Poland in the EU: How to Deal with Economic Crisis

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Summary: After 2008 the EU has passed the deepest economic crisis since its inception. The crisis extends not only to the countries in the euro zone, but also affects the new Member States which joined the EU with a view to boost economic development. The main objectives of Polish integration with the EU like the other new member countries is economic growth and convergence with member states at higher level of development. The purpose of this study is to examine the main factors of convergence process during Polish participation in the EU. With analysis based on the theory of integration and empirical studies suggest that the impact of the integration of the Polish economy was essential and multi-sector. Effects of integrative formed not only under the influence of free trade and European single market with free movement of capital and workers, but also as a result of EU aid under the structural policies, namely, regional policy and agricultural policy. The benefits of the integration has prevailed economic costs, therefore, a total of Polish participation in the EU has brought an increase in economic growth of at least 0.5% of GDP per year to 1.75%. Integration marked the beginning of a process of catch-up better developed member countries, and the assistance from the structural funds had allowed the avoidance economic crisis.

Keywords: integration processes, benefits of integration, economic crisis, free trade, foreign direct investment, mobility of labour, structural funds.

During first ten years membership in the EU Poland have passed from fast economic growth which turned out to slower progress of production accompanying by increase of unemployment and high unequlibrum in public finance The development gap of our country in the advent of accession to the EU in comparison with 15 members states imposed an obvious task to use the opportunities afforded by accession to pursue a modern development policy with a view to a sustainable and high pace of economic development. Overall, it is

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not doubt that the accession of Poland to the EU in 2004 has created an opportunity to speed up the rate of our economic growth and improving living standards of our citizens. It involved all sectors of polish economy, changed public policy, environment of many firms, position of single consumers. It opened the market thirdly times larger than Poland's GDP for polish producers of goods and services. It gave the Poles the opportunities to take up jobs nearly all around the Europe on the conditions of non- discrimination. It brought about new institutional and business regulations and created favourably condition to additional attraction of Foreign Direct Investment. On the other hand it opened the polish market for foreign competition, brought about new rules concerning public procurement, environmental, transportation rules. Accession to Common Agricultural Policy and Regional Policy of the EU gave Poland opportunities to use the Structural Found to carry out modern regional policy, to support polish agriculture, to finance investments in different sectors of economic activity. In the long run Poland would like to attain the average level of GDP, comparable with the partner's countries, which joined earlier the EU. The seven years' experience of our participation in the EU assume an obvious task to assess the economic effect of membership for our economy, to answer for the questions if the accession of Poland was beneficial for our economic development, which segments of the European Single market have brought about the biggest benefits for polish economy, if an accession to the EU helped to speed up the economic development of all country and particular regions and helped our economy to overcome or avoid economic crises. Although the analysis is a short period one, it may also shed some light on our future place in the EU and long term impact of the membership in the EU on polish economic development.

Poland membership in the EU has influenced deeply polish economy by different factors related directly and indirectly with integration processes. The integration factors which benefited Polish economy were coming mainly from adoption the rules of European Single Market with its four freedom as well as from participation in the EU structural policies:

Firstly, the benefits for polish economy were coming from deepening the rules of free trade under the customs union regulations. The statistics reflects in nearly the whole process of trade liberalization the dynamic trade growth between Poland and the EU: just after accession Poland became the member country showing the highest dynamics of growth of export among the partners. In 2004 the export of goods from Poland grew by 27%, ahead of Czech Republic – 26%, Lithuania and Estonia 21%, and far ahead of the old member's states: Germany, Holland, Austria showing only 10% growth of export, in 2005 polish global export grew by 19,6% to 71, 4 billion euro and in the same time global import from third countries to Poland grew by 13% to 80, 6 billion euro, in 2006 global export increased by 22,6% -equalled 87,9 billion euro and import by 23,2% to more than 100 billion euro. In 2007 Poland continued fast growth of international trade: export increased to the EU by 15, 7% to 80.3 billion euro and import from the EU increased even larger by 19.8% to 77.2 billion euro. In 2008 Polish global export increased by 12.5% to reach 116, 2 billion euro and import increased by 15, 7% to 142, 4 billion euro so, Poland became also more and more important market for producers from the EU with import worth more than 140 billion euro. One key channel of transmission of global financial crisis in 2009 to the real economy was foreign trade. Although in the time of financial crises we observed decrease of international trade in Poland as well as all around the global economy our reduced value of trade volume was smaller than in the most developed and developing countries. In 2009 Polish Foreign Trade due to the financial crisis decreased with all group of partners: global import turnover dropped by 24% from 142 billion euro in 2008 to 107.5 billion euro in 2009 and global export turnover dropped by 15% from 116.2 billion euro to 98.2 billion euro. Due to the deeper decrease of import then export Poland diminished his negative balance of payments from 26.2 billion of euro to 9.3 billion euro. The negative tendencies of trade development were nearly the same with the EU partners as in global turnover: import dropped by from 88.1 billion euro in 2008 to 66.5 billion euro in 2009 and export dropped from 90 billion euro to 78.2 billion euro. Poland increased his positive trade balance with the EU countries from 7.8 billion euro in 2008 to 11.6 billion euro in 2009. It is worth to add that the value of polish export calculated in current prices was 1.5% higher in 2009 than 2008 because devaluation of polish zloty by 40% made foreign selling more competitive and import ("boarder shopping") more expansive due to the strong devaluation of polish zloty. Although calculating in polish zloty our global trade was still growing, counting in euro the value of polish export was lower by 13% and polish import by 27,5% in euro.[1] Trade turnover fall down the most dramatically with Russia by 50% to 11.2 billion and with Romania by 68%.[2] However it should be remembered that every slowdown in international trade and economic growth is temporary and cyclical. In 2010 we see the coming back of polish trade on the strong path of growth. Polish export became one of the engine of growth of domestic

