Eight years of Poland’s membership in the European Union

1 May 2012 marks the eighth anniversary of the Poland’s accession to the European Union. This occasion provides an opportunity to conduct an analysis and draw conclusions regarding economic and social effects of Poland’s membership in the EU.

Economic and Social Impact of Poland’s EU membership, accounting for the impact of enlargement on the EU-15
(1 May 2004 – 1 May 2012)
- key conclusions on the 8th anniversary of Poland’s EU membership

Conclusions

1. Eight years after accession, the balance of Poland’s EU membership remained positive. As in 2011-2012, Poland’s EU membership was the main factor supporting the country’s economic growth. The main growth factors were:
   - Poland’s record-high exports (EUR 135.8bn, 80% to the EU, an overall increase of 12.8% – including an increase of 10.9% to the EU); and
   - record high transfers from the EU budget: Poland received EUR 10.5bn net (an increase of almost 36% on 2010), the equivalent of approximately 3.2% of Poland’s GNI.

2. Poland is an economic growth leader in Europe and is consistently “catching up” with the European average in terms of the level of development. In 2011, we attained the level of 65% of the EU average per capita (this was partly influenced by an overall slowdown in EU growth). Very good economic results contributed to greater confidence in the Polish economy.

3. The multiannual analysis of Poland’s membership of the EU when compared to other countries in the region, a survey of the impact of enlargement on the EU-15 countries, and the reactions of individual states to the economic crisis stand to prove that EU membership is an opportunity which we must know how to benefit from – not an automatic guarantee of prosperity and growth. The final costs and benefits are determined by the selected development model and the political decisions of individual states – both new and old Member States. Poland certainly made successful use of its opportunity; we must continue to underscore this fact as we build Poland’s position as a leader of the integration process.

4. Enlargement has also brought great benefits to the EU-15 Member States. The countries which have profited most are those that maintained intense trade contacts with the countries of our region, and those that have decided to liberalise access to their labour markets for citizens from new Member States. Enlargement has led to higher trade flows (e.g. by 3% for Austria, Sweden and Germany, respectively) and higher household consumption (the highest increase was in the Netherlands – 1.77%), a lower unemployment rate (for example, in the Netherlands – up by 0.56 pp, Sweden – 0.55 pp,
Germany – 0.43 pp) and higher wages (e.g. the Netherlands – up by 1.56%, Sweden – 1.06%, Denmark – 0.73%). It has contributed to economic growth in the EU-15 (for example in Great Britain – 1.36%, Austria – 1.33%, Sweden – 1.05%). The false argument that enlargement in 2004 has contributed to the economic crisis must be countered.

5. The eighth year of Poland’s EU membership saw a further drop in the number of persons residing or working abroad and an increase in the number of persons returning to the country, which confirms that the emigration potential of Poles is gradually diminishing. As a result, the number of financial remittances transmitted by natural persons to Poland has also decreased, while still remaining high: Poles working in the EU transferred EUR 3.67bn to Poland. Poles traditionally chose Great Britain, Germany, or Ireland as their country of destination. Concerns that the opening up of the German and Austrian labour markets would lead to a greater influx of workers have turned out to be unfounded.

6. At a time of declining social support for integration across the EU, the percentage of Poles who continue to perceive membership in terms of benefits (75% in favour, 19% against) is far above the European average. Despite certain obvious doubts, Poles believe in the effectiveness of EU austerity plan. A positive perception of the idea of integration among the Polish society is extremely important at a time when the EU is implementing painful reforms. Strong public support for the EU continues to represent a very large capital held by Poland; this capital must be unlocked through active measures that deepen the integration process.

Poland’s accession to the European Union on 1 May 2004 brought high expectations of improved social and economic standing and higher living standards. The purpose of the analysis carried out since the accession is to assess the effects of Poland’s EU membership. However, it is not always possible to assess the so-called EU effect and to precisely estimate the impact of membership on different segments of the economy. Therefore, the assessment presented herein focuses on the “measurable” effects of this process. Consequently, this publication assesses the impact of membership on the Polish economy, comparing it to other countries of the region wherever possible. It also accounts for the impact of enlargement on the economic situation of EU-15 Member States. The macroeconomic impact of the accession of new Member States was evaluated, taking into account the increase of trade flows and migration. The present report analyzes those areas where changes are mostly attributable to Poland’s EU membership, i.e. primarily: presence on the internal market, which is related to the business activity of Polish companies and Poles working abroad; the impact of financial transfers from the EU budget (in two main streams: Cohesion Policy and Agricultural Policy) and private remittances from Poles working abroad. The impact of direct foreign investments has also been analysed, on the assumption that Poland’s presence in the EU is an additional factor attracting new investments.

