

# Questions

## CIDOB



D.L.: B-8441-2012

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MAY  
2012

## POLAND, A EUROPEAN SUCCESS STORY (but not yet an economic miracle)

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**In the early 1990s, soon after Poland's first free and democratic elections, the country underwent a shock-therapy programme known as the Balcerowicz Plan --by the name of liberal economist Leszek Balcerowicz, former chairman of the National Bank of Poland and Deputy Prime Minister in Tadeusz Mazowiecki's government (1989-1991)--, which enabled to transform its centrally-planned economy into a market-based economy.**

**The Balcerowicz Plan was a series of reforms which sought to end hyperinflation and balance the national budget. The prices of most consumer goods were freed, caps for annual wage increases established in the public sector, and the Polish currency, the Zloty, was made convertible. The Plan, which shook indeed the Polish economy, forced state-owned companies to face competition but resulted at the same time in a substantial increase in consumer prices. But the slumps were temporary and Poland became the first post-Communist country to reach (in 1995) its pre-1989 GDP levels.**

**Today, most analysts recognize that without the radical changes introduced by the Plan, Poland's economic success and steady economic growth would not have happened. Poland is now considered one of the healthiest post-Communist countries, and is currently one of the fastest-growing within the EU. With a strong domestic market, low private debt, flexible currency, and not being dependent on a single export sector, Poland is the only European country, to this date, to have avoided the late 2000s recession.**

**Agnieszka Nimark agrees with Radoslaw Sikorski, Poland's Oxford-educated Foreign Minister, that today's Poland is "the best Poland we've ever had" --though this does not mean, she adds, that there is not still a lot to be done. She believes the country is indeed in its best moment in modern history, standing as it does as an example of and an inspiration for peaceful transition to democracy. Today, Poland is a model to be followed and it is based on three pillars: the broad-line policy as regards the past, a large social consensus on basic international issues (EU, NATO), and a long-standing economic strategic plan abided by all governments, irrespective of political colour.**

### **Is Poland still a country coming to grips with being normal at last?**

It is becoming normal, both internally and externally, if by normal we mean the EU standards. This is particularly evident in the everyday life of citizens: you do not have to plead with civil servants anymore, you do not experience a feeling of discomfort when dealing with government officials, you are actually given the information you need when you ask for it. As anyone having experienced deprivation of basic rights will tell you, this is extremely important. As regards Poland's relations with other countries, normalcy means the setting-in of a strategic, long-term vision and a no-surprise diplomacy. Even with the country in full transformation, with restructuring going on in education and health, for example, and also changes in the retirement age, the fact that since the 1990s economic reform and stability plans have been backed, in a not-so-common show of institutional continuity, by all governments, has definitely helped establish this feeling of normalcy. A feeling based on an economic success story that stands on two solid foundations: a strict adherence to EU economic directives, and a very stable and strong export market (Germany, Russia).

### **For 15 years the overwhelming national purpose has been returning to Europe. Does Poland today still feel apart from the West?**

Poland lives not only under the complex of being a late comer to the EU, but of being an ex-Communist country –and this means that its citizens feel as if they had to prove something. I believe this feeling may linger on for a while. Take the European Football Championship to be held this year in both Ukraine and Poland: everyone feels involved, wants it to be a success, and show the world that Poland can deliver. The long-term national aim is to gradually improve the country's status within the EU and eventually join the group of leading European countries. Poland is perfectly aware that it does not carry at present enough economic weight, but the political ambition is there and so is the will to find allies on the road (Sweden, notably). Radoslaw Sikorski's recent piece in the Financial Times (08.05.12) takes this one step further: it is Poland's ambition, he says, to see Europe stand up to its calling as a world power, putting a stop to its current drift –which he describes as “comfortable decline”– towards becoming “a continent-size Monaco: a wealthy retirement home with a few tourist attractions.” To this end, Poland's proposal is that of a permanent political union that preserves national powers in many areas (culture, religion, way of life, principal tax rates): a federal but not centralized Europe that aims at retaining not just influence, but leadership.

### **The purpose of joining back the West has meant that domestic arguments have been subdued. But Poland has to raise its standard of living and it needs growth to do so. How does it position itself in the current European debate austerity-versus-stimulus?**

In Poland, there is quite a striking political division in society, but it does not follow the traditional left-right split. The divide here is between welfare-state defenders and supporters of economic liberalism. The governing coalition (Civic Platform + Polish People's Party), which got 50% of the vote at the October 2011 general elections, disliked the Merkozy line for several reasons: because its designers were an exclusive club within the EU club, because it left the UK out of the picture (and the UK is useful to counterbalance the Berlin-Paris axis), and because there were no provisions in it for strategically-planned government-steered growth amid the necessary austerity measures.

## **What are the problems at the other side of economic success?**

According to Balcerowicz, the two main problems in Poland today are the high level of public debt (he thinks more cuts are needed in the public sector), and the structural reforms introduced by the government (he considers them to be insufficient). The recent retirement-age reform, for instance: it has been raised to 67 years, both for men and women –but, for women, implemented over the next 30 years, which is the slowest pace in Europe. Youth unemployment would come third: it is now 20.7% nationally (EU average: 20.9%). Cities are better off, with about half that percentage, but things are slower to change in the country-side. For the time being, there is no housing bubble --nor is it in sight. Back in 1989, a shortage in housing sparked a surge in building, but the Poles may well have learned the lessons --from the US and Spain— at the right time. Returning immigrants from recession-torn European countries are not in great numbers and so do not pose a problem so far.

## **Poland presided over the EU in 2011. How did it feel?**

The presidency of the EU was important in an administrative sense: Poland knew that it could not lead the big debates, but it tried its very best to do a good job –and it did. And it is on this basis that Sikorski builds his shrewd political/diplomatic discourse: a discourse coming not from a small country, but a country that wants to matter. A country that believes in a wider and deeper Europe, not in reinventing itself as a bridge between East and West. A country that can side with Italy and Spain, for instance, thus defining an interesting East-South European alliance. A country that can and wants to honour its commitment to co-organize (with Ukraine) the Euro2012 Football Championship even in the face of international boycotting for the ill-treatment of imprisoned former PM Timoschenko by Ukrainian authorities. A country that despite the ultranationalist theses of Law and Justice, its main opposition party (30% of the vote at the 2011 general elections), does its best to progress along the road to reconciliation with its traditional enemy, Russia. Things are getting better, there is some more understanding on both parts, but issues are still not closed: it's a long process.

## **And what about the United States?**

During George W Bush's presidency, Poland supported the United States' 'war on terror' and expected, in return, to be protected from potential threats coming from the East. Since 2008, this way of thinking has gradually changed towards a more balanced Polish security policy –a policy, that is, which takes Polish commitments to European Defence and Security Policy (ESDP) and NATO as seriously as its commitment to be on the side of the United States. To Poland, NATO's primary role remains that of a defense alliance, while building a stronger European Defence is more a matter of Europe's place in the global security system.