eastern Europe’, the borders of which are not unequivocally defined, but appear to be simply regarded as the Eastern border of the countries applying for the membership of the EU. This division, the nature of which is largely psychological, is no doubt an inheritance of the Cold War period and is more difficult to eradicate than the implementation of deep, difficult and sensitive reforms in the countries concerned.

Accession of Poland to the EU is also an important element of the modernization of the Polish state. Embraced immediately after the 1989 political breakthrough as a national objective and massively endorsed by the Polish people, it helped set out a timetable of the country’s reforms. Both the 1991 association agreement as well as the ongoing membership negotiations have laid down standards as well as the time frame for changes which must be completed these standards to be met. They point to areas on which to focus our endeavours.

Since 1989, Poland and other Central European states have undergone enormous transformations which can hardly be compared to any other case in the contemporary world and Poland has been at the forefront of these changes.

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The political and economic reforms have enabled the establishment of a pluralistic and democratic political system, a civic society and a market economy. Foreign policy has been reoriented in order to guarantee a secure, friendly and permissive international environment for further development that would not be inhibited by claims to 'spheres of particular interest' or influence of any other country. Although Poland still faces enormous challenges to bring the country to the average level of development in the EU or in the Organization for Economic Cooperation and Development (OECD), its record to date has been successful enough to present the Polish reforms as an example to follow in the recent electoral campaign in Ukraine.

Poland's macroeconomic policy is widely regarded to be successful and it maintains its position as one of the most dynamically developing Central European countries in terms of economic growth rate, increases in industrial output and the volume of foreign direct investment (FDI). The growth rate of Polish's gross domestic product (GNP), which declined to the level of 4.8 per cent in 1998 – largely as a consequence to the deterioration of external conditions, brought about by crises in Asia, Brazil and Russia – and to around 4 per cent in 1999, is expected to rise to 5.2 per cent in the year 2000.

The inflation rate, which in 1989 peaked at 640 per cent, has since been curbed to 8.6 per cent in 1998 and 9.2 per cent in 1999. It is expected to continue its downward trend possibly to 5.7 per cent in 2000. Obviously, it is still too high for Poland to qualify for membership of European Monetary Union (EMU), but the Government and the Central Bank have set ambitious goals to reduce the inflation rate so that Poland could meet the convergence criteria within a few years after its entry into the EU.

The consolidation of the fiscal policy enabled the fiscal public deficit to fall to 3 per cent of the GDP in 1998 and 3.4 per cent of the GDP in 1999. A further consolidation of public finances should be feasible in the coming years as a result of the introduction, in 1999, of investment pension funds and a radical change in the rules of public aid to enterprises. These steps, the latter of which it is hoped will be achieved in the very near future, will result in Poland being brought into line with the EU *acquis*. This will facilitate a further reduction of tax rates both for individuals as well as for enterprises and a further simplification of taxation regulations. The Tax Reform Acts, with the exception of the one relating to taxation of income of individuals, were adopted 1999 and introduced in 2000. The Polish currency (*zloty*) enjoys relative stability and fared quite well during the Russian crisis in 1999, and, since January 1999, the *zloty* has been fully convertible.

The catalogue of positive trends further includes the expansion of investment outlays in major companies, the continued development of the private sector, and an increase of added value in the services sector whose growth, too, testifies to qualitative changes taking place in the Polish economy.

As a result, while in 1989 20 per cent of the GDP was produced by the private sector of the economy, in 1998 its share increased to 65 per cent. The privatization process and the consolidation of public finances have also contributed to the development of the Polish capital market. At the end of 1999, the number of companies quoted on the Warsaw Stock Exchange reached 221, while there were about 300 public companies and capitalization of the share market amounted to approximately 25 per cent of the GDP.

Another significant change for the Polish economy since 1989 has been its opening and complete reorientation of foreign trade. Nowadays, the EU is the main economic partner of Poland accounting for 71 per cent of Polish exports and 65 per cent of its imports, while Poland is the fifth largest economic partner of the EU.

Poland's reforms run much deeper than only preparing for membership to the EU – they are also aimed at the modernization of the Polish state and a complete change of its role. For example, in 1999 Poland introduced a new system of education, health care and social security. It also decentralized the country's administration to make it run more smoothly and improve the public's participation in the exercise of power. The magazine *Business Central Europe* has criticised the reforms as 'over-ambitious', but they must be to overcome the legacy of 50 years of socialism.