1 Informacja o sytuacji społeczno- ekonomicznej kraju. Rok 2009. Główny Urząd Statystyczny, Styczeń 2010, p. 68- 76. Trzy lata członkostwa Polski w Unii Europejskiej, Urząd Komitetu Integracji Europejskiej, W-wa 2007, s. 56–57

2 GUS. Aktualności. 2009–11–10. http://www.stat.gov.pl/cps/rde/xchg/gus, Rzeczposplita 19.11.2009,B3.

production and over passed the value of 150 billion US dollars. Strong economic recovery in Germany drew growth of polish exportation, especially parts and components to German cars, engineering and machinery industry. On the other hand growth of domestic consumption, replenishment inventories served to increased import from the EU and third countries. According to prediction made by Institute for Market, Consumption and Business Cycles Research polish export grew in 2010 by 13,7% and polish import would grew by 12,4% in euro value.[3]

Table 1: Polish foreign trade turnover in total and by countries in 2014

	in million.	Euro in %
EXPORT	**165 773**	**100,0**
Developed countries	139 383	84.1
of which EU	128 398	77.5
of which euro-zone	89 129	53.8
Developing countries	13 439	8,8
Countries of Central and Eastern Europe	12 040	7.3
IMPORT	**168 432**	**100,0**
Developed countries	110 985	65.9
of which EU	99 457	59.0
of which euro- zone	78 219	46.4
Developing countries	37 615	22.3
Countries of Central and Eastern Europe	19 831	11,8
SALDO	**– 2 658**	
Developed countries	28 389	
of which EU	28 941	
of which euro -zone	10 910	
Developing countries	– 2 3265	
Countries of Central and Eastern Europe	– 7 791	

Source: GUS, Główny Urząd Statystyczny, Statistical; Yearbook 2015, Warszawa 9. 2. 2016

3 Economic Policy of Poland in the Integrating Europe 2008- 2009. Annual Report, Warsaw, p. 19.

According to General Statistical Office (GUS) data, export of goods from the Poland in 2013 increased by 6.5 per cent, reaching a level of 152,77 billion euros. The value of imports totaled while 155,09 billion euros and was 0.7% higher than the year before. In 2013 the export increased much faster for developing markets and less developed. Exports to the EU increased by 4.5% (up to 114,3 billion euros), while the slightly slower to euro area (3.8% to 77.3 billion) than the other EU markets (about 6 per cent, to more than 37 billion euros). In 2014, the value of Polish export total amounted to 165.8 billion and was higher than a year earlier to 7.0%. The value of total imports of Polish in 2014 was 168.4 billion euros, which meant an increase of 7.3% compared to 2013.. The balance of foreign trade in overall was negative and amounted to minus EUR 2.7 (in 2013 – minus 2.0 billion), while trade in agriculture foodstuffs articles amounted to plus 6.7 billion euros. During nine month of 2015 Polish exports expressed in euro amounted to 164 223 million while imports amounted to EUR 160 736 million (an increase in exports of 7.4% and in imports of 3.7% respectively).

Therefore, after 10 years of membership in the EU we became heavily dependent on the European single market: 77.5 % of all polish export is directed to the EU partners and 59.5% of all polish import is coming from the single market (see table 1) and taking into consideration the relatively high participation of international trade in polish GDP (69,9%) one can say that our development is closely interrelated with the economic progress of our EU' partners. In 2008–2009 from ten the biggest polish export markets eighth belong to the EU (see tab no. 2) and from 10 greatest polish supplier 7 belong to the EU. It is important to note that in the time of economic crisis we see the growing relative importance for polish exporters the biggest polish selling markets in: Germany (growth from 25,0 % to 26,2 %), Italy (growth from 6,0% to 6,8%), France (grow from 6,2% to 6,8%), UK (grow from 5,8% to 6,4%), Netherlands (grow from 4,0% to 4,2%), and substantial relative decrease for polish export the markets: in Russia (drop in polish export from 5,2% to 3,7%), Ukraine (drop from 3,7% to 2,6%). On the other hand in the year 2008 – 2009 we see growing importance in polish import suppliers from China (growth from 8,1% to 9,2%) and Republic of Korea (growth from 2,5% to 3,1 %) and the USA (grow from 2,0% to 2,4%).Although the EU partners countries were still the biggest polish import partners, they lost a little importance in polish import: Germany from 23,0% to 22,5%, France from 4,7% to 4,5%.Overall on the basis of latest trade development we can say that economic crisis stroke more exporters from the EU partners countries by decreasing their role in polish import then polish exporters who gained some relative position in export participation on the European single market.

Table 2: Main Polish Trade partners in % in 2008 and 2009

Export structure %			
Country	**2008**	**2009**	**Change**
1. Germany	25.0	26.2	+1,2
2. Italy	6.0	6,8	+0,8
3. France	6.2	6,8	+0,6
4. Great Britain	5,8	6,4	+0,6
5. Czech Republic	5,7	5,8	+0,1
6. Netherlands	4,0	4,2	+0,2
7. Russian Federation	5,2	3,7	–1,5
8. Ukraine	3,7	2,6	–1,1
9. Sweden	2,8	2,7	–0,1
10. Hungary	2,8	2,7	–0,1
Import structure in %			
Country	**2008**	**2009**	**Change**
1. Germany	23,0	22,5	–0,5
2. China	8,1	9,3	+1,2
3. Russian Federation	9,7	8,6	–1,1
4. Italy	6,5	6,7	+0,2
5. France	4,7	4,6	-0,1
6. Czech Republic	3,6	3,6	0,0
7. Netherlands	3,4	3,6	+0,2
8. Republic of Korea	2,5	3,1	+0,6
9. Great Britain	2,8	2,9	+0,1
10. United States	2,0	2,4	+0,4