**Background and main features of Poland’s membership of the EU during 2011-2012**

The economic situation in the eighth year of Poland’s membership was determined by the eurozone debt crisis and slow and uneven economic growth in the European Union. The European agenda was focused on developing and implementing an EU anti-crisis strategy (adoption of the “six-pack” and the fiscal compact) and pro-growth measures. The situation
in Greece and in other countries affected by the debt crisis (Spain, Italy, Portugal) continued to project uncertainty.

Poland tried to build a credible and effective European policy on the good performance of Poland’s economy and on positive prospects for the future (Poland has better growth prospects than most eurozone countries). The second condition that determined Poland’s position in the EU during this period was the successful Presidency of the EU Council in the 2nd half of 2012. The balance of the EU Presidency is positive, judging not only by the implementation of the EU Presidency programme, but also by its long-term benefits: strengthening Poland’s position in the EU and on the world stage, an improved image of Poland and better promotion of Poland in the EU, influencing the EU debate and decisions in line with our expectations – which should result in a more effective pursuit of Poland’s interests in the future. Poland was at the forefront of the defence of the integrity of the EU-27 in the face of the crisis and growing divisions.

The year 2011 saw the continuation of the trend to institutionally strengthen the eurozone, and to use the crisis situation to overhaul the EU in line with the two-speed approach. From a political point of view, the main decisions in the EU were subordinated to the interests and the needs of the eurozone. In this context, one of the key political achievements of the Polish Presidency of the EU Council was the successful completion of actions to preserve EU integrity (the accession of the large majority of EU states to the fiscal compact). Poland’s accession to the fiscal compact resulted from the need to preserve its influence on the EU decision-making process and to send a signal that Poland (though not a eurozone member) is interested in EU-wide cooperation in order to improve financial stability and effectively overcome the crisis.

The crisis debate was used by different countries to further their own political interests. Opinions were voiced blaming the crisis on the two waves of EU enlargement in 2004 and 2007. The effectiveness of the Cohesion Policy – one of the levers of Poland’s economic growth during the last few years – was also brought into question. In this context, it was very important that the Commission’s proposal – agreed during the Polish Presidency of the EU Council – for the Multiannual Financial Framework 2014-2020, in which the Cohesion Policy is the main instrument of economic growth, was considered as a good basis for further negotiations in 2012-2013.

A new tendency has emerged – that of a growing economic divergences within the EU. The conventional divisions into the old and new Member States no longer apply. A new division into north and south, while being more intuitive, does not fully reflect the EU’s complex economic situation. Differences between countries in Central and Eastern Europe are also becoming greater. In addition, some of them have adopted the common currency and this also affects their economic situation.

Economic growth

- Poland’s economic growth in 2011 amounted to 4.3 % of GDP (3.9% in 2010) and was more than twice higher than the average economic growth in the EU (1.5%) and
The eurozone (1.5%). Only the Baltic countries grew faster than Poland (Estonia – 7.6%, Latvia – 5.5%, Lithuania – 5.9%) after overcoming a deep recession in 2008-2009. Other countries in the region recorded moderate growth (Bulgaria – 1.7%, Czech Republic – 1.7%, Hungary – 1.7%, Rumania – 2.5%, Slovakia – 3.3%). Poland’s cumulative GDP growth since 2004 amounts to 43.18% (EU average – 10.76%).

Figure 1. Economic growth in Poland and the EU

![Figure 1. Economic growth in Poland and the EU](image)

Source: MFA data based on Eurostat

Figure 2. Cumulative economic growth in Poland and the EU

![Figure 2. Cumulative economic growth in Poland and the EU](image)
The fine economic performance was, to a great extent, tied to Poland’s EU membership. First of all, economic growth was powered by the *influx of EU funds that led to a substantial increase in capital investments*. The second important factor contributing to economic growth was the growth of exports – the *share of net exports in economic growth amounted to 1 percentage point*. Problems in the eurozone only slightly slowed its dynamics. This is because the Polish economy is more closely linked to states representing the northern economic model, which have overcome the recession relatively quickly (Germany, the Benelux countries, the Scandinavian countries, Austria).

Poland’s relatively sound standing when compared to other EU countries has *boosted confidence in the Polish economy*. In March 2012, the *yield on Polish two-year bonds fell to its lowest level in six years*. Polish Treasury bills were given the highest rating by Moody’s. For the first time in history, Poland’s Sovereign Credit Default Swaps (CDS) were priced lower than those of France (as of 14 March, the credit default swap spread for Poland [5-year tenor, in basis points] reached 176 bp, compared with 180 bp for France). Hungary’s credibility was much worse (its credit default swap spread amounted to 520.11 bp, with the Czech Republic faring somewhat better at 117.05 bp).

