Social and Economic Impact of Poland’s Membership of the European Union

(1 May 2004 – 1 May 2013)

Key conclusions on the 9th anniversary of Poland’s EU membership

Conclusions

1. Poland’s good economic standing at a time of crisis hastened the process of economic catching-up with the EU average. Poland’s 2012 GDP was up by 18.2% compared with 2007 – the best result in the EU. The second fastest developing economy was that of Slovakia, a eurozone member, with a growth rate of 10.5%. Even through Polish GDP growth was lower than during the first five years of EU membership (with annual average of 5.5% in 2004-2007; 3.4% in 2008-2012), due to the EU crisis Poland accelerated its progress towards the EU average.

2. In 2012 the export of goods was the pillar of the Polish economy, reaching the historic level of EUR 141.9bn. The EU remains Poland’s biggest trading partner, even though trade dynamics fell in 2012 due to the crisis (with growth of just 0.9%, compared to 10.9% in 2011). In 2012 as much as EUR 107.5bn (75.8%) of Polish exports went to EU countries, with EUR 34.4bn (24.2%) reaching third countries. The successful export expansion onto third-country markets is largely responsible for the rise in total Polish trade figures by 3.8%. Exports to non-EU developed countries increased by 10.2%, to CIS countries by 22.5%, and to other developing countries by 14.8%.

3. 2012 was a record year in terms of transfers from the EU budget. Poland received net EUR 11,869.63 mln (an increase of 13.1% on 2011, the equivalent of 3.11% of Poland’s GDP). By 2 December 2012 the European Commission had paid out 51% of the Cohesion Policy allocation for 2007-13. As such, one may expect transfers in the coming years to stay at equally high levels.

4. Social moods and attitudes vis-à-vis the EU are influenced by a number of factors and variables – both domestic and external. One of the key factors is surely the crisis – its perceptible consequences and media coverage of the situation of selected eurozone countries. In this context the apparent divergence of positions is not surprising – high support for Poland’s membership of the European Union (April 2013: - 78% “in favour” according to GfK Polonia, 73% “in favour” according to CBOS) combined with strong opposition against introducing the common currency (February 2013: 70% “against” - GfK Polonia, 64% “against” - CBOS) and falling levels of trust towards the EU when compared with the pre-crisis period (2007 – 18% distrust, 2012 – 42% distrust). It is worth noting that, in comparison with social attitudes throughout the EU, Poles are far above the EU average even despite the above-mentioned indicators.

***

Background and main features of Poland’s EU membership in 2012-2013

In Poland’s ninth year in the EU, the overall situation of the EU continues to be dominated by the crisis affecting selected eurozone countries and efforts to counter it. The gradual overhaul of EMU structures (including the especially rapid agreement on the single banking sector oversight
mechanism) inscribed into the wider perspective of deeper integration, national-level reform efforts supported by bold European Central Bank interventions (LTRO bank refinancing operation, OMT bond purchase programme) have began to bear fruit. Consequently, the existential crisis experienced by the common currency has been averted. Efforts are underway to implement permanent and systemic solutions, and well as add new growth impetus to the economy. But the laboriously constructed state of relative balance remains fragile due to the short-term costs of reform, social tensions and unresolved problems in the banking sector (e.g. the situation of the Cypriot banking sector). Despite the collapse of the banking sector in Cyprus, 2012 may be seen as a turning point in the fight against the crisis.

A major Polish achievement was the consolidation of the euro+ format in the work on reforming the Economic and Monetary Union. The possibility for non-eurozone countries to participate in the new structures is a fact, as exemplified e.g. by the establishment of the possibility of close cooperation with non-eurozone countries in the framework of single banking sector supervision and ensuring that states-signatories to the Fiscal Compact participate in preparatory meetings in the run-up to euro-summits devoted to the overhaul of EMU structures, as well as the political consensus on the open nature of further EMU reforms (the Convergence and Competitiveness Instrument supported by a separate budget, ex-ante coordination of economic policies, a single restructuring mechanism and orderly liquidation of banks).

The clear division into northern and southern countries still remained visible and largely dominated the course of EU political processes. This overshadowed the hitherto differentiation of countries by their date of EU accession (old vs. new Member States).

Significant progress was made in 2012 in the reconstruction of EMU structures. A permanent anti-crisis mechanism (the European Stability Mechanism) was established with a lending capacity of EUR 500bn (temporarily – EUR 700bn), thereby lending credence to the solidarity dimension of the anti-crisis mechanism. Next, the Fiscal Compact entered into force, strengthening fiscal discipline in the Member States. Furthermore, the anti-crisis strategy was supplemented with a third dimension aimed at breaking the link between public and private sector debt. The gradual albeit comprehensive vision of EMU reform became crystallized; it is founded on the three pillars of a banking union, a fiscal union, and an economic union. A timetable for a further deepening of integration was agreed upon and is currently being implemented step-by-step. The shape of single banking sector supervision was agreed upon quickly; this mechanism will make it possible to recapitalize banks from ESM funds. Work is underway on strengthening economic policies and structural reforms supported by the financial solidarity mechanism.

The progress made in 2012 on EMU reform undoubtedly helped renew trust in the common currency and stabilize the financial markets. In December 2012, the yield on synthetic 10-year Eurobonds (weighted by GDP) fell below 3% for the first time since August 2010 (this falling trend was revered upon the emergence of the Cyprus crisis). There has been increasing pressure, however, to subordinate key EU decisions to the interests and needs of the eurozone, as exemplified by the further institutionalization of the eurozone to include new areas.

Due to the inevitability of this process, Poland intensified measures to have countries with a derogation – so-called pre-ins – considered as fully-fledged participants of the EMU restructuring process and ensure the openness of the new structures. This change helped dispel doubts of eurozone countries with regard to the interpretation of postulates to retain EU integrity as an effort to block the necessary remodelling of EMU architecture. A consensus was achieved according to which all interested states should have the possibility of taking part in deepened integration. Implementing this strategy, Poland tried to build its position on the basis of its advantages, e.g. good

\footnote{Datastream, AXA IM Research.}
economic standing, optimistic growth prospects, political stability and a positive attitude towards the EU among both the political elite and the public at large. The debate initiated in Poland regarding eurozone membership and the changes in Poland’s economy necessary for that to go ahead also lent credibility to the strategy.