Source: Główny Urząd Statystyczny. Portal Informacyjny. 2009–10–11, Informacja o Sytuacji Społeczno- Gospodarczej Kraju. Rok 2009, GUS Warszawa 2010, p.70

There has been an important increase in the level of external trade of the EU countries in 2000 years up to the financial crisis. In 2008- 2009 period in all EU countries the level of international transaction decreased substantially, but in Poland increased only a little. As one can see in table no 2 the EU countries rejected protection as a method of intervention and safeguard their openness even in the time of financial crises. In some countries like Belgium, Netherlands, the Czech Republic, Hungary the volume of trade were higher than GDP. Poland had been placed as a medium open economies: the relation of export and import to the GDP in 2009 reached the level of 76.7%. In 2009 it was higher than in 2006 – 69.9% and Poland showed the same relation of international trade to GDP as in Germany. Poland had lower relation of export to GDP – 38.8% then German economy and higher relation of import to GDP – 37.8 %. In 2009 the less open economies then Poland had such euro zone member countries as France, Greece, Italy or Portugal.

Table 3: External trade of the EU members states as % of GDP in 2009

Member country	Export of goods and services as % of GDP	Import of goods and services as % of GDP	Global trade as % of GDP
Austria	50.5	46.0	96.5
Belgium	70.3	76.2	146.5
Czech Republic	69.1	63.5	132. 6
France	23.0	25.0	48.0
Germany	40.7	36.0	76.7
Greece	18.8	28.5	47.3
Hungary	77.9	70.9	148.8
Italy	24.0	24.4	48.4
Netherlands	69.1	61.9	131.0
Poland	38.9	37.8	76.7
Portugal	28.0	35.6	63.6
Romania	31.2	37.2	68.4
Spain	23.7	25.7	49.4
Sweden	48.5	41.6	90.1
United Kingdom	27.8	30.1	57.9
EU- 27	17.2	18.3	35.5

Source: The EU in the World. A statistical portrait. Eurostat. European Commission 2010. p. 21

De Benedicts and Tajoli argue that similarity in export composition between the new and old members of the EU is positively and significantly associated with the convergence of income between former and later countries. In other words, the new member countries whose export composition was the closest to the structure of the EU core countries enjoyed a faster catching-up processes.[4]

[4] De Benedictis, L.L Tajoli, Similarity in trade structures, integration and catching –up, Econoe mics of Transition, vol 16, No 2, pp 165–182.

Poland began the liberalization process with highly concentrated export specialization. Poland showed stable and well defined comparative advantage in relation to the EU partner countries in heavy industries and agricultural goods. This strong entrenched comparative advantages in trade between Poland and the EU partners induced the development of trade according to the rules of inter-industry specialization and before accession to the EU the place of Poland in the division of labour with members countries was defined rather by cost and price factors then factors related to technological development.

As we see from table 3 Poland specialized on the European single market mainly in machines and mechanical appliances (25,7% of all polish export in 2007), transport equipment (15,7 %), base metal and articles thereof (13,3%), plastics and rubber and its articles (6,3%), chemicals (4.4%), prepared foodstuff (4.1%), minerals products (4,6%). The volume of polish export of machines and mechanical appliances, electrical engines equipment grew from 8.3 billion euro in 2004 to 20.6 billion euro in 2007 and to 9.1 billion euro in first half of 2009 and for transport equipment from 5.4 billion euro in 2004 to 12.5 billion euro in 2007 and to 6.9 in first half of 2009 (see table 3). In 2007 in comparison with 2004 year the greatest increase of export share in global export showed such branches as: live animals (growth from 2,2% in 2004 to 3,5% in 2007), prepared foodstuff (growth from 2.1% in 2004 to 4.46 % in 2007), base metals and articles thereof (growth from 11% in 2003 to 13,3%). These branches due to fast growth of selling maintained their key position as polish export specialization. It is worth to note that Poland maintained high position of export to the European Single Market of transport equipment and machines and mechanical appliances, electrical engines, equipment even in the time of financial crises. In 1996- 2007 – 2009 year the greatest decrease of importance in polish export on the European Single Market showed textiles and textiles products (drop from 15,8% share in total export in 1996 to only 3,4% in 2007 and 3,12% in 2009).

Table 4: Structure of Polish export to the EU in mlions Euro and in (%) in 2004–2007–2009 groups of goods

Group of products	2004	2007	2009*
1. Live animals, animals products	703 (2.2)	3075 (3.5)	1421 (3.11)
2. Vegetable products	634 (1.9)	1550 (1.9)	771 (1.69)
3. Fats and oils	4 (0.0)	242 (0.3)	108 (0.24)
4. Prepared foodstuff	700 (2.1)	3268 (4.1)	2037 (4,46)
5. Mineral products	1416 (4.3)	3658 (4.6)	1103 (2.46)
6. Products of chemical industr	1114 (3.4)	3563 (4.4)	1833 (4,0)

Group of products	2004	2007	2009*
7. Plastics and rubber and its articles	1590 (4.9)	5079 (6,3)	2158 (4,71)
8. Raw hides and skins, its articles	388 (1,0)	334 (0,4)	130 (0,28)
9. Wood and articles of wood	1205 (3.7)	2218 (2,8)	890 (1,95)
10. Pulp of wood, paper, paperboard and articles thereof	984(3,0)	2068 (2,6)	1023 (2,24)
11. Textiles and articles	2446 (7.5)	2858 (3.6)	1425 (3.12)
12. Footwear, headgear and articles	164 (0,5)	217 (0,3)	121 (0,27)
13. Articles of stone, ceramics, glass	649 (2,0)	1698 (2,3)	661 (1,45)
14. Pearls, precious stones and metals, articles thereof	159 (0,5)	477 (0,5)	239 (0,52)
15. Base metals and articles thereof	3586(11.0)	10652 (13.3)	3467 (7.57)
16. Machines and mechanical appliances electrical engines, equipment	8349 (25,5)	20606 (25,7)	9172 (20.02)
17. Transport equipment	5461(16.7)	12599 (15.7)	6987 (15,31)
18 Miscellaneous manufactured articles	4887 (7,2)	5509 (6,9)	2412 (5,27)