Poland’s good economic performance during the crisis accelerated the *catching-up process*. The EU GDP fell by 0.6% in 2011 relative to 2007. During the same period, Poland’s GDP grew, on average, by 3.7%. Poland’s cumulative economic growth amounted to 15.7% – the best result in the entire European Union. The OECD called Poland “the best growth performer within the OECD through the global economic crisis.”¹ In comparison, the second fastest growing economy – Slovakia – recorded 8% growth, while Latvia had the slowest growth (its GDP fell by 17% relative to 2007). Although Poland’s growth rate was slower than during the first few years after its EU accession (5.5% in the years 2004-2007), our country was catching up with the EU average faster because of recession in the European Union. In 2011, **Poland’s growth rate represented 65% of the EU average per capita**, placing it ahead of Hungary (which was 10 percentage points closer to the EU average at the time of accession) and the Baltic States. Since Poland’s EU accession, the difference in the average annual growth

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¹ Economic Survey of Poland 2012, OECD.
rate between Poland and the EU was 3.3 percentage points. Assuming that in the coming years this difference will remain similar (3 percentage points) Poland will reach the EU average in 15 years (in 2027), or 10 years earlier than planned at the time of EU accession.

- **From the crisis perspective, the Polish process of catching-up as compared with other countries in the region should be assessed positively, since it was the most sustainable.** Poland recorded periods of slower economic growth (particularly as compared with the Baltic States), but it avoided overheating and boom-and-bust, which led to deep recession. Given the easy access to capital relating to financial integration within the EU, the Polish financial supervision authority has demonstrated sufficient prudence by effectively limiting credit supply denominated in foreign currencies. The fact that Poland retained its national currency (unlike Slovakia and Slovenia) and a floating exchange rate allowed the economy to quickly adapt to external shocks by weakening the zloty, a measure that supported exports.

- The Baltic States and Bulgaria adopted a different strategy: fixed exchange rate regimes and inflows of capital from the eurozone. Initially, the inflow of capital spurred increased lending and rapid economic expansion. However, when risk aversion became more widespread, investors started to withdraw capital. In an effort to avoid bankruptcies, these countries decided to maintain fixed exchange rates, obtained at the price of deep falls in GDP (Latvia: -18%, Lithuania: -14.7%, Estonia: -13.9%, Bulgaria: -5.5%).

**Trade**

- **In the eighth year of membership, exports continued to be the engine of the Polish economy.** In 2011, exports of goods reached a record value of EUR 135.8bn (in current prices) and were higher by 12.8% relative to 2010, while imports amounted to EUR 150.5bn, i.e. were 12.1% higher than in 2010. Consequently, the deficit in trade in goods for 2011 amounted to EUR 14.7bn. In nominal terms, year-on-year exports to the EU in 2011 increased by 10.9%, to non-EU developed countries by 24.5%, to CIS countries by 17.8%, and to other developing countries by 18.9%, while the value of imports from the above-mentioned group of countries increased by 11.7%, 3.1%, 35.0% and 3.5%, respectively.\(^2\)

- **In fixed prices, the growth rate of Polish exports and imports of goods was 7.3% and 6.2%, respectively.** In comparison, in the countries of our region, these values were: for the Czech Republic 11.9% and 7.6%, respectively; for Slovakia 11.3% and 5.2%; for Hungary 8.5% and 7.2%; for Latvia 12.6% and 20.7%, and for Estonia 38.3% and 34.8%, while for the eurozone the percentages reached 6.9% and 4.8%, respectively, and for the world as a whole 6.0% and 6.7%. **Judging by the dynamics of Polish exports in the last few years, in comparison with countries in the region, Poland’s growth is more**

\(^2\) Data: *Ocena sytuacji w handlu zagranicznym w 2011 roku (na podstawie danych wstępnych GUS)*, Ministry of the Economy, Warsaw, 14 March 2012
sustainable and could indicate a higher degree of independence of the Polish economy from changes in business cycles of the global economy. The cumulative growth rates of Polish exports and imports in 2004-2011 were, in real terms, 84.7% and 81.3%, respectively. \(^3\)

- **Poland trades mainly with EU-27 countries, although the share of the EU-27 in Polish exports of goods slightly declined.** In 2000-2003, 81.2% of Polish exports went to EU-27 countries, in 2004 – 80.3%, and from then until 2010 – between 77.8% and 79.6%. Imports of goods show a different trend: in 2004 the share of imports from the EU-27 in the country’s overall imports significantly increased. In 2000-2003, that share was in the range of 69.0%-69.7%, in 2004-2005 its value increased to 75.3%, and in the years up to 2010 it represented 73.0%, 73.3%, 71.9%, 72.6% and 70.8%, respectively. The data presented above could indicate that as a result of Poland’s accession to the EU, a shift in trade (considering the EU-27) was evident in imports of goods, but was not visible in exports of goods. \(^4\)