The rise of integration measures in the eurozone framework created many challenges for Poland’s European policy. Indeed, there was an increase in the scope of obligations connected with becoming part of the integration processes. A significant strengthening of integration among eurozone countries also had a polarizing effect on countries outside the euro area. The year 2012 saw a reinvigoration of the debate over the renegotiation of UK membership in the EU with a view to lowering its commitments, which may lead to similar processes in other countries.

A trend beneficial for the implementation of Poland’s strategy, meanwhile, consisted in a return to the reconstruction of the EMU within the EU institutional and legal framework, in contrast to the first phase of anti-crisis measures implemented on the basis of intergovernmental treaties (ESM treaty, Fiscal Compact). Nevertheless, there is the risk that the political will to maintain this state of affairs will deplete as a result of a deepening crisis and the resulting pressure to speed up work. Last year was also a watershed from the point of view of securing the strategic interests within a dynamically evolving EU. Poland successfully concluded negotiations on the Multiannual Financial Framework, securing an inflow of EU funds supporting the modernization of the country over the course of the next 7 years. At its summit on 7-8 February 2013, the European Council reached a consensus on the EU’s Multiannual Financial Framework for 2014-2020. The heads of state and government agreed on a budget cap of EUR 959,988bn (1.00% of EU GNI). This amount is slightly lower (by 33.8 billion EUR or 3.41%) than the one agreed for 2007-13.

The negotiated funds will constitute a significant pro-growth impulse for Poland. In the framework of cohesion policy, they will total approx. 2.35% of Poland’s GDP, while in the Common Agricultural Policy framework (direct payments and Rural Development) they will amount to approx. 0.92% GDP, and 0.15% GDP in the framework of the remaining funds.

Considering, in particular, funds allocated in the framework of the Cohesion Policy, it should be noted that they will constitute a large share of public investments. Work is still under way on the programme documents that will serve as the basis for their expenditure, but the example of the funds for 2007-2013 shows the scale of this participation, since during this period Cohesion Policy funds amounted to 51% of all the funds expended in Poland on public investments.

Economic growth

- Economic growth in Poland in 2012 amounted to 1.9% GDP (4.5% in 2011), even while the EU and eurozone were in recession with GDP falling by 0.3% and 0.6% respectively. The only countries to have experienced faster 2012 growth than Poland were the Baltic states of Latvia (5.6%), Lithuania (3.6%), and eurozone member Estonia (3.2%), all of which were bottoming out from the deep recession of 2008-2009. The only other regional country to have experienced similar growth to Poland’s in 2012 was Slovakia (2.0%); GDP rose slightly in Bulgaria (0.8%) and

---

2 For the sake of comparison, all calculations pertaining to 2014-2020 EU MFF negotiations are in 2011 prices.
3 The comprise foresees a decrease in real towards policies implemented by Member States. A total of EUR 325,149bn has been allocates towards Cohesion Policy goals (a decrease of EUR 29,666m on 2007-2013) and EUR 373,179bn towards Common Agricultural Policy (a decrease of EUR 47,503m). Despite a lower EU budget over the next 7 years, including lower funding for cohesion policy and agriculture, the Polish allocation will be 4.3bn EUR bigger, up from 101.5bn EUR in 2007-2013 to 105.8bn EUR in the upcoming financial perspective, including 3.9bn EUR for cohesion policy (up by approx. 5%) and Common Agricultural Policy by 1.6bn EUR (up by approx. 6%). Negotiations are currently under way between the European Council and the European Parliament; the latter must give consent for the final compromise.
Romania (0.3%); GDP fell in Hungary (-1.7%) and the Czech Republic (-1.3%). Poland’s cumulative GDP growth in 2004-2012 amounted to 46.3% (EU: 10.9%, eurozone: 9.1%).

**Chart 1. Economic growth in Poland and EU-27**

*Source: MFA analysis based on Eurostat data.*

**Chart 2. Cumulative economic growth in Poland and EU-27 (2003 GDP =100)**

*Source: MFA analysis based on Eurostat data.*

- Poland’s relatively good economic standing when compared with the EU-27 was in part due to the inflow of EU funds. Rising exports were a second key factor supporting GDP growth. In 2011 foreign trade contributed to economic growth by 2.1 percentage points. It should be noted that

---

5 Eurostat data or MFA analysis based on Eurostat.
6 GUS data.
an improvement in the economic situation of the eurozone, including in Germany, would most probably help Poland achieve an even higher GDP growth rate by creating greater demand for Polish exports. This depicts the convergence of improvement within the eurozone with the Polish national interest. GDP growth in 2012 was not boosted by a slightly lower domestic demand or by the consolidation of public finances, which was a decelerating factor for economic growth (a fall in the deficit of local and central government sector institutions – from 7.9% GDP in 2010 to 3.9% GDP in 2012).7

- **Poland’s good economic standing at a time of crisis hastened the process of economic catching-up with the EU average.** The EU-27’s 2012 GDP was lower by 0.8% compared with 2007.8 Poland’s 2012 GDP was up by 18.2% compared with 2007 – the best result in the EU. The second fastest developing economy was that of Slovakia, a eurozone member, with a growth rate of 10.5%. Greece experienced the worst result – a GDP decrease of o 20.1%.9 Even though Polish GDP growth was lower than during the first five years of EU membership (with annual average of 5.5% in 2004-2007; 3.4% in 2008-2012), due to the EU crisis Poland accelerated its progress towards the EU average: EU-27 GDP in 2004-2007 rose by an annual average of 2.8% and fell by an annual average of -0.1% in 2008-2012, i.e. the annual average growth rate of Poland’s GDP exceeded the EU-27 figure by 2.7% percentage points in 2004-2007, and by 3.5 percentage points in 2008-2012.10 In 2012 Poland achieved a level of 66.2% of the EU-27 GDP per capita (PPS), i.e. more than Hungary (64.1%), which in 2004 was 12 percentage points closer to the EU-27 than Poland (Poland – 50.7%, Hungary – 62.7%).11

- Following a fall in the EU-27 GDP in 2012, estimates point to a rise of 0.1% in 2013 and 1.6% in 2014, with the Polish economy due to grow by 1.5% and 2.5%, respectively – this signifies a fall in the convergence rate between the Polish economy and the EU-27 average when compared with 2004-2012. This decrease constitutes a reason to implement measures (e.g. support for resolving the eurozone crisis, actions aimed at concluding EU trade agreements with third countries) with a view to improving the international competitiveness of the Polish economy, so as to make Polish exports an engine for growth and convergence in the years to come.

