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POLAND IN THE EUROPEAN UNION. INITIAL BALANCE OF TWO YEARS – SELECTED ASPECTS

В статье проанализированы три основных условия ассоциирования Польши в ЕС. Рассмотрены взаимоотношения Польши и ЕС с позиции выгоды для каждой из сторон. Дана оценка экономическому, политическому и социальному развитию страны после двух лет полноправного членства в ЕС и обоснованы ее дальнейшие перспективы.

Ключевые слова: экономические, политические и социальные причины ассоциации, преимущества и недостатки присоединения к ЕС, перспективы развития.

I. Introduction

The political decisions on the enlargement of the European Union were made a relatively long time ago. However, not everybody—either in Poland or in the EU—accepted this extremely important decision with proper understanding and satisfaction. Accordingly, further debate goes on in this area, and the aim of this debate is to point out fundamental advantages and threats resulting from Poland's accession. Yet, immersed in the overall stream of everyday problems, such discussion is mostly of just a superficial nature or, quite often, it becomes heated with emotional arguments taking precedence over rational ones. It would appear that, even if for those reasons alone, worthwhile to recall repeatedly the basic motives for Poland to access the European Union and to make people aware of consequences of that fact.

Generally speaking, there have been three fundamental reasons for advocating Poland's accession to the EU and Polish presence in the EU, namely, economic considerations, political reasons, and social reasons. It is for the same three reasons that the EU should adopt and accept Poland as a Member State enjoying equal status and rights.¹

II. Economic considerations

The main economic argument for Poland to accede to the EU was the opportunity to benefit from its economic potential to a much higher degree than it was previously possible. In 2000 the EU's Gross Domestic Product (GDP) was estimated at around 21% of global GDP, while GDP *per capita* was, at the same time, at the level of € 21,100. Its share in international trade was at the level of around 19%. For a comparison, in the same period the GDP of the United States was estimated at about 22% of global GDP, amounting *per capita* to € 31,800, while Japan's GDP was around 10% and the *per capita* GDP was € 32,200. As can be seen, therefore, the EU, the US and Japan generate as much as 61% of the total GDP of the modern world. This means that roughly one-sixth of the global population generates around three-fifths of GDP, while the remaining five-sixths of people in the world account for as little as two-fifths of the world's GDP. Just to have a reference point: the GDP of the so-called former socialist countries (and there are more than forty of them) is estimated to account for around 4.5–5% (including that of Poland: about 0.55%) of total GDP globally.²

Taking these figures into consideration, should Poland, economically speaking, integrate with the EU or not? The answer to the question was reached quite easily, if we first answered the question whether Poland desired to belong to the 'creators' of the modern world or whether it was satisfied with no more than an observer's role. If Poland wished to be one of the creators, that is, to be actively involved in shaping the world's economic, political, social and other policies, if only to a limited degree, but in any case to a much greater extent than it did upon its domestic scale—or on local one at best—then the question whether Poland should accede to the EU was unambiguous: 'Yes, it should'. If it remained on its own, outside that group of countries whose share in the global economy accounts to more or less 21% of global GDP, then, with its GDP share of 0.55%, it would practically be incapable of playing any significant economic role in the contemporary world.

In theory, one could even agree with those who maintain that, to be among the 'creators', it would have sufficed to join either NAFTA or the ASEAN group. In practice, however, such opinions could hardly have been regarded as serious, taking into account sheer geographic distance, as well as—in relation to the ASEAN group—huge cultural differences.

The question was, however, whether everybody would benefit from Poland's accession to the European Union? The answer was not simple. Certainly, entities and persons who would prove competitive in relation to entities and persons from the EU would undeniably benefit. Accession provides an opportunity for young people, and in particular young people with high levels of education. On the other hand, it is not that simple to obtain a high level of education, either in the past, or today. In the contemporary world, which is also very competitive in this area; solid and comprehensive edu-