- **Germany is Poland’s main trading partner in the EU.** In 2011, 26.1% of goods exported from Poland went to Germany and 22.3% of goods imported to Poland came from Germany. \(^5\) The share of Poland’s other main EU trading partners in imports and exports in 2011 is as follows: France – 6.1% and 4.2%, Italy – 5.4% and 5.3%, Czech Republic – 6.2% and 3.7%, and Great Britain – 6.4% and 2.6%. In 2011, the year-on-year growth dynamics of exports and imports from the above-mentioned countries were as follows (in nominal terms): **Germany – 12.6% and 14.2%**, France – 2.1% and 8.8%, Italy – 1.8% and 3.7%, Czech Republic – 16.9% and 10.2%, and **Great Britain – 15.3% and 7.4%**, which translates into a worse balance of trade in goods with Germany, France and Italy, and a better balance with the Czech Republic and Great Britain. \(^6\)

- **Analysis of data concerning foreign trade over a longer period shows improvement in the balance of trade in goods and services.** In 2004-2008 that balance equalled on average 2.4% of GDP, while in 2009, 2010 and 2011 it amounted to 0.1%, -1.2% and -1.1% of GDP, respectively. Similar changes occurred in the balance of trade in goods and services with the EU. In 2004-2008 it amounted to, on average, -0.2% of GDP, while in 2009, 2010 and 2011 Poland recorded a surplus of 2.2%, 1.7% and 1.5% of GDP, respectively. \(^7\)

- **W 2011 40.7% of Polish exports of goods represented mechanical engineering products (growth by 7.2% in nominal terms relative to 2010). Chemical products (13.8%, up by 19.1%) and metallurgical products (11.8%, up by 18.8%) also represent a significant share of Poland’s exports.** \(^8\)

- **EU countries represent the biggest market, steadily growing, for Polish agricultural produce and foodstuffs (almost 80% in 2011).** Since the time of EU accession, Polish exports of agricultural and food products increased more than three and a half times.

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3 Data from IMF World Economic Outlook Database, April 2012 or MFA calculations made on this basis (no data on Lithuania).
4 Eurostat data.
6 MFA own calculations based on: Ocena sytuacji..., op. cit.
7 Eurostat data or MFA calculations based on such data.
8 Data from: Ocena sytuacji..., op. cit.
The overall trade in agricultural produce and foodstuffs showed greater dynamics on the export side than on the import side. This has led to an increase in trade surplus from EUR 0.4bn in 2003 to over EUR 2.6bn in 2011.9

### Table 1. Poland’s foreign trade in agricultural produce and foodstuffs in 2002-2011* [EUR m]

<table>
<thead>
<tr>
<th></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>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports</strong></td>
<td>3 465</td>
<td>4 003</td>
<td>5 242</td>
<td>7 152</td>
<td>8 577</td>
<td>10 089</td>
<td>11 692</td>
<td>11 499</td>
<td>13 507</td>
<td>15 098</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td>3 802</td>
<td>3 557</td>
<td>4 406</td>
<td>5 485</td>
<td>6 486</td>
<td>8 070</td>
<td>10 277</td>
<td>9 299</td>
<td>10 921</td>
<td>12 481</td>
</tr>
<tr>
<td><strong>Balance</strong></td>
<td>-337</td>
<td>447</td>
<td>836</td>
<td>1 667</td>
<td>2 091</td>
<td>2 019</td>
<td>1 415</td>
<td>2 200</td>
<td>2 586</td>
<td>2 617</td>
</tr>
</tbody>
</table>

Source: MF/CIHZ (2011* – preliminary data)

- CIS countries have come to play an increasingly larger role in Polish trade, which confirms that Poland’s membership of the EU has not weakened its trade relations with its eastern neighbours. In 2004, their share in Polish exports and imports of goods amounted to 7.0% and 9.7% respectively, while Russia had a 1.7% and 2.1% share in Polish imports and exports, respectively.10 In 2011 it amounted to 8.6% and 14.5% respectively, while Russia’s share of Poland’s exports and imports was 4.5% and 12.2% respectively; in 2011, the value of imports from the CIS countries was almost twice as high as the value of exports to the CIS countries, with Russia representing 84.2% of imports from CIS counties, which can be explained by the specific commodity structure of imports (energy being a very large component).11
- In 2011, exports of goods from Poland to the United States represented 2.0%, and imports 2.3%, of overall Polish exports and imports of goods. In the case of Japan the figures were 0.3% and 1.7%, respectively; for India 0.3% and 0.6%, and for China 1.0% and 8.8%. Polish-U.S. exports and imports rose on 2010 by 22.2% and 0.9%, respectively (nominal terms). For Japan these figures were 17.6% and -4.9%, for India 48.6% and 29.9%, and for China 9.7% and 5.0%.12

### Financial balance of EU membership and utilisation of EU funds

- Transfers from the EU budget were an important stimulant of Poland’s economic growth in 2004-2011, as well as its future prospects. From 1 May 2004 until 31 March 2012, transfers amounted to just under EUR 64.9bn. During that same period, Poland paid EUR 24.5bn to the EU budget. After 95 months of membership, Poland received over EUR 40.3bn net in financial transfers from the EU. A record was set when, after deducting Poland’s contribution to the EU budget, Poland received EUR 10.5bn (an increase by close to 36% relative to 2010), which amounts to approximately 3.2% of Poland’s GNI.