Source: GUS data for 2007 quoted after: Rocznik Statystyczny Handlu Zagranicznego, GUS, Warszawa 2008, p. 57, Handel Zagraniczny Styczeń-Grudzień 2008, Warszawa 2009, p. 34–37,* data for 2009 year include volume of trade 1–06 2009

As far as import is concerned (tab. no 4) we observed that the highest position in polish import from the EU were occupied by machines and mechanical appliances, electrical engine: 18.6 billion Euro in 2007 (24.1%) and 7.1 billion euro in the first half of 2009 and transport equipment: 10,5 billion euro in 2007 (13,7%) and 3,6 billion euro in the first half of 2009 and chemical and related products 8, 4 billion(10,9%). Poland exported in sum more machines, mechanical appliances, electrical engines and transport equipment then imported from the UE. Proportionally more goods Poland imported from the European single market then exported in such positions as plastics and rubber and its articles, products of chemical industry. Textiles import was becoming less and less important in trade with the EU members countries. In the time of economic crises dramatically diminished numbers of cars imported from the EU to Poland which value drop from 10,5 billion euro in 2007 (13,7% share in global import) to only 3,6 billion in the first half of 2009 (7,33% share). After accession to the EU we saw not only continuation of some growth of base metal and articles thereof import from 3.5 in 2004 to 11.3 billion euro in 2007 (14,7%), but also live animals (from 0,6% in 2004 to 1,4% in 2007 and 1,76% in 2009, arms and ammunition from null to 1.2 billion euro, footwear, headgear and articles thereof from 134 million euro (0,4%) in 2004 to 826 million euro (1,7%) in the first half of 2009. In 2004- 2007 – 2009 years there were share decrease in import from the European single market of such group of products as: products of chemical industry (from12,4% in 2004 to 10,9% in 2007 and 8,06 % in 2009), pulp of wood, paper, paperboard and articles (from 4,8% in 2004 to 3,8% in 2007 and 2,49% in 2009), textiles and textiles articles (from 6,2% in 2004 to 3,9% in 2007 and 2,33% in 2009), machines and mechanical appliances, electrical motors and equipment (from 26,3% in 2004 to 24,1% in 2007 and 14,42% in 2009) and small in plastic and rubber and its articles (from 9,7% to 9,6% in 2004).[5]

Table 5: Structure of polish import from the EU in millions Euro and in % in the period 2004–2007–2009

Group of products	2004	2007	2009*
1. Live animals, animals products	204 (0,6)	(1,4%)	868 (1,7)
2. Vegetable products	667(1,7)	(2,1%)	850 (1,72)
3. Fats and oils	169 (0,5%)	(0,3%)	153 (0,31)
4. Mineral products	576 (1,6)	3450 (2,0%)	1111 (2,24)
5. Products of chemical industry	4577(12,4)	8433 (10,9%)	3984 (8,06)
6. Plastic and rubber and its articles	3277 (9,7)	7394 (9,6%)	2857 (5,78)
7. Raw hides and skins, articles thereof	459 (1,2)	510 (0,7)	1463 (0,30)
8. Wood and articles of wood	314 (0,9)	882 (1,1)	290 (0,05)
9. Pulp of wood, paper, paperboard and articles	1772 (4,8)	2938 (3,8)	1230 (2,49)
10. Textiles and textiles articles	2301 (6,2)	2991 (3,9)	1149 (2,33)
11. Footwear, headgear and articles thereof	134 (0,4)	184 (0,2)	826 (1,7)
12. Articles of stone, ceramic products, glass	760 (2,1)	1359 (1,8)	490 (0,99)
13. Pearls, precious stones and metals, articles thereof	47 (0,1)	199 (0,3)	826 (0,17)
14. Base metal and articles thereof	4045 (11,0)	11365 (14,7)	3714 (7,52)
15. Machines and mechanical appliances electrical engines, equipment	9685 (26,3)	18643 (24,1)	7124 (14,42)
16. Transport equipment	5398 (14,6)	10585 (13,7)	3620 (7,33)
17. Optical, photographic, measuring, checking instrument	652 (1,7)	1322 (1,7)	577 (1,17)
18. Arms and ammunition	12 (0,0)	40 (0,1)	1234 (2)
19. Miscellaneous manufactured articles	714 (1,9)	1260 (1,6)	565 (1,15)
20. Works of art, collectors Piece and antiqua	4 (0,0)	240 (0,3)	156 (0,31)

Source: Rocznik Statystyczny Handlu Zagranicznego, GUS, Warszawa 2008, p.56, Handel Zagraniczny Styczeń- Grudzień 2009, Warszawa 2009, data for 2009 include volume of trade in 1–06 2009

5 Biuletyn Statystyczny, Warszawa 2009, No 2

In 2009 polish export grew in comparison with 2008 in such branches of production as machinery and equipment (by 6.4%), cars and accessories (7.4%), paper and cardboard (15.9%), meat and (8.5%, cooper and its articles (3.9%), meat and pluck (8.5%), perfume and cosmetics (21.4%), clothes (10.4%), pharmaceutics (27.8%) plastics (1.1%).. On the other hand in 2009 polish import dropped in comparison with 2008 in such groups as; products of iron and steel (-15.2%), oil and mineral oil (-25.2%), cast- iron and steel (-41%), wood and its articles (-2.7) dairy products (-1.9%)

Table 6: Percentage growth of polish export in 2009/ 2008 and its volume in billion zloty according to groups of products.