**Trade**

- **In the ninth year of EU membership, Poland’s exports remained the engine of the Polish economy.** In 2012, the export of goods reached the historic level of EUR 141.9bn (in current prices) and was 3.8% higher than in 2011. Imports amounted to EUR 151.7bn and were 0.6% smaller than in 2011. In effect, Poland’s trade deficit in 2012 amounted to EUR 9.7bn. In constant prices, in 2012 the growth rates of Polish exports and imports amounted to 4.0% and 5.9%, respectively. Compared with other countries in Poland’s neighbourhood, the figures respectively amounted to 3.2% and 1.1% for the Czech Republic, 4.4% and 3.3% for Slovakia, 4.2% and 2.9% for Hungary, 5.9% and 7.5% for Latvia, and 5.5% and 6.8% for Estonia. In the eurozone, meanwhile, the figures were 2.5% and -0.4%, respectively, and 3.1% and 3.7% globally. When compared with other regional countries, Polish export trends have pointed in recent years to more balanced growth, and may mean that the Polish economy is to a greater degree independent from shifts in the global economic business cycle. In the longer-term perspective, a continuation of positive trends in this area may be expected, as exemplified by export figures in

---

7 Eurostat data.
8 MFA analysis based on Eurostat data.
9 MFA analysis based on Eurostat data.
10 MFA analysis based on Eurostat data.
11 MFA analysis based on Eurostat data GDP per capita EU-27 (PPS) in 2012 (actual data) and population forecast in 2012. According to 2012 AMECO estimates, Poland reached a level of 66.1% and Hungary 65.0%.
12 Estimates according to Eurostat and the Convergence Programme. Update 2013 project.
the early months of 2013 – February showed the biggest monthly trade surplus since at least 1989, amounting to EUR 602m, thanks to rising exports (by 3.2% year-on-year). Cumulative growth rates of Polish exports and imports in 2004-2012 totalled, in real terms, **92.4% and 92.0%**, respectively.\(^\text{13}\)

- In nominal terms, in 2012, **exports to the EU rose by 0.9%** year-on-year, to non-EU developed countries increased by 10.2%, to CIS countries by 22.5%, and to other developing countries by 14.8%. Imports from the EU, meanwhile, fell by 5.1%, while imports from the remaining groups of countries rose by 2.0%, 13.4% and 2.9%, respectively.\(^\text{13}\) The meagre growth of exports to EU countries is connected, among other things, with the eurozone crisis, with the ever greater trade with non-EU countries pointing to the rising role of Poland as a key EU economy, which, thanks to its EU membership, has gained not just access to the Common Market, but also new opportunities for trading with third countries.

- **Poland’s EU membership has not led to weaker trade with its eastern neighbours.** In 2004, their share in Polish exports and imports of goods amounted to 7.0% and 9.7%, respectively, with Russia accounting for 1.7% and 2.1%, respectively, of total Polish exports and imports.\(^\text{14}\) In 2012 these figures were 10.0% and 16.3%, respectively, with Russia accounting for 5.4% and 14.3%, respectively, of total Polish exports and imports; in 2012 the value of imports from CIS countries was 70% greater than the value of exports to this bloc of countries, with 87.3% of import from the CIS coming from Russia, a fact influenced by the structure of imported goods (key role played by energy products).\(^\text{15}\) It is also worth noting the large exports and trade surplus with other important trading partners from the CIS – Ukraine and Belarus (a 2012 trade surplus of EUR 2.1bn and EUR 0.8bn, respectively), which has a positive impact on the diversification of the trade structure with eastern partners.

- **In geographic terms Poland is still trading most with EU countries, although the EU’s total share in Polish export products has been exhibiting a falling trend since the accession.** In 2000-2003 the EU received 81.2% of Polish exports, with the figure falling to 80.3% in 2004 and then gradually to 78.0% in 2011 and 75.8% in 2012. The situation is wholly different when it comes to imports of goods: in 2004 there was a marked rise in the share of imports from the EU to Poland. In 2000-2003 it ranged between 69.0%-69.7%, while in 2004-2005 the figure rose to 75.3%, reaching the following figures in the years leading up to 2012: 73.0%, 73.3%, 71.9%, 72.6% and 70.8%, 70.0%, 67.2%. This data may point to the fact that the shift in trade in connection with Poland’s accession to the EU (taking into account the EU-27) affected the import of goods while it did not affect the exports of goods.\(^\text{16}\) Despite the eurozone crisis, countries from this bloc remain Poland’s most important trade partners: in 2012 eurozone imports and exports amounted to 51.8% and 44.7%, respectively, of total Polish trade. The recent rise in Polish exports to third markets, meanwhile, is in part a reaction to the weaker eurozone economy.

- **Germany is Poland’s main trading partner in the EU.** In 2012, 25.1% of goods exported from Poland went to Germany, while 21.1% of goods imported to Poland came from that country.\(^\text{17}\) The export-oriented structure of the German economy is particularly beneficial for Poland, as it

---

\(^\text{13}\) Economic Council Bulletin, 16 April 2013, Economic Council Bureau and Strategic Analyses Department of the Chancellery of the Prime Minister of the Republic of Poland.