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10 Data from: Polska 2004. ... op. cit. or MFA estimates made on this basis.

11 MFA estimates on the basis of data from: Ocena sytuacji..., op. cit.

12 MFA estimates on the basis of data from: Ocena sytuacji..., op. cit.
Table 2. Balance of financial transfers between Poland and the EU from 1 May 2004 until 31 March 2012 in EUR '000

<table>
<thead>
<tr>
<th>TRANSFER</th>
<th>From 054.2004 until 2010</th>
<th>2011</th>
<th>January-March 2012</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds received</td>
<td>47 054 877</td>
<td>14 270 628</td>
<td>3 549 888</td>
<td>64 875 393</td>
</tr>
<tr>
<td>Returns to the EU</td>
<td>-94 451</td>
<td>-44 441</td>
<td>-155</td>
<td>-139 047</td>
</tr>
<tr>
<td>Contribution to the EU</td>
<td>-19 155 920</td>
<td>-3 733 869</td>
<td>-1 588 389</td>
<td>-24 478 178</td>
</tr>
<tr>
<td>BALANCE</td>
<td>27 804 507</td>
<td>10 492 317</td>
<td>1 961 343</td>
<td>40 258 167</td>
</tr>
</tbody>
</table>

Source: MFA calculations based on MF data.

- The above total amounts represent transfers relating to: **Cohesion Policy – EUR 39.1bn; Common Agricultural Policy – EUR 21.5bn** and others – approximately EUR 4.3bn. Of the cohesion policy funds, of which Poland is the biggest beneficiary in the EU-27, as much as EUR 20bn was allocated to the implementation of European Fund for Regional Development objectives, EUR 9.9bn to the implementation of large infrastructural projects financed from the Cohesion Fund, and EUR 6.2bn to support European Social Fund objectives. The remaining EUR 3bn represent funds of the now terminated ISPA fund and additional, special support for rural development as part of the cohesion policy.

- **Based on data available in December 2011, the level of absorption**, understood as the amount of spent allocation compared to the overall allocation of a Member State in the programming period 2007-2013 (to be spent by 2015), **is relatively high in Poland (approx. 70%)**, considering that Poland is the biggest beneficiary and that such a good result could not have been achieved thanks to just a few large projects, as is the case in some Member States.

- It is important to note, in particular, the value of payment requests approved by the European Commission in relation to the overall allocation to a Member State (over 35% in the case of Poland). Romania (approx. 15%) and Bulgaria (approx. 22%) were far worse off in this classification, with Italy (20.5%) faring surprisingly badly.

- Significant **foreign transfers of private funds to Poland**, sent by Poles working in other EU countries represent an important financial impact of Poland’s membership of the EU. According to National Bank of Poland estimates, from the second quarter of 2004 until the end of 2011, total foreign remittances amounted to EUR 33.093bn. The most funds were transferred to Poland in 2007 – EUR 5.321bn. **Last year this sum amounted to EUR 4.123bn.** The decrease in private remittances relative to previous years may be due to a smaller scale of migration of Polish workers to other EU countries as a result of the crisis.

- **From the second quarter of 2004 until the end of 2011, a total of EUR 28.585bn in private remittances were transferred to Poland from EU countries. This represents over 86% of all foreign remittances to Poland** over these 8 years. During the first year of membership (2004) Poland received foreign transfers amounting to EUR 1.557bn. The year 2007 saw a record high of EUR 4.622bn in foreign remittances from the EU to Poland. In 2011 they amounted to EUR 3.670bn.
• The flow of funds from 1 May 2004 until the 31 of December 2011 representing transfers from the EU budget and remittances of Polish emigrants residing in EU countries totalled EUR 68.8bn!
• Since EU accession, Poland received EUR 10.6bn in direct payments from the Common Agricultural Policy (from 1 May 2004 until 31 March 2012) Poland obtained EUR 10.6bn for direct payments, EUR 9.2bn for rural development programmes and over EUR 1bn for market interventions.\(^{13}\) Poland continues to be the biggest beneficiary among the EU-27 of funds for rural development programmes and the biggest beneficiary of direct payment funds among the EU-12. Every year, around 1.4m Polish farmers benefit from direct payments.
• Real agricultural income per worker in Poland increased by 80.8% in 2011 relative to 2005 and is one of highest rises among all EU Member States. In 2005-2011, EU27 real agricultural income per worker increased by 18.3%.\(^{14}\)
• Poland is a leader in the EU when it comes to using 2007-2013 Rural Development Programme funds – more than 90% of funds have already been used.