	%	billion zloty
1. machinery and equipment	6.4	106.7
2. cars, parts and accessories	7.4	62.9
3. plastics	1.1	16.5
4. products of iron and steel	-15.2	14.8
5. oil and mineral oil	-25.4	12.7
6. paper and cardboard	15.9	10.6
7. cast-iron and steel	-41	8.8
8. wood and its articles	-2.7	8.6
9. cooper and its articles	3.9	8.4
10. meat and pluck	8.5	7.4
11. cosmetics and perfume	21.4	6.5
12. clothes	10.4	5.5
13. pharmaceutics	27.8	5.0
14. dairy products	-1.9	4.5

Source: Rzeczpospolita. Warsaw 26.03.2010, B4

Overall the single market helped to some change in the structure of mutual trade with the growing importance in polish export capital intensive goods (machinery, cars), more technologically advanced goods, especially easy to imitate (machines and mechanical appliances, electrical equipment (see tab no 7) and decrease labour intensive goods (furniture, agricultural products). Despite similar directions of evolution in the structure of Poland's intra – EU trade according to the intensity of factors of production in 2000–2007, the structure of polish export with the EU partners was still different then the intra EU polish import. Technologically intensive goods played key role in delivery to Polish market with 42,2% in all polish imports from the single market. Poland share of high- technology export in total export was only 3%, but for example in Germany -14%, France -18%, Ireland -29,%, United Kingdom -26%, Finland -18%, Czech Republic -13%, Spain -5%, Estonia -8%.[6]

Table 7: Structure of Poland's intra – EU trade by factor of production in 2000–2007.

Type of products	2000		2007	
	Export	Import	Export	Import
Raw material – intensive	14,8	9,8 (+5)	15,6	11,6 (+4)
Labour intensive	35,4	25,5 (+9)	26,4	20,2 (+6,2)
Capital intensive	22,0	20,5 (+1,5)	26,2	25,0 (1,2%)
Technology intensive	27,8	44,7 (-16,9)	31,6	42,2 (-10,6)
easy to imitate	6,6	16,4 (-9,8)	9,6	16,4 (- 6,8)
difficult to imitate	21,2	28,3 (-7,1)	22,2	25,8 (-3,3)

Source: J. Misala, Competitive Position in External Economic Relations, Poland Competitiveness Report 2008, Warsaw 2008, p.72).

It is worth to add that in the European single market Poland developed more intensive and diversified intra-industry specialization with the partners producers, although the level of intra- industry coefficient is still less than more advanced members countries. The very convenient method of measuring the similarity or dissimilarity of economic structure in countries taking part in the international division of labor is the index of intra industry specialization. If the intra industry specialization prevail over inter industry specialization, that means the partners specialize in export of similar products of the same industry (including parts and accessories), which may testify the same level of their development and similar structure of their production. We observed development of intra-industry specialization in trade of capital- intensive industries (machinery), labour –intensive (textiles) and resource- intensive (building materials). The phenomenon of development of intra- industry specialization in some industry branches, like textiles and cars, may be explained by the foreign direct investment in Poland (for example Fiat, Volkswagen, Opel) and two-way trade developed inside the companies structure. For example, in 2006 Poland exported automotive products to the values of Euro 14 billion (95% of all motor vehicles produced in Poland) that was 16 % of total Polish export, which was composed of private motor vehicles – 38%, automotive parts and

[6] L'etat de l'Union 2009. Raport Schuman sur l'Europe, Paris 2009, p240

components – 28% and automotive diesel engines – 20%. However in 2009 year polish cars industry was badly hit by the economic crises, production drop by 16%, export decrease by 3 billion euro, some factories like Opel in Gliwice, FSO in Warsaw decreased production by 57–60%. In 2008 car selling from Poland abroad reached nearly 18 billion euro, but one year later dropped by 3 billion to the value of 15 billion euro.[7] The shipbuilding sector nearly collapsed after liquidation two shipyards in Gdynia and Szczecin. The other industries such as machinery, metal and mechanical engineering, television receivers, musical instruments, parts for office machines, footwear, toys, games, sport requisites, aircraft, as well as agricultural goods have had more opportunity to fill in some niches on the European single market.

After accession to the European single market polish trade in services grew also at faster rate than the EU average, despite small volume of mutual trade in 2004. Growth of export was coupled with the growing competitiveness of polish firms especially in transportation, tourism, construction services, growth of import was connected with the need to import more sophisticated services in financial, insurance, computer and information services. Since 2006 Poland showed positive balance in trade in services with surplus of almost 1,8 billion euro. However polish export of services to the EU member countries had played thus far small role in exchange on the European single market. Only on the German market the share of polish services in total import exceeded 10% of all import from the EU which equalled 45% of participation polish export to the EU, in comparison with the United Kingdom it accounted for only 3,1%. Among the EU partners Germany was also the dominant market for polish services suppliers. Weakness of polish services export seems to be dangerous to development of the all economy and is connected not only with its lower competitiveness on the European single market but also with its high specialization concentration: travel and transportation services accounted for 68% of total export to the single market. The crises of 2008–2009 had already brought about some structural problems for polish services sectors with the drop of profits of tourism and transportation firms. Overall, Polish services sector seemed to become less affected by the economic crises 2008–2009 (except financial and banking sector) then industry. Retail sales realized in the period of three quarters of 2009 were by 1.9 % higher (in annual terms) and increase was recorded in the majority of groups. Construction and assembly production grew in the same period by 4.7% which was the result of a high dynamics in civil engineering. Up to October 2009 128 thousand dwellings