\(^\text{14}\) IMF World Economic Outlook Database, October 2012 or MFA analysis based on this data (no data for Lithuania).

\(^\text{15}\) Data from: *Synthetic information on Polish imports and exports in 2012 (based on initial GUS and MF data)*, Ministry of Economy, Warsaw, February 2013.

\(^\text{16}\) Eurostat data.

\(^\text{17}\) Data from: *Synthetic information ..., op.cit.*
leads to large orders for Polish goods and services. The role of Poland's remaining key partners in the EU in terms of 2012 imports and exports was as follows: UK: 6.7% and 2.4%, Czech Republic - 6.3% and 3.7%, France – 5.8% and 4.0%, and Italy – 4.9% and 5.1%. Compared with 2011, 2012 saw a 5.8% decline in imports from Germany. This together with unchanged export figures meant an improved trade balance with this country. Overall trade with France was also down – both in terms of exports (by 1.2%) and imports (by 5.7%).

The stagnation in Polish exports to the German and French markets in 2012 points to the need for new stimulus to develop international trade (e.g. EU-US free trade agreement), which would help boost exports from the major EU economies, with which Poland is strongly connected. Trade with the UK saw slightly better results, with an 8.5% rise in exports and an 8.1% fall in imports, as well as with the Czech Republic – a rise in exports and imports by 4.4% and 2.5%, respectively. It should be noted that as a result of Poland’s EU accession, there has been a big increase in trade with neighbouring countries – in 2004-2012 exports to the Czech Republic and Slovakia rose by approx. 240%, to the Baltic states by approx. 150%, and to Hungary by approx. 120%.

- It is worth noting the rising significance of developing countries, in particular of emerging markets, in Polish foreign trade. In 2012 China accounted for 1.0% of Polish goods exports and 9.0% of Polish goods imports, with far lower figures for India (0.4% and 0.6%, respectively) and Brazil (0.3% and 0.5%). There was, however, a marked rise in exports both to Brazil (by 37.2%) as well as to India (by 36.5%). Another noteworthy fact is the dynamic growth of exports to the Republic of Korea (by 37.1% to EUR 0.4bn), which may be the result of the entry into force in 2011 of the EU-Korea free trade agreement. As an EU member, Poland may therefore gain future commercial benefits from similar agreements, especially those being negotiated with the United States, Canada, and Japan. In 2012, the United States accounted for 2.0% of Polish exports and 2.6% of Polish imports, with Japan accounting for 0.3% and 1.5%, and Canada 0.5% and 0.3%. Canada showed the biggest export/import dynamics – a 27.2% and 79.1% rise on 2011 in nominal terms. The figures for the United States were 5.0% and 13.2%, respectively. Japan, meanwhile, represented a rise in exports (7.7%), but a sharp fall in imports (-17.3%).

- An analysis of long-term foreign trade data points to an improvement in the balance of trade in goods and services. In 2004-2008, the trade balance was at -2.4% GDP, while in 2009, 2010, 2011 and 2012 it was at 0.1%, -1.2%, -1.2% and -0.2% GDP. Similar changes occurred in the balance of trade in goods and services with the EU. In 2004-2008, it amounted to an average of -0.2% GDP, whereas in 2009, 2010, 2011 and 2012, Poland showed a trade surplus of 2.2%, 1.6%, 1.8% and 2.9% GDP.

- In 2012 mechanical engineering products accounted for 39.1% of Polish export products (an 0.1% increase on 2011 in nominal terms). Other sectors of the economy responsible for a large share of exports included chemical products (14.0%, a 4.9% rise), agricultural and food products (12.3%, a 14.8% rise) and metallurgical products (11.7%, a 2.6% rise).

- Polish food has a strong and stable position on the European market, which accounts for almost three-quarters of Polish exports and almost 70% of imports. Since Poland entered the EU, Polish

---

20 Data from: Synthetic information..., op.cit.
21 The UE is currently engaged in intensive negotiations pertaining to the conclusion of trade agreements with key partners: the United States, Ukraine, Canada, Japan, and India. The signing of a agreement with the US may lead to an 0.5% rise in overall EU GDP, with Poland – 80% of whose exports are bound for the EU market (first and foremost through its links with the export-oriented German economy) may benefit greatly from the agreement with the US. Poland is also Ukraine’s second biggest EU trade partner, behind Germany; the signing of a comprehensive free trade agreement would therefore bring tangible benefits to the Polish economy.
22 Data from: Synthetic information..., op.cit.
23 Eurostat data or MFA analysis based on this data.
24 Data from: Synthetic information..., op.cit.
food and agricultural exports increased four-fold (from EUR 4.1bn in 2003 to EUR 17.5bn in 2012), with the trade turnover with EU countries rising from EUR 0.4bn in 2003 to over EUR 4.2bn in 2012. Poland also exports increasing amounts of food products to countries in the CIS (Commonwealth of Independent States), with the value of food and agriculture exports in 2012 amounting to EUR 2bn – a 32.3% rise on 2011. Sales in CIS countries accounted for 11.5% of the total value of food and agriculture exports.\(^{25}\)

Table 1. Polish foreign trade in food and agriculture products with current EU-27 countries during 2002-2012 [EUR millions]

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPORT</td>
<td>3,541</td>
<td>4,105</td>
<td>5,330</td>
<td>7,262</td>
<td>8,728</td>
<td>10,089</td>
<td>11,692</td>
<td>11,499</td>
<td>13,507</td>
<td>15,228</td>
<td>17,484</td>
</tr>
<tr>
<td>IMPORT</td>
<td>3,840</td>
<td>3,602</td>
<td>4,462</td>
<td>5,532</td>
<td>6,536</td>
<td>8,070</td>
<td>10,277</td>
<td>9,299</td>
<td>10,921</td>
<td>12,628</td>
<td>13,332</td>
</tr>
<tr>
<td>TOTAL</td>
<td>-299</td>
<td>503</td>
<td>868</td>
<td>1,731</td>
<td>2,191</td>
<td>2,019</td>
<td>1,415</td>
<td>2,200</td>
<td>2,586</td>
<td>2,599</td>
<td>4,151</td>
</tr>
</tbody>
</table>