Figure 3. Change in real agricultural income per worker in the European Union in 2011 relative to 2005 (%)

Foreign Direct Investment\(^{15}\)
• The value of FDI inflow to Poland in 2011 was EUR 10.3bn, up by 54% relative to 2010 (EUR 6.7bn). Such a large increase in the inflow of FDI and the concurrent fall in portfolio

\(^{13}\) Source: Ministry of Finance.
\(^{14}\) 2011 – preliminary data.
\(^{15}\) NBP data or own calculations on their basis.
Investments represent an improvement of Poland’s economy external stability (the growing role of long-term investments in the structure of foreign financing). The cumulative value of FDI in Poland in 2011 amounted to EUR 147.7bn as compared to EUR 150.4bn in 2010 (a 2% decrease). One should note, however, that in 2009 FDI amounted to EUR 128.5bn, which means that in 2010-2011, FDI increased by 15% overall. These data may indicate foreign investors’ positive perception of Poland. The EU countries represent the biggest source of Poland’s FDI inflow. In 2010, Poland received an inflow of EUR 5.7bn in FDI from the EU (85% of the total), with the highest inflow coming from Luxembourg – EUR 1.9bn (29% of total FDI), Germany – EUR 1.6bn (24% of total FDI), Italy – EUR 1.0bn (15% of total FDI) and Cyprus – EUR 0.8bn (13% of total FDI).

- In 2011, FDI capital outflows from Poland amounted to EUR 3.7bn, as compared with EUR 4.1bn in 2010 (a decrease of 10%). The cumulative value of Polish FDI in 2011 amounted to EUR 34.3bn, which is EUR5.1bn more than in 2010 (an increase of 18%). The EU is the main destination of Polish FDI – in 2010, EUR 3.6bn (87% of total FDI), with the most investments going to Luxembourg – EUR 1.6bn (39% of total FDI), Belgium – EUR 0.5bn (12% of total FDI), Cyprus – EUR 0.4bn (10% of total FDI) and Germany – EUR 0.3bn (8% of total FDI).

Labour markets and migrations

- The unemployment rate in Poland showed signs of stabilisation with 12.5% in 2011, compared with 12.4% in 2010. The economic recovery, partially due to Poland’s EU accession, generated higher employment. In 2011, 59.6% of Poland’s active working age population was employed, as compared with 51.4% in 2003. However, Poland still has a lot of catching up to do: the objective of the Europe 2020 strategy for Poland provides for the employment of 71% of persons aged 20-64 by 2020; the target for the EU as a whole is 75%. The EU average in 2010 was 64.1%.

- After a period of dynamic growth of emigration (in 2004-2007) and its stabilisation (2007-2008), the number of Poles living and working abroad has fallen (since 2008). Before accession, 786 100 Poles resided temporarily abroad (based on 2002 national census data), with the highest number – 2.27m – recorded in 2007. Based on the 2011 national census, 1.94m permanent residents of Poland stayed abroad longer than 3 months (5% of the population), and at least two-thirds of emigrants stayed abroad 12 months or longer.16 Earlier GUS data show that 80% of migrants resided in the EU-27.17

- Poland has one of the highest mobility coefficients (calculated as a percentage of the active working age population living in another EU Member State to the overall population).18

- The existing “emigration potential” of the Polish society in comparison with the pre-accession period decreased as a result of such factors as Poland’s improved economic

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17 GUS „Informacja o rozmiarach i kierunkach emigracji z Polski w latach 2004 – 2010”, październik 2011 r. (Central Statistical Office. „Information about the Size and Destinations of Emigration from Poland 2004-2010”. October 2011)

18 Employment and Social Developments in Europe 2011, Komisja Europejska, listopad 2011 r.
situation, more jobs, higher remunerations (especially among highly-skilled workers). Compared with the period right after Poland’s accession to the EU, Poles have become less willing to look for jobs abroad. At the same time, re-migration has intensified and its scale is now estimated at 40-45% (new migrants replace those who leave). Lower migration and higher re-migration proves that its impact on labour resources in Poland is moderate and will continue to decrease.

- Still a few years back, economic migration of workers to EU countries represented a major barrier to business development. Surveys conducted by the National Bank of Poland show that this problem has become marginal. The fact that Poles migrated abroad in such large numbers had a positive impact on wage pressures, new models of vocational careers and the higher standard of living of Polish families. In evaluating the impact of migration on the country’s economic situation, one must account for the scale of foreign transfers remitted by working Poles to their home country (discussed in the section on the financial balance of membership).

- Great Britain, Germany and Ireland continue to lead in statistics on countries receiving the greatest influx of Poles after Poland’s accession to the EU. Preliminary results of the national census show that Great Britain was home to the greatest number of emigrants (30.2%), followed by Germany (21.6%), Ireland (6.5%) and the Netherlands (4.6%). Fears of increased influx of workers to Germany after it opened its labour market turned out to be unfounded. The German Federal Labour Agency estimates that in 2011, 49,900 Polish citizens came to Germany and at the same time 21,500 Polish citizens returned to Poland, which gives a balance of 28,400 people. The cumulative balance of monthly flows between May and December 2011 was 21,400 persons. The migration level was highest right after the opening up of the labour market and began to fall gradually in the following months.