7 Eurostat. Statisctics in Foucus, 107/2008, Newseek, 11.10.2009, Poland in the European Union, GUS, Warsaw 2007

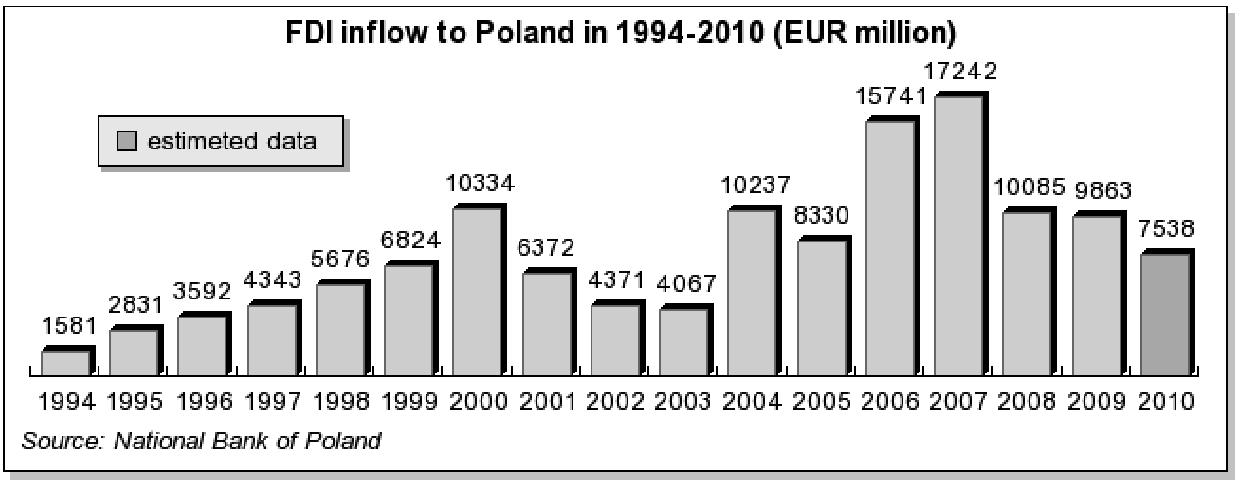
were completed, that means 4,1% more than corresponding period of 2008, but private investors built 56 747 dwellings (3,7% less than in the previous year) and obtained permits for construction 88 288 new dwellings (7,7% less than in 2008).

As a result of accession to the customs union Poland has also adopted the EU external customs tariff. In the case of industrial goods an average customs tariff (weighted by imports) had been reduced from 6,2 % to 2,6%. It is estimated that lowering of customs tariffs for industrial goods from third countries have had limited impact upon the level of market protection in Poland. The new UE protection was no related with "common tariffs shocks" with negative consequences of trade diversion effects. It has brought about not reduction of polish trade with third countries, but growth of trade as far as the industrial goods are concerned. After few years of accession we observed that the trade relation between Poland and the third countries (outside the EU) remained at unaltered, one may said, normal level. Over the all period of trade liberalization, the exchange between Poland and the EU has been developing much faster than with the thirds countries. The growth of trade has been more likely due to the effects of trade creation than trade diversion influencing on positive allocation of polish and the EU economic resources. However, after few years of accession we observed that the trade relation between Poland and the third countries grew even faster than inside EU (growth of oil prices). Some negative consequences were connected with introduction of visa requirement to the Ukraine, Russia and Belarus citizens, which constituted some obstacles to trans-border trade. On the other hand some positive integration effects occurred in connection with coverage of polish producers by the EU export subsidies for trade in agricultural goods.

There was common opinion expressed by economists that after accession the growth of polish import from the EU would exceed polish export dynamics mainly due to rising demand for foreign consumers and investments goods and more aggressive market selling strategies of multinational firms at polish market. It would also come due to the real appreciation of polish zloty. However, the forecast on the temporary deterioration of polish trade balance didn't come true. In 2005 for the first time polish trade balance showed small surplus with the EU countries, in 2006 Poland obtained even bigger surplus in trade with the EU countries of 4,79 billion euro and in 2008 +4,5 billion euro. Surprisingly, in 2009 year financial crises created positive impact on situation in balance of current account which affected an increase the positive balance of trade with EU partners to +11,8 billion euro and to +2,9 billion with euro zone. Due to the higher decrease of import then export we changed the negative balance of current account from -972 million euro in July 2008, – 1764 million euro in September 2008, to positive one + 910 million euro in February 2009, + 459 million euro in June 2009 (8). In the three quarters of 2009 the negative balance in Polish foreign trade diminished more than two times (from 65,6 billion to 27,8 billion zloty in three quarters of 2009) and to 8,7 billion euro in the all year. This trend continued even in crisis period: in 2011 Poland obtained even bigger surplus in trade with the EU countries + 16.4 billion euro and in 2012 + 20.4 billion euro. In 2013 as a result of faster growth of export then import, significantly decreased global trade deficits (nearly 8.3 billion euros in 2012) to 2.3 billion euros and trade with the EU showed 24.2 billion euro surplus. After eleven months of 2015 the positive balance reached the level of euro 3 486 million euro. The positive trade balance with the EU partner countries showed, that Polish economy was able to withstand the competition forces of the single market even in economic downturn The change in balance of current account was brought into existence by abrupt 40% devaluation of Polish zloty and a favourable level the terms of trade index (drop of oil prices) that restrained progress of economic downturn.