¹ The subsequent analysis draws upon the following publications: P. De Grauwe, *Economics of Monetary Union* (Oxford: Oxford University Press, 2002); E. Kawecka-Wyrzykowska and E. Synowiec (eds.), *Unia Europejska. Przygotowania Polski do członkostwa* (European Union. Poland's Preparation to Membership) (Warsaw: IKiCHZ, 2001); D. Milczarek and A. Z. Nowak (eds.), *Integracja europejska. Wybrane problemy* (European Integration. Selected Problems), (Warsaw: Warsaw University Centre for Europe, 2003); A. Z. Nowak, *Integracja europejska. Szansa dla Polski?* (European Integration. An Opportunity for Poland?), (Warsaw: PWE, 2002); A. Z. Nowak and J. W. Steagall, *Globalization, European Integration and...?* (Warsaw/Jacksonville: Warsaw University Centre for Europe, Coggin College of Business University of North Florida, 2002); and documents: *Korzyści i koszty członkostwa Polski w Unii Europejskiej, Raport z badań* (Costs and Benefits of Poland's Membership in the European Union. Research Report), Natolin College of Europe, Warsaw, 2003; *Polska w Unii Europejskiej. Doświadczenia pierwszego roku członkostwa* (Warsaw: Urząd Komitetu Integracji Europejskiej, 2005), *Bilans dwóch lat członkostwa Polski w Unii Europejskiej*, CBOS, Warszawa 2006,² A.Z. Nowak, *The European Union: An Opportunity for Poland?*, European University Institute, Florence, 2006.

² It is sometimes argued that, although GDP is not a perfect measure to define the level of a country's economic development, it is nevertheless the best among those known to date. And it should be recalled that the basic weaknesses of GDP as an indicator mainly stem from the fact that it fails to reflect directly the level of scholarisation, longevity, general satisfaction, etc.

cation is generally associated with fluency in several foreign languages, personal computer skills, entrepreneurship, innovativeness, awareness of cultural differences and capabilities of prompt adaptation to any sort of change.

Taking a look, for example, at a modern worker, instead of a person who digs ditches with a pick-axe we are more likely to see an expert engineer, competent in using complex, semi-automatic or computerised machines and equipment. In order, therefore, to be successful and reap as much benefit from accession as practicable, Poland must first and foremost endeavour to raise the level of education of its population, to stimulate its innovativeness and entrepreneurial abilities. Otherwise, the country might not be capable of taking full advantage of the opportunities open to it, and part of its potential will go unused. Worse still, a certain group in society may find, in the short run, that it has benefited much less than its potential than expected, or that it has become a 'loser'.

Has Poland reached a peak in terms of what is possible in this respect? Most certainly not. But, importantly, the European Union should act as a spur to mobilise and work hard to face the twenty-first century challenges rather than being a reason to be afraid of the Community.

Can Poland stand up to such challenges on its own? It seems that in a long-term perspective it could. But why wait for such a long time if, for many millions of us, the EU presents a readily available opportunity to attain international standards much sooner.

Undoubtedly, and for a variety of reasons, a part of Polish society is neither able nor willing to attain these standards. Was European integration to be opposed on that basis? It seems that the right answer is 'no'. Instead, one should not only be aware of the problems faced by people unable to adapt to international requirements and challenges, and not to forget about that, but also to be of help in solving their problems. But who should do that? The Polish taxpayer, represented by a Polish government, or an EU taxpayer, represented by the Brussels administration? The experience of countries that have joined the EU in the past suggests that it may be both. However, it seems that one should look to the Polish government in the first place, as the aid resources from the EU seem insufficient to solve serious problems in Poland in the areas of education, unemployment, environment protection, vocational conversion and re-qualification of large groups, etc.

On the other hand, the scarcity of EU funds cannot be used as an argument against the process of integration. The opposite applies: it was a firm argument to advocate integration, since those funds, as in fact intended, are only meant to act as an impulse to stimulate changes.

Furthermore, accession to the EU was also expected to trigger a new wave of foreign capital inflow. An important causal factor in that regard was a growth of confidence in the Polish economy, a natural consequence of its new place within the common market, coupled with increasingly high profitability of capital assets in Poland compared to those in the EU (as a result, among other things, of lower prices of labour, land, raw materials, and so on). In particular, growth in the level of foreign direct investment (FDI) should entail an accompanying growth in employment, contributing to a lower unemployment rate.

It should be noted, on the other hand, that a significant flow of FDI may also result in a further appreciation of the Polish currency, a fact that may, in consequence, diminish potential benefits accruing from integration. One has to reckon with phenomena such as a rise in the level of manufacturing costs, and, as a result, a decrease of competitiveness of goods and services generated in Poland, followed by an increasing deficit in the current trade account and a deterioration of general economic conditions. This will in turn have a negative impact on unemployment. If this situation persists over a long period, it may even lead to the emigration of skilled labour or 'brain drain'. This would be an extremely negative effect for Poland's development, in a number of ways.