- Despite the fact that the number of Polish students studying abroad in other EU countries on Erasmus programmes has decreased in comparison with the boom experienced right after Poland’s accession to the EU, the number of Polish students leaving for placements as well as the number of academic staff from Poland who leave for training in other EU Member States has been growing. In the 2010/2011 academic year, 315 Polish institutions of higher learning had signed the Erasmus University Charter (13 higher education institutions more than in the previous year), 14,234 Polish students studied and had placements in other EU Member States. Like last year, a smaller number of Polish students going abroad to study was offset by a greater number of students going for placements abroad (in 2010/2011, it was a 10% increase). Polish higher education institutions received over 6,000 foreign students. The majority of Polish

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20 MPiPS, „Informacja w sprawie zatrudnienia obywateli polskich w państwach Europejskiego Obszaru Gospodarczego i Szwajcarii oraz obywateli państw EOG w Polsce”, maj 2011 r.
23 Based on the report covering the period 07.2010-06.2011 report, published by the British Office for National Statistics (ONS), the number of residents from Poland living in the UK was 587,000.
24 Based on Federal Office for Statistics data, 468,000 Poles live in Germany.
students went to Spain and Germany for Erasmus exchanges (over 2000 students in both cases), while most students who study in Polish universities came from Spain and Turkey (respectively 1300 and 1100, in comparison with a small number of only 12 students from Ireland). Moreover, 3,381 academic teachers from Poland worked as lecturers in other Member States, and 1,834 went abroad for training.

Social Perception of Membership

• Support for Poland’s membership of the European Union for the last few years remained high. According to a recent poll, 75% of surveyed Poles supported Poland’s EU membership, while 19% of respondents were against.24 Depending on the date of the survey and the applied methodology, these percentages vary: according to TNS OBOP (19-23 January, 2012) 56% of respondents regard Poland’s EU membership as “something good”, while 11% as “something bad”, while according to CBOS (5-11 January 2012) membership supporters represent 81% of the total number of respondents, with 12% saying they oppose it.

• A positive attitude to Poland’s EU membership dominates in all surveyed age groups, vocational categories, social groups and across Poland’s regions. Widespread support for membership is evident both among white-collar workers (84% “in favour” of membership) and students (81% “in favour” of membership), housewives (82% “in favour” of membership) and skilled workers (85% “in favour” of membership).25 Supporters of Poland’s EU membership are also present in the relatively least enthusiastic groups such as farmers, old-age and disability pensioners, outnumbering opponents two or three times.

• Poles’ perception of the positive effects of EU membership (73%) is far above the EU average (52%). Based on the most recent Eurobarometer survey, citizens of 22 Member States declare that their country has benefitted from accession to the Community.26 This view dominates in Ireland (78%), Poland (73%), Luxembourg (73%), Slovakia (72%), and Denmark (70%).

• The moment the crisis hit average citizens, the public mood across the EU took a sharp turn for the worse. Evidence of this can be found in the majority of formulated opinions about the present and future. In many countries, citizens began to question the very idea of continued and deeper EU integration. The mood has also worsened in Poland, but the very idea of EU membership is not questioned and the tendency to support the EU is rather stable and is not affected by the economic cycle. The relatively stable level of approval for the EU in Poland results from consequential and sustainable increase of support (and not of any sudden, erratic change) which began to be observed during the third year of membership.

• In April 2012, in response to a question about their assessment of the impact of Poland’s EU membership as seen from the past eight years and the related expectations, close to a half of the respondents said that these were “as expected”, 1/3 assessed them as

24 Omnibus GfK Polonia for European Information Department, April 2012.
25 Ibid.
26 Biorąc wszystko pod uwagę, czy uważa Pan/i, że Pana(-i) kraj skorzystał, czy nie skorzystał na członkostwie w Unii Europejskiej? Standard Eurobarometer 75. Taking everything into account, do you believe that the country (Poland) has benefitted from EU membership? Standard Eurobarometer 75.
“being worse than expected” and for 12% of those polled, the impact of EU accession was “better than expected”\(^\text{27}\). These results – besides showing that EU membership has become quite familiar, also demonstrated exceedingly high expectations relating to accession, formulated before 2004. Over time, these expectations changed into acceptance for EU membership which remains at a stable level.