Chart 3. Polish foreign trade in food and agriculture products with current EU-27 countries between 2002 and 2012 [EUR millions]


- In the context of recent international media reports that tarnish the image of Polish food products, it is worth noting that Europe’s biggest food exporters show a percentage similar to Poland’s when it comes to the number of cases reported to the Rapid Alert System for Food and Feed (RASFF)\(^{26}\). Since the beginning of 2012, there have been 162 alerts concerning Polish foods, 202 for German food, 165 for French food, and 243 for Dutch food.\(^{27}\)

\(^{25}\) Source: Ministry of Finance, Ministry of Agriculture and Rural Development; (2012* - initial data, 13 Feb 2013)

\(^{26}\) RASFF – Rapid Alert System for Food and Feed

\(^{27}\) Source: RASFF website (as of 3 Apr 2013): https://webgate.ec.europa.eu/rasff-window/portal/
Financial balance of EU membership and utilization of EU funds

- Transfers from the EU budget have been an important stimulant of Poland’s economic growth ever since its EU accession. In the period between 1 May 2004 and 31 March 2013 transfers amounted to EUR 79,255.59m. During that same period, Poland paid EUR 28,180.19m by way of membership payments and EUR 141.47m by way of repayments. To sum up, the balance of financial transfers from the EU budget after 107 months of membership amounted to EUR 50,030.07m.

- It is also worth noting that, after subtracting the membership contribution and repayments in 2012, a total of EUR 11,869.63m was transferred to Poland (a rise of 13.1% on 2011, equivalent to 3.11% of Poland’s GDP). For the consecutive third year, Poland has achieved the highest annual level of net transfers.

Table 2. Balance of financial transfers between Poland and the EU from 1 May 2004 until 31 March 2013 (EUR millions)

<table>
<thead>
<tr>
<th></th>
<th>from 2004 to 2011</th>
<th>2012</th>
<th>from 2013</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers from EU</td>
<td>61,325.50</td>
<td>15,439.98</td>
<td>2,490.11</td>
<td>79,255.59</td>
</tr>
<tr>
<td>Contribution to EU budget</td>
<td>-22,889.79</td>
<td>-3,568.72</td>
<td>-1,721.68</td>
<td>-28,180.19</td>
</tr>
<tr>
<td>Repayments to EU budget</td>
<td>-138.89</td>
<td>-1.63</td>
<td>0.94</td>
<td>-141.47</td>
</tr>
<tr>
<td>BALANCE</td>
<td>38,296.82</td>
<td>11,869.63</td>
<td>767.49</td>
<td>50,933.93</td>
</tr>
</tbody>
</table>

Source: MFA analysis based on “Comparison of EU Fund Transfers during 107 Months of Membership” (March 2013), EU Department, Ministry of Finance.

- The total transfers from the EU to Poland from 1 May 2004 to 31 March 2013 represent transfers relating to: Cohesion Policy – EUR 48,973.45m, Common Agricultural Policy – EUR 26,015.90m and others – EUR 825.05m. It is also worth noting that EUR 25,267.27m have been allocated towards the implementation of European Regional Development Fund goals, with EUR 7,791.98m going towards European Social Fund goals.

- Based on data from 31 March 2013, the level of absorption, understood as the amount of spent allocation compared to the overall allocation to a Member State in the programming period 2007-2013 (to be spent by 2015), is high in Poland (approx. 85.3%). Poland is the biggest beneficiary of Cohesion Policy funds.

- In 2004-2006 Poland had EUR 14.2bn of cohesion funds at its disposal. In the 2004-2006 financial perspective, the biggest support was allocated towards territorial accessibility projects (EUR 5.37bn).

Thanks to the implementation of projects co-financed by the EU, the following transport infrastructure projects were implemented:

- 314 km of highways were built and modernized,
- 465 km of expressways were built and modernized,
- 635 km of railway tracks were built and modernized.

- For 2007-2013 Poland received an allocation of EUR 67.3bn of Cohesion Policy funds. As part of this total, a dedicated sum of EUR 23.26bn was allocated towards the transport sector.

- The current degree of implementation of transport infrastructure projects co-financed from the EU budget does not allow for a precise description of the expected results stemming from the implementation of infrastructure projects. Nevertheless, on the basis of co-financing agreements
signed to date, it may be confirmed that by the end of 2015 (actual implementation deadline for the 2007-2013 perspective, in line with the “n+2” principle):
  o almost 433 km of highways will be built,
  o almost 900 km of expressways will be built,
  o over 600 km of railway tracks will be renovated.

- The implemented projects have significantly helped improve the functioning of transport in Poland by increasing travelling comfort and safety, the attractiveness of investment land located near key transport routes, and lowering road congestion and the negative impact on the environment.

- From 1 May 2004 until 31 March 2013, Poland received EUR 12,948.91m in direct payments, EUR 11,107.49m for rural development programmes and over EUR 1,555.27m for market interventions under the Common Agricultural Policy. **Poland continues to remain the biggest beneficiary among the new Member States when it comes to direct payments and the biggest beneficiary among all Member States when it comes to rural development programme funds.**

- The existing level of absorption of funds from the European Agricultural Fund for the Development of Rural Areas after deducting realised payments28 - 61.26% (as at 22.03.2013) - is satisfactory, considering the systematic increase of realised payments year-on-year and the fact that funds from the Rural Development Programme 2007-13 can be spent until end of 2015. Therefore, Poland is currently not running the risk of not being able to utilise the appropriations.29

- The real value of income per person fully employed in agriculture in Poland increased in 2012 by 57.8% on 2005. During 2005-2012, in all EU-27, the real value of agricultural income per fully employed person increased, on average, by 28.5%.