First, this would mean that most dynamic, business-minded and innovative people would be the first to emigrate. Another disadvantageous effect of Poland's accession to the EU may consist in a decline of several sectors of the economy that are unable to meet the demands of being competitive. While seen from a long-term perspective this is a positive process, as it raises an overall economic effectiveness on a national scale, it nevertheless may lead, on a short-term basis, to serious economic and social turbulence. Such negative effects should be prevented and counteracted by an efficient financial policy, consisting in, among other things, sound co-operation between the central bank and the minister of finance. This regards such factors as reasonable monetary and fiscal policy, aiming at economic stabilisation on the one hand, and on supporting stable economic growth on the other hand. It is, admittedly, the basic objective of economic leaders, including monetary authorities, to aim—also following the example of other countries—at stable prices, but at the same time to promote sustainable economic development.

Summing up these considerations, there is a high probability that, as in other countries that acceded to the EU in the past (such as Spain, Portugal, Greece and Ireland), the accession of Poland will result in:

- a growth in the scale of savings import, caused by transfers from the EU budget and by a greater inflow of private capital in general; in the past the latter helped strengthen national currencies, a significant growth of import and an increase in the scale of domestic demand;
- a considerable growth in terms of investment, allowing both the financing of a new infrastructure and the acceleration of modernisation and development of productive assets processes; such an increase was also accompanied by a growth in consumption; and
- a growth in GDP dynamics, typically driven, in an early phase, by demand (a greater domestic demand facing, at the same time, a significant loosening of external development restrictions, i.e. of a need to keep the dynamics of the trade deficit under strict control), and then mainly caused, in a later phase of the development of internal co-operation within the Community, usually occurring at least 10-15 years following accession, by the supply effects of modernisation of production facilities and capabilities (i.e. from a growth of production competitiveness).

The above analysis, albeit concise, suffices to illustrate that the costs of Poland's integration with the EU will be—seen both from macro-economic and micro-economic perspective—greatly and undeniably overbalanced by advantages and positive effects. However, there is still a question concerning the degree to which such advantages will be achieved and to what extent they will outweigh the costs: it will mainly depend on the awareness of those problems on the part of political leaders and on the soundness of their economic policy.

III. Political reasons

The political reasons for Poland to accede to the EU, which were discussed and considered, can be divided into two groups.

In the first, more general group, reasons regarding the creation and development of democratic institutions, related with the transition to a newly-established market economy. This concerns private ownership of the means of production, protection of property rights, a role for parliament, for regional and local governments, and for public opinion, etc. Such institutions, necessary for the growth of a market economy, are highly developed and specialised in almost all the EU's Member States. Poland's accession to the EU will reinforce and consolidate their national importance.

The second group includes political reasons, which are in a sense, the same as the original political reasons on the basis of which the EU was formed and then developed. Clearly, the fundamental political premise to establish that organisation was an urge to ensure the peaceful development of the continent. It is recognised and accepted, with almost no exceptions, that Europe has been able to develop peacefully thanks to establishment of the EU, which meant the same as providing an efficient instrument to peacefully solve, within that forum, any political, ethnic, religious and economic conflicts that have appeared on the continent. In addition, and as illustrated by the example of the USA, a strong integration of societies eliminates, at least to a certain degree, a number of tensions and resentments occurring among them.

Usually three basic motives have been mentioned as underlying the very concept of integration in Europe.

The first was an awareness of the European allies, following the Second World War, of an increased production of coal and steel by post-war Germany, and hence the proposal to create the European Coal and Steel Community (ECSC). During an initial stage of its operation, the ECSC was meant to 'restrict' production of goods which were certainly regarded as strategic and which at any time could have been used to produce tanks and military aircraft.

The second factor concerned the fear of expansion of communism evident during the early post-war period. There was an anxiety little short of certitude among a number of Western nations that, on their own, there were unable to withstand the westerly 'march' of the Bolshevik revolution. Accordingly, the only solution, it seemed, was to create a counterbalance powerful in economic and political terms in order to control that expansion.