- Nevertheless, more Poles continue to believe in the effectiveness of actions undertaken by the European Union to overcome the crisis (39%) than the statistical European. One in every four Poles (39%) believes that the European Union is capable of undertaking the most effective measures to mitigate the financial and economic crises. During that same time, less than one in every four EU citizens shared the opinion (23%).\(^\text{28}\)

**Impact of enlargement on EU-15**

- The impact of EU enlargement in 2004 and 2007 on the European economy is positive, although limited in scale due to natural differences in potentials: in 2004, the total GDP of the EU-10 economies represented only 5.1% of the GDP of the EU-15 (9.8% in purchasing power parity). Nonetheless, **enlargement resulted in an increase of GDP by 1% on average** in a group of 8 countries (UK, DE, F, NL, AT, SE, DK, IT).\(^\text{29}\)

- **Increased trade** between countries was observed after accession. For Austria, Sweden, Germany trade flows increased by 3%, for Great Britain and Denmark by 2%, and less than 0.5% for France. The dynamics of imports from new Member States (EU-8) was higher than exports, which translated into a slight worsening of the EU-15 trade balance (except for Austria) and an improved trade balance of “new” Member States. This is evidence of the growing competitiveness of their economies.

- The greatest benefits in the form of GDP increases were gained by countries characterised by high trade dynamics and those which decided to access to their labour markets for the EU-10 from 1 May 2004. **In the group of 8 countries, the growth of GDP after enlargement amounted to:** Great Britain – 1.36%, Austria – 1.33%, Sweden – 1.05%, Germany – 1.01%, the Netherlands – 0.84%, Denmark – 0.71%, Italy – 0.44% and France – 0.19%.

- **Lower costs of imports from new member states contributed to higher consumption** of households, most evidently in the Netherlands (1.77%), Germany (1.31%), Great Britain (1.25%), and Sweden (1.09%).\(^\text{30}\) Higher production led to a **drop in the unemployment rate** (for example, in the Netherlands – 0.56 pp, Sweden – 0.55 pp, Germany – 043 pp).

\(^{27}\) Omnibus GfK Polonia, op. cit.

\(^{28}\) *W Pana(i) opinii, który z wymienionych jest w stanie podjąć skuteczne działania przeciwko efektom kryzysu finansowego i gospodarczego?*, Standard Eurobarometer 76. (In your opinion, which of the following is capable of undertaking effective action against the effects of the financial and economic crisis? Standard Eurobarometer 76.)

\(^{29}\) Simulation was presented in expert’s opinion “Impact of enlargement of the European Union to selected UE-15 countries” written by Timo Baasa and commissioned by the MFA. The expert’s opinion studies the impact of 2004 and 2007 enlargements of the European Union to UE-8 countries (without Cyprus and Malta) and UE-2 on the measurements of the macroeconomic situation of selected UE-15 countries, i.e. Austria, Denmark, France, Germany, the Netherlands, Sweden, Great Britain and Italy (according to the key: a big-six country and a net payer to EU budget). The state after accession was compared with a hypothetical scenario of the EU without enlargement. The simulations account for the differences in the level of trade, capital flows, migrations and transfers.

\(^{30}\) Austria is an exception, whose hefty financial transfers to theEU-8 lead to a slight decrease in consumption and investments.
At the same time, enlargement did not cause wage dumping – as a result of enlargement wages increased (the Netherlands: 1.56%, Sweden: 1.06%, Denmark 0.73%)\(^{31}\).

- It is worth noting that the **economic crisis has not impacted, in principle, the generally positive balance of enlargement for the EU-15**, although it led to a visible fall in trade dynamics (on average, exports from EU-15 countries to the EU-8 decreased by 20%, only to return – in the majority of countries – to its pre-crisis state as early as 2011). The crisis has significantly limited the potential benefits (for both sides) of EU accession for BG and RO in 2007.

- **Migrations from new Member States have had a positive effect on economic growth rates in the majority of EU-15 countries.** Migrations were responsible for 0.89% of Great Britain’s GDP growth, 0.33% of Denmark’s, 0.18% of Sweden’s, and 0.15% of Italy’s GDP growth.\(^{32}\) Ireland and Great Britain benefitted the most from migrations from the EU-8, while Spain and Italy from the EU-2. Increased migrations of workers did not lead to a long-term increase in unemployment levels in the host countries\(^{33}\). This fact has been corroborated by reports of the British ministries,\(^{34}\) which concluded that the opening of the labour market was beneficial for the British economy, because workers from new Member States, including form Poland, filled employment gaps in many professions and eased local shortages of workers, while at the same time not representing a heavy burden on the British social welfare system.

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\(^{31}\) In the case of Great Britain different studies register different data, either indicating a fall in wages by 0.74% or an increase.

\(^{32}\) T. Baas „*The impact of EU-Enlargement on selected UE-15 countries*“, expert’s opinion commissioned by the MFA, 2012

\(^{33}\) T. Fic, D. Holland, P. Paluchowski, “*Labour mobility within the EU - The impact of enlargement and the functioning of the transitional arrangements*”, National Institute of Economic and Social Research, Discussion Paper No. 379, April, 2011.

\(^{34}\) Department for Work and Pensions, Home Office and the Office for National Statistics.