---

28 Use of EFRROW fund limits based on ARMA needs.
29 Source: Ministry of Agriculture and Rural Development, Collective current reports from the implementation of PROW 2007-2013, as at 22.03.2013.
Individual foreign remittances sent to Poland by people working in the EU represent an important financial effect of Poland’s EU membership. Based on the National Bank of Poland estimates, from the second quarter of 2004 until the end of 2012, total private remittances from the EU amounted to EUR 32,250m. They represent over 86.4% of all foreign private remittances. During the first three years of Poland’s EU membership, private remittances from the EU increased, on average, by approximately 33.6% year-on-year. The greatest amount, EUR 4,622m, was remitted by Poles working in the EU in 2007. In successive years, they began to drop slightly reaching a stable level of approximately 80% of the 2007 remittances, and increased to EUR 3,660m in 2012. This change is largely due to smaller economic emigration after 2008 and to worsening labour and wage conditions in EU Member States following the economic crisis. Despite this fact, private remittances from the EU are relatively stable and, in addition to EU transfers and FDI, they are an important factor of Poland’s economic development. It should also be noted that during the economic crisis, private remittances supplemented disposable incomes and thus had an impact on the level of consumption – the most stable factor of economic growth in Poland during that time.\footnote{Based on NBP data and a June 2012 Western Union & CASE report on the “Impact of money remittances on Polish economy 1992-2012.”}

During that same period, a total of EUR 32,250m was transferred to Poland from the EU. This sum represents over 86.4% of all private remittances transferred to Poland during 9 years of EU membership. The largest transfers to Poland from the EU were in 2007, i.e. EUR 4,622m. In 2012, they amounted to EUR 3,660m.
• From 1 May 2004 to 31 March 2013, EU budget funds and private remittances by Poles working in EU Member States totalled EUR 111,505.59m.\textsuperscript{31}

Foreign Direct Investments\textsuperscript{32}

• The net value of FDI in Poland in 2012 (inflows minus outflows) amounted to EUR 2.7bn, which is 80% less than in 2011 (EUR 13.6bn). EU Member States, especially the eurozone countries, continue to be the biggest source of FDI inflow to Poland. In 2012, France ranked first – EUR 2.6bn, with Germany ranking second – EUR 2.2bn and Cyprus third – EUR 0.9bn. The accumulated value (valuation) of FDI in Poland in 2012 amounted to EUR 174.8bn, while in 2011, it was EUR 153.3bn (a 14% increase), and in 2009 – EUR 128.8bn, representing an overall increase during 2009-2012 by 36%. Despite seasonal fluctuations in capital flows, the above-mentioned data demonstrate that Poland continued to be a favorable destination for foreign investments.

• In 2012, the net value of Polish FDI flows abroad was minus EUR 0.6bn, which can be interpreted as a return of some of the earlier invested capital (in particular from Luxembourg). During 2010-2011, Poland recorded high outflows of capital in the form of FDI amounting to EUR 10.8bn. At the same time, the accumulated value of Polish FDIs in 2012 was EUR 43.6bn, which is EUR 5.2bn more than in 2011 (a 13.5% increase). This means that although some funds had flown back to Poland, the value of capital invested abroad systematically increased. In 2012, EU Member States continued to be the main export destination for Polish FDIs with the following countries taking the biggest share: The Netherlands – EUR 0.5bn, France – EUR 0.4bn, Cyprus – EUR 0.2bn and Hungary – EUR 0.2bn.

Labour markets, migrations, education and services

• During 2003-2008, Poland’s rate of unemployment fell year-on-year. At the end of 2009, for the first time in a number of years, unemployment began to rise, with the annual rate of unemployment reaching 12.1% (unemployment increased during the year to as high as 28.4% due to the global economic crisis). In 2010 and 2011, the rate of unemployment grew at a much slower pace and was 3.3% and 1.4%, respectively. During the ninth year of Poland’s EU membership, the growing rate of unemployment, due to the economic crisis, continued to be a problem for the labour market (although unemployment grew less than in 2009, and was at 7.8% in 2012). In 2012, unemployment was at 13.4%, as compared to 12.5% in 2011.\textsuperscript{33} (Bulgaria recorded a similar rise in unemployment from 11.3% to 12.3%, while Slovakia’s increased from 13.6% to 14% and the Czech Republic’s from 6.7% to 7%). In 2012, Poland had a 59.7% labour market participation rate (covering people aged 15-64) for people of working age\textsuperscript{34}, which is close to previous year’s rate (59.3 %)\textsuperscript{35}. It should be noted that the employment rate in the 20-64 age group (used in the Europe 2020 strategy) was 64.5% in 2011 and 64.7% in 2012 (the Europe 2020 strategy objective is to reach 71% by 2020). In the context of the economic crisis, the Polish labour market was negatively affected by\textsuperscript{36}: a weakening GDP growth rate, the termination of employment contracts implemented as measures countering unemployment, and non-renewal of temporary work contracts by employers.

\textsuperscript{31} The sum of transfers from EU budget to Poland from 1 May 2004 to 28 February 2013 and private remittances by Poles working in EU Member States from the 1st quarter of 2004 till the end of 2012.
\textsuperscript{32} National Bank of Poland data and own compilations.
\textsuperscript{33} GUS, Annual macroeconomic indicators (22 March 2013).
\textsuperscript{34} Preliminary data, annual average employment rate calculated using BAEL methodology, GUS.
\textsuperscript{35} GUS data, 2011 employment indicator based on NSP 2011.
\textsuperscript{36} Ministry of Labour and Social Policy (January 2013).
In the category of temporary emigration, following a dynamic growth of emigration (2004-2007), its stabilization at a high level (2007-2008) and then its fall (2009-2010), the number of Poles going abroad remained quite stable after 2011. It is estimated that at the end of 2011 approximately 2.06 million Poles resided temporarily outside Poland. In 2012, 55,303 Poles went abroad for short-term stays lasting longer than 3 months, of which a total of 47,908 people resided in the EU (in Great Britain – 22,420 people, in Germany – 9,003 people, in Ireland – 4,919, in Austria – 1 058 people).