The third and final factor was related with the need to raise the competitiveness of Western Europe in relation to the USA. Following the Second World War, both the economic and political role of the US grew in spectacular strides. Europe found it hard to come to terms with such an evident American domination worldwide. It was believed, as a result, that the unification of the Western part of the continent should play a vital role in increasing both the power and competitiveness of the old continent.

At first glance it might seem that Europe, and indeed the whole world, is currently facing an entirely different political situation. One could say that Europe is much more stable now than in the period when the communist system declined and fell apart. In most European countries there are consistent and well-rooted democratic systems, while in others the process of democratisation is underway. However, in spite of such positive changes there have been a number of expert observers of political reality in Europe that believe that there is still a danger of emergence of new conflicts on the continent. That is why, in the Maastricht Treaty, for example, the hitherto existing areas of co-operation between Member States were supplemented by a new one, the so-called 'second pillar', the Common Foreign and Security Policy, and in 1999, a military dimension was also added, in the form of the European Security and Defence Policy.

The main objectives of the EU foreign, security and defence policies were specified in the Treaty of Amsterdam. They concern, most of all:

- protection of common values, interests, sovereignty and entirety of the EU;
- consolidation of EU security;
- maintenance of peace and reinforcement of the means of international security;
- promotion of international co-operation; and
- development and strengthening of democracy, the rule of law, respect for human rights and a set of fundamental freedoms.

It should be emphasised that the objectives of Polish foreign policy, generally based on two main priorities—that is, the preservation of strong transatlantic EU-US links, and support for independence and pro-Western political trends in Poland's Eastern neighbours—have directly matched the EU foreign policy objectives listed above.

These arguments prove that the paths and prospects of Poland and the EU have converged, also from political point of view.

The aptness of this conclusion found additional confirmation in the events of 9/11, which was a striking illustration of how nothing can be taken for granted. This lesson applies in particular in relation to defence systems and the maintenance or further progress of democracy. This is further confirmed by the numerous national, ethnic, social and religious clashes found in Europe. These facts together prove very clearly that there is a need to stand together with the whole family of democratic states, and that it is necessary to be actively involved in shaping and influencing foreign and defensive policy of the state and group to which one belongs. Moreover, the foregoing facts suggest that there is a need to integrate and co-ordinate the tasks of the police, immigration, customs, military and intelligence services. One should not expect such an undertaking to be smooth and free of clashes, since in this area a certain sum of national in-

terests of Member States must always be dealt with, sometimes shaped as a result of their disagreements or rivalry. Nevertheless, no reasonable way towards an effective maintenance of security and peaceful development can be found other than the path leading to full integration.

Throughout most of Poland's history, the ideas of democracy, citizens' freedoms and security, both national and that of the neighbouring countries, as well as peaceful development, were familiar and dear to Poland. Thus, for Poland it is quite obvious and natural to be interested in the peaceful development of both the modern world and the European continent, and to be involved in shaping those processes through active participation in EU structures.

IV. Social reasons

Generally speaking, one can say that, with social reasons taken into account, Poland was interested in EU accession with a view to raising the living standards of its population as compared to the level that has carried over from the past.

Although Poland is a fully democratic state, in relation to a number of social issues it retains negative experiences from the past. In particular, problems of individual freedom, principles and terms of employment, equal status of both sexes, workplace safety and hygiene, consumer protection, the rights of handicapped persons, environmental protection, and so on. Although such weaknesses are mostly just a burden inherited from the past, non-democratic system, it would nevertheless prove quite difficult to overcome such a troublesome inheritance individually, especially in the face of numerous, equally important or urgent, issues. On the other hand, there is no doubt that problems occurring in those fields could also be solved without any direct reception of patterns established in the EU. However, this would last considerably longer, the threat to make serious mistakes would arise too frequently; and it would potentially be too costly to undertake such risk.

Therefore, the question arose whether it was worthwhile to go it alone or whether it was more advisable to take advantage of the EU's experience in this area. The answer to such a question seemed, again, quite obvious: any good patterns that have been well proven should be made use of, with such adaptation to Polish conditions as appropriate. Such an attitude can further be supported by the argument that Poland has obtained, at least partially, considerable aid funds from the EU for implementation of those solutions that proved effective in other Member States.