The level of FDIs is a genuine indicator of the perception of the Polish economy and general conditions for business in Poland by foreign investors. It is assumed that in 1999 FDI figures will top the USD 11 billion mark, outperforming those of previous year by USD 1 billion. The aggregate value of those investments was, in mid 1999, in excess of USD 35.5 billion. This, it could be argued, speaks volumes. Poland is now perceived as a stable economy enjoying excellent development prospects.

II. Poland's Accession to the EU

Since 31 March 1998, Poland has been engaged in the accession negotiations with the EU. To date the negotiations in 23 out of all 31 chapters have begun and 9 of them have temporarily been closed. On 16 December 1999, Poland presented to the EU the last negotiating position – on agriculture. It expects the negotiations in the entire chapters to be opened during the Portuguese presidency. Poland is also of the opinion that in a number of further chapters, in which accession negotiations have been carried out, should be temporarily closed. This applies particularly to the Common Foreign and Security Policy (CFSP). Mindful of this, the negotiations in the most difficult chapters are still ahead. However, Poland has declared its intention to be ready to become a member of the EU by 2003 and intends to introduce all the necessary measures

to enable this to occur. The statement by the heads of the EU states and governments in the Helsinki Summit in 1999 that the EU will have been ready for admission of the first new members by 2003 has been welcomed in Poland and other applicant countries, and coincides with the date set by Poland.

In Helsinki, the European Council invited the other six applicant states to start accession negotiations and recognized Turkey as a candidate to the EU membership. This significant step in the process of the EU enlargement is welcomed by Poland, supporting as it does the aspirations of these countries, particularly of Slovakia and our Baltic neighbours. It shares the view that, for Turkey, it should constitute a boost to further internal reforms. On the other hand, Poland expects that the European Commission will ensure sufficient capacity for this new endeavour to be put in place.

The measures introduced to prepare Poland for the EU membership concern the adoption of the *acquis*, but also further economic reforms. Privatization and the restructuring of the economy, in order that Polish enterprises might compete on the single market. Most of the remaining state owned enterprises, including major banks, steelworks and other industrial plants, are to be privatized by the end of 2001. A difficult and socially sensitive restructuring of the coal and steel industry is under way – which can be compared to the privatization and restructuring of the industry in the UK a number of years ago. The achievements of the Polish economic policy are widely recognized by the international financial institutions and the EU – e.g. in the last progress report produced by the Commission, however, the reforms entail high social costs, which tend to dampen public support for rapid transformations. As a consequence, Poland needs a clear-cut prospect for the attainment of membership of the EU to rekindle and maintain that support.

In the process of the reforms and preparations to the adoption and implementation of the *acquis* Poland welcomes the assistance of the EU as well as of its member states. The UK, in particular, has always been a valuable partner. The British Know-How Fund was most helpful in training Polish officials, and since 1998 several so-called ‘twinning programmes’ have been initiated, in which the UK is a leading partner or co-partner.

In accord with the EU, Poland expects agriculture and the environment to be the most difficult chapters in the accession negotiations. Poland obviously needs to restructure and modernize its agriculture, as well as prepare for the implementation of the Common Agricultural Policy (CAP). At present, Polish agriculture obtains less support than agriculture in the EU, which is a source of pressure for protectionism and for increasing the state intervention on the market. In its negotiating position on agriculture, Poland declared that by the end of 2002 the Polish agriculture will be ready to be completely covered by the CAP. Poland is neither asking for transitional periods nor for derogations, only the possibility to sell some of its dairy and meat products that will not

meet EU standards on the domestic market as well as on the markets outside the EU, for a few years after its accession to the EU. Poland concurs with the views of the UK, in that the CAP is changing as a result of the Agenda 2000 conclusions and that it is expected to undergo further reforms as a result of the World Trade Organization (WTO) Millennium Round. As a result, Poland feels that it is following a moving target. It should also be pointed out that the decisions taken in 1999, excluding new member states from direct payments for farmers, would lead to a division of the EU Member States into two categories and one can hardly imagine how the single market could function with such a division. Would it still be the single market? Due to the enormous social pressures this solution cannot be accepted by the applicant states.

To meet the EU's environmental standards huge investment expenditure will be necessary in the coming years. To avoid the negative effects of diverting these resources on the economy Poland has asked for several transitional periods.