The largest group of Polish emigrants resides in Great Britain (30.3%), followed by Germany (22.8%), Ireland (5.8%) and the Netherlands (4.6%). The number of Poles staying in Great Britain for longer periods increased. It is worth adding that Polish women had one of the highest fertility rates of all foreigners residing in Great Britain in 2010.

After the opening of the labour market in 2011, the scale of Poles’ economic migration to Germany and Austria increased. According to OECD, in 2010 Poles represented the largest group of economic immigrants in Germany (17 % of the overall immigrant population; followed by Rumanians – 11% and Bulgarians - 6 %). However, according to the German office of statistics, since 2011, the rate of emigration of Poles to Germany is much slower (a 11.7% increase on 2010) than that of Rumania’s citizens (a 25.8% increase) and Bulgaria’s (a 25.4 %). Also the number of Poles residing in Austria is gradually increasing - from 38,755 in 2010 to 42,465 in 2011. In comparison with the mass-scale emigrations of Poles to Great Britain in 2004, the increase of emigration to Germany and Austria is small. In the Kingdom of the Netherlands, Polish citizens represent the largest group of immigrants (29%, approximately 168 thousand) and although most of them declared being employed, they usually perform low-paid temporary or seasonal jobs for which they are overqualified. On account of the economic crisis, Poles are emigrating in less numbers to Ireland and Spain.

Economic migration is linked to subsequent employability in Poland, especially with regard to men. The great majority of men who worked abroad during the previous four years found employment in Poland (80.1%). In this group, 9.3 % people were self-employed.

Despite the fact that education falls within the national competence, the freedom of movement to take up studies has a considerable impact on the Polish education system. As in 2010/2011, the 2011/2012 academic year saw a further increase in the number of Polish students leaving abroad to take up studies and for placements, as well as the number of Polish academic staff working as lecturers and undergoing training in other Member States. During that period, the number of higher education institutions that had signed the Erasmus University Charter grew by 4.3% (from 302 to 315), while 7.6% more Polish students were studying and having placements in other Member States (increase from 14,234 to 15,315). At the same time, 4.6% more Polish

---

37 GUS (September 2012) – Information on the size and directions of emigration from Poland during 2004-2011.
38 GUS information.
39 GUS (September 2012) – Information on the size and directions of emigration from Poland during 2004-2011. In 2011, there were 625 thousand Poles in Great Britain, 470 thousand in Germany, 120 thousand in Ireland and 95 thousand in the Netherlands.
40 International Migration Outlook (2012), OECD.
41 2012 Statistical Yearbook of the German Office of Statistics.
42 Based on a report published by the Central Office of Statistics on 8.03.2013 on the number of other EU Member States’ citizens (UE-26) residing in the Kingdom of the Netherlands.
43 According to a report of the Irish Office of Statistics “Foreigners – allocation of PPS numbers, employment and welfare activity 2010-2011” (March 2013) since 2009 the number of tax identification numbers (several thousand a year) allocated to Poles has dropped significantly. In turn, according to the Spanish Office of Statistics, the number of registered Poles in 2012 dropped relative to 2009 from approximately 89 thousand to approximately 85 thousand.
45 Statistical data available on the FRSE website: http://www.erasmus.org.pl/odnosniki-podstawowe/statystyki
students left for studies and there were 20.55% more student placements abroad. In the framework of the Erasmus programme, the majority of Polish students continued to choose Spain and Germany. Polish higher education institutions in turn received over 7,500 foreign students, with young people from Spain and Turkey making up the largest groups. During the period in question, the number of academic staff from Poland working as lecturers in other Member States increased by approx. 19% (from 3,381 to 4,022), while 26.4% more academic teachers left for training (increase from 1,834 to 2,318).

- Poland has made good progress in implementing Europe 2020’s target of raising the level of education. We have already reduced the rates of early school leaving below the recommended 10%. As for raising the rate of 30-34-year-olds completing third-level education to at least 40%, the target is likely to be met by the middle of this decade (39.1% in 2012 compared with EU-27 average of 35.8%). Given the importance of education for the development of social and economic life, in the 2020 timeframe Poland has set itself targets that are more ambitious than those of the EU – i.e. reducing the rate of early school leaving to 4.5% and boosting the rate of people completing third-level education to 45%.

- Poland has a well-developed sector of road freight transport which can successfully compete on the EU market. In 2006-2011, Poland’s road freight transport expanded by almost 62%, while the EU recorded a decrease of 6.3% (reaching the level of 1,731bn tkm). Freight transport became easier following accession to the EU and Schengen area, which led to the lifting of border clearance procedures. After three quarters of 2012, the above trend in road freight transport has continued (an 8.0% increase relative to 9 months of 2011), strengthening Poland’s position as the leader of international transport (PL 100,922 million tkm, ES 50,820 million tkm and GER 40,180 million tkm) and leaving it in the second place in terms of general freight performance (GER 231,451 million tkm, PL 167,719 million tkm, ES 152,925 million tkm).

- **Poland is among the leading EU carriers in terms of freight performance.** According to the latest annual data compiled by Eurostat for 2011, Poland is the EU’s number one as regards total international freight (PL 86,314 million tkm, ES 59,362 million tkm, GER 51,461 million tkm) and freight between foreign countries (PL 27,806 million tkm, CZ 11,874 million tkm, SK 9,951 million tkm). In addition, our country moved to second place when it comes to the general volume of motor vehicle transport (GER 323,833 million tkm, PL 207,651 million tkm), overtaking Spanish companies (206,843 million tkm). Compared with 2010, the sector grew by 2.6% in Poland, largely due to increased national freight, while the EU as a whole recorded a 1% fall. The top performers were Latvia, Lithuania and Bulgaria. On the whole, the new Member States have a clear competitive edge, gaining market shares at the expense of the crisis-ridden “old” Member States. Between 2007 and 2011, Poland consistently increased its freight share in all distance classes: by 28.9% in the distance class up to 50 km, by 37.7% in the 50-149 km distance class, by 44% in the 150-299 km distance class, by 41.9% in the 300-499 km distance class, by 54.8% in the 500-999 km distance class, by 32% in the 1000-1999 km distance class and by 5.8% in the