A part of the EU's achievements in the above-mentioned areas was already implemented in Poland during the so-called pre-accession period, either completely, or at a more superficial level. For example, Community-derived law regarding the equal treatment of men and women in employment was partially implemented in Poland. However, in spite of those changes, women still account for a larger percentage of the unemployed than men. Clearly, there is still much to be done.

Further principal changes in Polish labour law following Poland's accession to the EU have concerned the working time vs. holiday time ratio, i.e. shortening working time and extending holidays. It is disputable whether in this will be beneficial for the underdeveloped Polish economy in the long run, but from the point of view of the improvement of living standards it will certainly mark a positive change, enhancing the general quality of life.

Moreover, the implementation of EU standards in the area of workplace safety and hygiene, whilst it will certainly contribute considerably to the improvement of health and safety levels in the work environment, may also lead to increasing production costs.

Finally, reaching a broader base for social dialogue between employer organisations, trade unions and the government may raise the social status and human dimension of work. Changes to follow in this field may lead to some unrest in the labour market on a short-term basis. However, from a long-term perspective, this is likely to give human labour more nobility and respectability, resulting in more satisfaction from work and a corresponding growth in efficiency.

An improvement in the living standards of the Polish population may also be achieved by putting the state bureaucracy in proper order as a result of adoption of some standards of procedure, as well as providing citizens with proper instruments of appeal against erroneous administrative decisions, both to domestic and international bodies. The introduction of such tools should help to implant more discipline into the—currently far from perfect—Polish administration. Contrary to what could be heard in a number of populist opinions of opponents of integration, the point should also be made that accession to the EU can bring a growth of rights and status of individuals in Poland in other terms. For example, at present, no university or academy is allowed to undertake any serious enterprise, such as the construction of a new building or the preparation of study programmes, unless the issue of unobstructed access for handicapped persons is properly taken into account. In the past the handicapped in Poland were generally treated with pity or even contempt, but several years ago the handicapped suddenly became socially visible in Poland and today no-one is surprised to see a blind student in a university or a disabled person travelling down the street in a wheelchair. This also reflects a very significant influence of the EU, which has been much more sensitive and demanding in these respects and which, in a sense, fortunately managed to impose such solutions on Poland and other applicant countries. One could easily mention many more similar examples of positive changes taking place in Polish society in recent years.

V. What is Poland bringing to the European Union?

In a long-term perspective taken by the EU Member States when they decided to enlarge, Poland brings an enormous consumer market. This is already a significant contribution. Furthermore, if Poland manages to meet certain conditions, it will be in a position to build a strong and sound economy, develop education, and create jobs. If the country is successful in avoiding the sort of depopulation so evident in most EU Member States, then, in perhaps a dozen or

in twenty years, it will become a very strong economic partner. This will be an evident profit for the Union. As we can see, Poland has significant potential that it can offer to the EU. Yet, good use ought to be made of the given opportunities.³

Even in the social area, Poland can provide the EU with some good solutions. This concerns, for instance, the Polish model of family life. It is a misconception that in the EU people want to live in total freedom and independence. Some groups oppose the present situation in relation to abortion, euthanasia and other socially sensitive issues. Polish solutions in those fields may constitute an advisable pattern to follow. The model of family life and parent-child relations in Poland is also an important socio-cultural resource. These are Poland's assets. Moreover, the country can bring a good deal of enthusiasm, a will to work and a spirit of entrepreneurship.

In relation to purely political matters, on the other hand, taking the size of the Polish population, the size of the country and its geographic situation into account, Poland's accession to the EU consolidates stabilisation in the region, contributing, at the same time, to further peaceful development of the continent.

VI. Poland in the EU: selected aspects of the first two years of membership

Before making any indications concerning the two years of Poland's membership in the EU, it is worthwhile to recall the pros and cons of joining the Union. The Euro-optimists pointed out the possible advantages for Poland on joining the EU, mostly as a result of competition resulting of free movement of goods, services, capital and labour, access to better and relatively cheaper education, European management, innovations, new technology, etc. The Euro-pessimists mainly pointed out the disadvantages of joining the EU. In particular, fears linked to the buying up of land, the loss of national sovereignty, a rise in the unemployment rate, resulting from huge import levels of goods and services from the EU, the bankruptcy of many businesses, secularisation of the country, a rising inflation rate, etc.