Secondly, after accession to the EU our economy received a lot of foreign direct investment (FDI) and Poland continued to lead in attracting them in central European region in the term of annual flow and its overall amount with 26, 3% of all foreign investment undertaken in this region. (in sum about 124 billion euro). Annual flow of foreign direct investment grew from about 4 billion euro in 2003, to 10.2 billion euro in 2004, 8.3 billion euro in 2005, 15.7 billion euro in 2006 up to even 17.2 billion euro in 2007 when Poland placed as a second most attracting place to invest in European single market after UK, and 9,9 billion euro in 2008. Since the accession to the EU we were observing double growth of foreign direct investment: the inflow of FDI in 2006–2007 was four times larger than before accession.

Figure 1: Inflow of the FDI in Poland in 2000- 2010 in billion Euro



About 85 % of all the FDI in Poland originated from the EU members countries (see tab no 7)The increase in FDI in Poland has been paralleled by significant increase in growth of trade on the European single market, hence one may said about synergy effects of capital and trade flows, when trade liberalization induced capital inflow but on the other hand FDI had positive impact on growth of export. Capital originated from the EU partners was invested in a number of sectors: car industry, telecommunication, textile, service sector, business services, real estates, etc. In Foreign direct investment flows we observed the growing importance of reinvested profits 37,1% – 18,8 billion Euro in 2004–2007, which may signify long term engagement of foreign capital in Poland. On the basis of inquiry dispersed among foreign investors in Poland one can conclude that economic growth was the main reason for their investing in our economy (50% respondents), other reasons were size of polish market (44,6%), supply of labour force (30,3%). It is interesting to note that over 55% of foreign investors praised also the qualification of Polish managerial staff (6).

Table 8: Foreign Direct Investment Stock (FDI) in Poland from specific countries

Country	Value of FDI in billion Euro	Share
1. Netherlands	22.04	19.0 %
2. Germany	18.14	15.7 %
3. France	12.46	10.8 %
4. Luxemburg	10.02	8.7 %
5. USA	7.10	6.1 %
Others	45.90	39.1 %

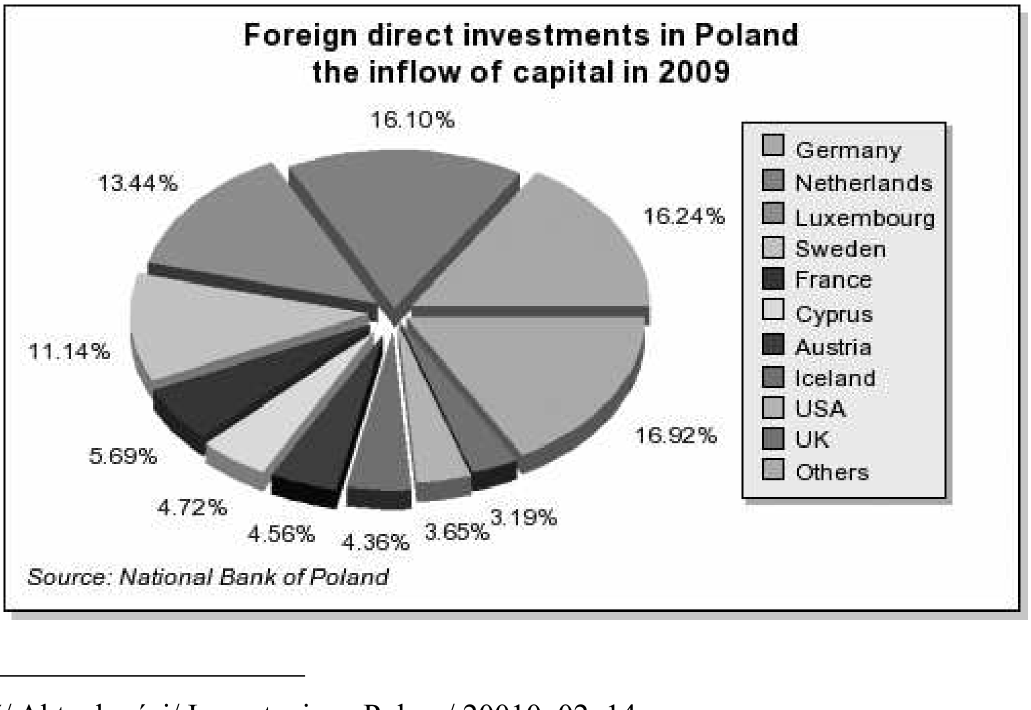
Source: PAIZ/ Inwestycje zagraniczne w Polsce/ http://www.paiz.gov.pl/polska/2010–02–14

However, in the second half of 2008 FDI inflow to Poland started to wane and even worst was situation in 2009 year when the import of new foreign direct investment was practically stopped because of financial crises. Portfolio investors were no longer concerned about profit, but about security and in some cases they took back their capital from Poland to its source countries. In 2009 there was considerably slowdown in the first quarter when the value of FDI (1 925 million euro) turned out to be 44, 1% lower than in 2008. Alarming was a dramatic fall in investment in the Polish special economic zone from 3,2 billion zloty in the first quarter in 2008 to 0,5 billion zloty in first quarter of 2009, where a mere 20 foreign companies obtained the permit to start business.[8]

[8] Spadają inwestycje w specjalnych strefach, The Wall Street Journal Polska, 1305.2009, Les echos Pologne, No 96- Avril 2009, www.echos.pl, p 12, Poland Competitiveness Report 2008. Focus on Services, Warsaw 2008, s.114–115