---

46 The latest available data for the 2010/2011 academic year
48 Based on the draft National Reform Programme for the Implementation of the Europe 2020 strategy – updated by the Chancellery of the Prime Minister 2013/2014.
49 Wnp.pl economic news service: Logistics —Polish Road Freight Carriers Improve their Standing in Europe. 24.01.2013.
50 Wnp.pl economic news service: Logistics —Polish Road Freight Carriers Improve their Standing in Europe. 24.01.2013.
51 Eurostat data.
distance class over 2000 km.\textsuperscript{53} Goods transport between EU countries, Russia and other former Soviet republics accounts for a substantial part of Polish long-distance freight.\textsuperscript{54}

Social perception of membership

- Almost nine years after accession to the EU, \textit{78\% of surveyed Poles are in favour of Poland’s presence in the EU structures, while 18\% of respondents are against}\textsuperscript{55}. These percentages vary depending on the adopted methodology and the polling centre – according to another survey, 73\% of Poles support and 19\% oppose the EU\textsuperscript{56}. This high and relatively stable support for EU membership results from the systematic, sustainable and rational growth of public opinions about membership benefits, which began to be felt three years after joining the EU. The world economic crisis has worsened public sentiment in the entire EU, Poland included. EU membership as such is not called into question, and the small decrease in EU support among Poles (by approx. 5 pp compared with 2008) may have been caused by numerous reports about the economic situation of some eurozone countries.

- Support for Poland’s EU membership is universal and egalitarian – \textit{it remains strong in all age groups, vocational categories, social groups and across Poland’s regions}. It is evident both among white-collar workers (91\% in favour of membership) and students (82\% in favour of membership), housewives (86\% in favour of membership) and skilled workers (80\% in favour of membership)\textsuperscript{57}. A positive attitude towards Poland’s EU membership is also dominant in the constituencies of all political parties. Supporters of Poland’s EU membership are also present in the relatively least enthusiastic groups, such as the unemployed, farmers and unskilled workers, outnumbering opponents two to one.

- Support for Poland’s presence in the EU is accompanied by a relatively high level of \textit{trust in the European Union – far exceeding the EU average}. The economic crisis and the worsening public mood across the entire EU are the most likely factors behind the historically low rate of European citizens who trust the EU – as low as 33\% at the moment. In this context the percentage of Poles – currently at 48\% – declaring their trust in the EU should be seen as a positive phenomenon. It must be noted, however, that at 42\% the group of Poles who represent an opposing view is only marginally lower. This means that the number of people distrusting the EU grew by as much as 24 percentage points relative to the pre-crisis period (May 2007). On the other hand, at the EU-level only Bulgarians (60\%) and Lithuanians (49\%) put more trust in the EU, while Denmark (48\%) and Finland (47\%) record similar rates\textsuperscript{58}.

- \textit{Almost three-thirds of Poles (74\%) identify themselves as EU citizens}, which is 11 pp more than the European average (63\%)\textsuperscript{59}. Moreover, Poles are more likely than average Europeans to notice benefits stemming from EU membership, even if this sentiment is not as widespread and is expressed by smaller social groups. The most often cited advantages include lack of border checks (47\%), lower roaming fees (43\%), wider selection of airlines (37\%), as well as EU-wide job opportunities (36\%) and healthcare (29\%)\textsuperscript{60}.

- Poles have an ambivalent attitude towards the introduction of the common European currency. On the one hand, quantitative surveys suggest that the opponents of the euro

\textsuperscript{53} Eurostat data.
\textsuperscript{55} Omnibus GfK Polonia for MFA European Information Department, April 2013.
\textsuperscript{56} CBOS, BS/63/2013, EU institutions and citizens, April 2013.
\textsuperscript{57} Omnibus GfK Polonia for MFA European Information Department, April 2013.
\textsuperscript{58} Standard Eurobarometer 78, published December 2012.
\textsuperscript{59} Standard Eurobarometer 78, op. cit.
\textsuperscript{60} Ibid.
outnumber its supporters four to one (77% against vs. 18% in favour\textsuperscript{61}). On the other hand, comprehensive qualitative surveys show that in terms of its emotional image the eurozone is associated with such characteristics as diversity, community, freedom, stability and luxury\textsuperscript{62}. The surveys demonstrate that respondents regard Poland’s potential accession to the eurozone as a source of opportunities both for the country’s economic and political development, and for their individual prosperity and satisfaction.

- **Poles are relatively optimistic about the current state of the European Union.** While on average every fifth European citizen believes the European Union is heading in the right direction, almost two-fifths of Poles (38%) are of this opinion. This is the third best result in the EU-27, with only Bulgarians (49%) and Lithuanians (40%) expressing this view more often\textsuperscript{63}.

- **Among all EU citizens, Poles are most likely to believe in the effectiveness of actions undertaken by the European Union to overcome the economic and financial crisis** (36%, with EU-27 average at 23%). It should be noted that Poles expressed this point of view as early as 2009 (30%, with EU average at 21%), i.e. at a time when Poland was still safe from the impact of the economic crisis and its economy was exceptionally healthy (1.7% GDP growth, the only EU country with a positive results). Despite the economic slow-down affecting Poland today, there has been no significant change in the way Poles assess the EU’s potential to fight the crisis (a 6 pp increase over 3 years). It seems that Poles see the EU as an efficient entity that is capable of mitigating the economic crisis on account of their deep conviction about the EU’s expertise rather than its achievements in tackling day-to-day problems.

\textsuperscript{61}Omnibus GfK Polonia for MFA European Information Department, April 2013.
\textsuperscript{62}Attitudes towards the European Union, the eurozone and measures adopted during the economic crisis, TNS Polska for MFA, November 2012.
\textsuperscript{63}Standard Eurobarometer 78, op. cit.