As one can see, the advantages and disadvantages claimed by both sides were of different weight and calibre. So what in fact has happened in the last year? What is the reality after one year of Polish presence in the EU? To answer these questions we should look at the balance of one year of membership from various perspectives. One could propose at least four points of reference. In particular, there are economic and financial viewpoints, as well as political and social perspectives. At this stage it is difficult to assess which one is the most valuable.

According to a poll concerning on the first year 'balance sheet', presented in Poland in May 2005, approximately 73% responded that they had not experienced any advantages from joining the EU, while at the same time around 60% confirmed that they had not experienced any disadvantages. These numbers indicate that the feeling in Polish society concerning one year of Polish attendance in the EU is generally positive.

In the survey presented at the end of 2006, after two years of Polish presence in the EU, app. 80 per cent of Polish population was in fever of being a member of the European Union and only 11% was against. This means that the number of supporters of the European Union membership increased within two years by 16 percentage points and in the meantime the number of opponents decreased by 18 percentage points. The number of Poles assessing positively the balance of Polish membership in the EU is increasing systematically, too. After two years of membership the number of respondents being convinced that it brings to Poland advantages is more than three times higher (54%) than the number of those who have opposite opinion (18%). Among the positive results of the integration are: permission to work within the European Union, open frontiers within the EU and inflow of the EU funds. App. 1/3 of the respondents is unable to enumerate any disadvantages and approximately 20% of them claim that there are no disadvantages as a result of enlargement of the EU.

The initial results of the summary of the second year balance of Poland in the EU prepared by different institutions confirm the common feelings. Let us look briefly at these results.

Economic perspective

The first positive sign to note, from the economic point of view, is that between May 2004 and May 2005, GDP in Poland rose by 3.5% and in 2006 by 5.5%. Of course, this relatively high rate of GDP growth is not only a result of joining EU, but it is estimated that, thanks to enlargement, the GDP increased approximately 0.9 to 1.2 percentage points every year. The other positive sign was a rise in Polish exports which, increased by 60% from May 2004 to May 2005, and exports to Russia which grew by approximately 90%. In 2006 it was observed also further rise in exports however on lower level. Before EU enlargement, nobody expected such progress in rising exports. So what happened? The rise in exports to the EU was a result of increased demand for Polish agricultural products. In Poland organic production put healthy and good quality goods on the market, and as a result of lower costs of production, these were much cheaper than similar products from elsewhere in Europe, making them very desirable and competitive. On the other hand, Russians also imported agricultural products and durables from Poland. What is interesting here is that the level of foreign trade between Russia and Poland increased despite the imposition on visa requirements on Russian citizens, according to the Schengen agreement. Exports to Russia also increased due, among other reasons, to a rise in the level of quality of technical products produced in Poland and productivity (on average app. 7% yearly). That influenced also on surplus in current account, despite of relatively strong of Polish zloty which has been experiencing for the last few years a considerable appreciation.

Moreover, from economic point of view, at least two other observations can be made. As a result of integration, interest rates in Poland diminished and price convergence was observed. The reduction in interest rates was the result of free movement of capital, while the second resulted from the free movement of goods and services.

³ There is an interesting example that might be apt in this context. Early in the 1960s, each of two countries—Ghana and South Korea—had a similar GDP, oscillating around US \$350 *per capita*. During the past four decades, GDP in Ghana has increased to about US \$450 *per capita*, while that in South Korea has risen to more than US \$12,000. Why such a huge difference? The answer is: South Korea invested in education, a strong economy was built, and the country opened itself to the world, including to regional co-operation, while Ghana was devastated by home conflicts, corruption and the wasting of international aid it received.

In addition to the positive achievements of integration, some mix negative and positive observations in the two-year assessment were also made, the most visible being an increase in the rate of inflation. From April 2004 to the end of 2004, the rate of inflation increased up to 3,5 % percent (in April 2004 it was estimated at 1,7%). Fortunately in 2005 it dropped and in 2005 it was estimated at 1.1%. In 2006 however it increased due to mainly rise of the oil prices up to 2,1 %. Between April 2004 and April 2005, a slight rise in the rate of unemployment estimated at about 1.2 percentage points was also observed. Clearly, any rise in the rate of unemployment should be assessed negatively, but it is worth adding that it had been expected that the rise in unemployment in Poland after joining the EU would be much higher. This slight rise can therefore be assessed rather positively. In 2006 and at the beginning of 2007 however also the considerable decrease in rate of unemployment was experienced in Poland. The rate of unemployment dropped at the beginning of 2007 up to nearly 11.5 % from almost 19% at the beginning of 2004. This means an extremely positive influence of the integration with the EU for Polish labour market. For sure the decrease of the rate of unemployment is the result of migration of Polish workers to the European Union countries – to those which opened their labour markets for Polish workers, but also in result of relatively high rate of growth of the economy. Finally, the relevant period witnessed a tremendous rise in imports of used cars, which rose from approximately 230,000 in 2004 to 800,000 in 2005, repeated unfortunately in 2006 however on lower scale. This fact adversely affected the production and purchase of new cars produced in Poland, which of course had a strong influence on the labour market.