It also expects to be granted transitional periods for the land purchase by foreigners. Although discussions on that subject are often emotional, Poland's request is not exceptional. The previous entrants to the EU also had a number of transitional periods granted. One should note that the price of land in Poland is about 1/10th of the price of land in the EU.

III. Changing the EU

It should also be kept in mind that the admission of Poland and other applicant states to the EU depends not only on their readiness to fulfil all the membership criteria and adopt the *acquis*. It also depends on the EU's readiness to adapt to new challenges, particularly to solve all the remaining institutional questions. A successful resolution to these questions would enable the EU to accept new members and enable the new entrants to be fully involved in the EU's decision-making process and the EU's policies.

The EU is to convene another Intergovernmental Conference (IGC) to decide on its institutional reforms in early 2000. Poland hopes that the conference will be limited in scope and end, as it is assumed, by the end of 2000, so that by 2003 the EU could be ready for the admission of new members. As a prospective member, Poland would like the EU to take its opinions into consideration as well as to inform it on the progress of the Conference.

The CAP and the EU institutions are not the only areas for change in the EU. The EU is embracing new responsibilities and developing its common security and defence policy. This is combined with the development of the military capabilities of the EU Member States and the future fusion of the Western European Union (WEU) with the EU. Poland is following this process with great interest. As a North Atlantic Treaty Organization (NATO) ally since

March 1999, Poland has been, like its British partners, of the opinion that NATO remains a cornerstone of the European security, and the development of the European cooperation in defence should only strengthen NATO and involve non-EU allies on an inclusive basis.

Finally, the EU is developing cooperation in the internal affairs and the justice area – the Tampere Summit brought about several substantial conclusions, with a significant contribution from the UK. As they concern issues relating to the internal security, migration and other contemporary problems, important for the EU citizens and future member states, Poland is following developments in this field with great attention.

Few politicians in the EU countries question the idea of the enlargement of the EU to the East, however, many indicate a number of expected and real problems that need to be tackled and the necessary reforms, both within the EU and applicant countries, to be undertaken. There are also few doubts whether the EU will benefit from the enlargement. These benefits, as indicated by the British Government, will be both in political and economic terms, simply derived from the economic integration, political cooperation and joint effort in combating such problems like organized crime or illegal migration. However, on the other hand, discussion on the short-term effects, particularly the cost of the extension of the CAP to the Polish agriculture often seems to be biased by some persisting prejudices.

Many in Poland are aware that in a number of countries there is still much scepticism about the EU. Critics point to the recent resignation of the European Commission, to the allegations of fraud and mismanagement in the European institutions and expanding EU regulations to justify their positions. However, while there is certainly much room for improvement, these problems are not insurmountable and the new European Commission and the Member States will hopefully solve these issues in the near future.

Many of the critics of the EU seem to ignore the reason for which the European cooperation process was initiated more than 40 years ago, and the fact that it has probably been the most successful example of cooperation in the world – a cooperation that not only enhances economic development, but also makes the risk of conflicts between Member States null and contributes to the stability in the adjacent regions. Keeping in mind conflicts in the regions and countries not too distant from the EU borders, this is a significant achievement and should not be neglected or belittled.

There is, finally, an opportunity to nullify the divisions created at Yalta through the admission of the first Central and Eastern (CE) states to NATO, and the enlargement of the EU. Poland and the other CE states are eager to participate in this fascinating project of European cooperation and to contribute to a new shape of Europe. Poland is obviously determined to be in the first

group of new members of the EU, and continuing to support, in particular, the aspirations of its neighbours, wishes to see the other applicant states join the EU in the near future.

Poland has no doubt that the concept of a 'New Europe' should go beyond present and future borders of the EU, which has been recognized by the EU in the form of common strategies for Russia, Ukraine, the Balkans and the Mediterranean. Having as it does Russia, Ukraine and Belarus as its neighbours, Poland is obviously keen to have good relations with those countries and contribute to their cooperation with the EU and vice versa. It is also of concern to have at its Eastern border states that are democratic, stable, prosperous and sharing the same values. Although the Balkans are more distant, the Kosovo crisis deeply moved the Polish people, as it did other Europeans. It proved that violations of human rights can not be ignored and that any crisis on the European continent affects other European countries. Europe is certainly undergoing massive transformations on a scale that no one could have foreseen in 1989 when the process started. Poland and other CE states wish to contribute to this process having striven for their chance for almost 50 years, feeling that they were simply separated from the community to which they had always belonged.