Financial perspective

At least two positive signs can be observed in this perspective. The first is a rise in the flow of foreign direct investment. In April 2005, FDI amounted to € 7.5 billion, or about twice as much as in the previous year. This growth in FDI was mainly due to a considerable increase in confidence in the Polish economy after its integration into the EU and its good economic perspectives. The second positive sign is a net inflow of structural funds at the level of € 1.5 billion. Before joining the EU, many specialists in Poland and in the EU expected that Poland would be a net payer to the EU, mostly because they did not believe that either the Polish administration or the beneficiaries of the funds would be prepared enough to fulfill all the eligibility requirements to obtain the money. However, this pessimism proved to be unjustified, as the requirements were properly fulfilled and the aid was in fact granted. In 2006 both the level of the EU funds and FDI even increased and FDI amounted to more than 10 billion euros.

Among the negative signs, one should first point out pressure on the appreciation of the Polish zloty. An increased flow in of FDI in real terms implies an increased demand for internal currency, in this case the Polish zloty. Increased demand for zloty and at the same time at the level of supply of money *ceteris paribus* means a rise in the exchange rate. A higher exchange rate among others means more expensive goods and services, which in thus become less competitive on internal and external markets. That should run directly or indirectly to lower production, and consequently, to a higher rate of unemployment. However fortunately it was not the Polish case. We did not observed the rise in unemployment because pararely to the appreciation of the Polish zloty (the value of Polish zloty rose approximately 15 % against euro and approximately 18 % against USD) the rise of productivity took place. In result the demand for goods and services produced in Poland not only decreased but even increased. In another words the appreciation of Polish zloty was neutralized by the rise of productivity. The second negative sign worth mentioning here is pressure on the budget deficit. Structural funds can finance accepted programs by definition up to 75% of their value. So, at least 25% of the value of the project is always accounted for by self-financing. In reality, self-financing means financial sources obtained from the local or central government, with the exception of those financed by private institutions. Where there is a huge budget deficit—ironically—a positive inflow of structural funds creates pressure to increase it. On the other hand, this can be also helpful in that it can accelerate public finance reforms.

Political and social perspective

From a political perspective, by joining the EU Poland became an active player on the European scene. It has taken part in the debate on the Constitutional Treaty, the EU budget, and foreign and security policy, European neighbourhood policy, etc. Never in the history Poland was in such privilege situation that it could decide together with another European countries about the future of Europe – its prosperity, development and strategy. So, taking into account all the nightmares from the past, today's Polish situation can not be overestimated. Poland is in the EU, has around friendly countries and is among the decision makers in terms of political, economic and social development of the European Union and Europe. Hence Poland should use all the opportunities to be an active however reasonable player always together with the other European Union members.

From a social point of view, it should be stressed that, as a result of EU membership, there has been an increase of social awareness concerning the advantages and disadvantages of being a member of the EU. People are no longer apprehensive, but instead think and act in order to adjust quickly to the new situation and to take advantage of it. In the meantime, there has been a significant change in the perception of the EU in terms of human rights, social achievements, education, environmental protection, and so forth. These apply mostly to the young generation, but not only. This latter fact has also diminished the role of the politicians who had earlier opposed Polish participation in the EU.

In short, one should stress that the experiences of Poland's two years in the EU are relatively positive. The pessimistic scenarios concerning an almost total collapse of the Polish economy (rise of inflation, unemployment, net payment to the EU, huge emigration from Poland, the buy-out of Polish land, etc.) have not materialized. Instead, we see a rise of entrepreneurship among the young generation, an increase in self-confidence among young and educated people, an increased belief in education and a rise of the hope that many future achievements depend on them.