Although to the end of August 2009 foreign investors have invested in Poland only 4,5 billion Euro, in the second half of the year investment climate in Poland has been improved and between July and October average monthly FDI inflow exceeded 1,2 billion euro. In all 2009 year to Poland came 9.863 billion euro Foreign Direct Investment and 92% originated from the EU members states.[9] The amount of FDI composed of 4.099 billion reinvested earnings in foreign owned firms, 3.8 billion investment in equity capital, 1.964 billion euro intercompany loans. The most investments were located in: food processing (1.7 billion euro), real estates and business services (1.64 billion euro), financial intermediation (1.61 billion euro), trade and repairs (948 million euro) electricity, gas and water supply (856 million euro), transport equipment manufacturing (524 million euro). The biggest investors in Polish economy were in this still crisis year the EU partners countries: Germany: 2.1 billion (21.73%), France – 1.3 billion (13.98%), Luxemburg -1.25 (12.71%), Sweden – 940 million euro (9.56%) Austria – 585 million euro (5.96 %), Netherlands – 478 million euro (4.86%), Italy – 459 (4.67%), Spain – 393 (4.%), except USA – 895 million euro (9.1%),). At the end of 2009 cumulative FDI stock in Poland was at the level of 128.8 billion euro. In 2010 FDI inflow to Poland reached lower level 7.53 billion euro. However, after financial crises we expect returning flow of foreign direct investment to Poland to its at least previous level above 10 billion yearly. The investment climate has been already moderately improved since the middle of 2009 year by rising tendency of stock prices crossed 2700 points.

Figure 2: Investments from specific countries and regions



[9] PAIZ/ Aktualności/ Inwestycje w Polsce/ 20010–02–14

The latest statistical data shows that the inflow of FDI to Poland has not been stopped: accounted for 9.0 billion in 2014. It consisted of equity of 1.7 billion euro, reinvested profits 6.0 billion euro and remained the capital of the 1.3 billion. The status of foreign direct investment in Poland was 171.7 billion euro at the end of 2014. The major foreign investors, according to the states at the end of 2014, were investors from: the Netherlands – 29.6 billion euros, Germany – 28.0 billion euros, Luxembourg – 20.4 billion euro. Broken down by sector the largest amount of FDI accounted for: industrial processing – 50.5 billion, financial and operations, insurance – 39.7 billion euros, wholesale and retail trade including the repair of vehicles – 23.1 billion, real estate-related activities – 11.6 billion.

Thirdly, after accession to the EU we observed strong wave of emigration of polish workers to the EU partners countries: Polish emigration rose from about 1million before accession to a peak 2,2–2,5 million emigrants, so we may reasonable assume the positive effects of the integration on net polish migration against no enlargement scenario. It is worth to note that the European single market has brought about not only creation of new flows of migration of workers, but sticking to migration restrictions by some the EU countries result also in the diversion of Polish migration from traditional destination countries like Germany, Austria, to the countries with more liberal immigration policies like UK and Ireland. The EU members were among the most important destination for polish emigration and included: UK (650 thousands), Germany (490 thousand) Ireland (180 thousands), Netherlands (108 thousands). Against popular opinion Poles are not the most mobile people among the European nation (emigration constitute about 2% of working population): less than in Lithuania (3,1%), in Cyprus (3%), in Romania (2,5%) and in the long perspective much less then in Portugal (9%) and in Ireland (8,2%). As we see in tab. no 10 during the crisis in 2008–2012 the emigration flows from Poland to the EU decreased by 250 000 from 1 820 000 to 1570 000. Because of financial crises in 2009 in UK one third (200 000) among the Polish emigration declared their willingness to come back to Poland.

Table 9: Temporary Migration from Poland in 2007–2012 (in thousands, end-of year stock)

	2007	2008	2009	2010	2012
1. United Kingdom	690	650		587	635
2. Germany	490	490			470
3. Ireland	200	180	140	125	120

	2007	2008	2009	2010	2012
4. Netherlands	98	108	84	89	
5. Spain	80	83	84	50	
6. Italy	87	88	85		
7. France	55	56	47		60
8. Austria	39	40	38		
9. Belgium	31	33	34		
10. Sweden	27	29	31		
11. Greece	20	20	16		
12. Denmark	17	19	20		
Overall	2270	2210	1870	1940	
EU	1860	1820	1570		

Source: EU 10 October 2008. In Focus: An Update on Labour Migration from Poland, page 18., Główny Urząd Statystyczny. Departament Badań Demograficznych, 2009, 2010, Warszawa. Gospodarczo –społeczne efekty członkostwa w Unii Europejskiej, z uwzględnieniem wpływu rozszerzenia na UE- 15, Warszawa 2012, p. 11.12,

Polish migration was composed mainly from young, energetic and well educated people who found job in not technically advanced sector of the economy of the host country like construction, agriculture, simple services in restaurants and hotels. About 80% of Polish citizens left the mother country due to the economic reasons: the main motive were lack of job in Poland and lower average wages in Poland (about 5 euro per hour) then in the EU 15 members states (from 25 to 30 Euro per hour). Young people taking up first job were able to get minimal wages per one month in purchasing power parity three times less in Poland (379) then in Ireland (1050). Like in the other new accession countries macroeconomic impact of migration of Poles seemed rather limited effect on the Polish economy taking into consideration by remittances for families, growth of productivity, reduction of unemployment, pushing up wages and adding to skill shortages Emigration brought about some negative consequences for polish economy: emigrants left behind Poland of course decreasing the potential rate of their economic growth and it is assessed that: emigration contributed to decrease of the GDP by -2,22% for all accession countries. Additionally some branches of industries and services started to complain about the lacking of adequate labour force on the local market (brain drain of doctors and informatics). It is also doubtful if emigration constituted a serious labour marker relief in terms of unemployment for the rapidly growing polish economy able to increase the number of employed from 13,7 million to 15, 2 million in post accession period. On the other hand each year transfer of money from emigrants to mother country was higher than 2 billion euro, (2,3 billion in 2008) in 2008 even reached 5.7 billion, in 2010 – 4.2 billion euro, in 2011 – 3.67 billion euro which benefited polish economy (see tab. no 10). Remittances from abroad constituted in the 2007 year of only 4,5% of income from polish export. Moreover, the migrations contributed to increase and accumulate their human capital: Poles functioning in international environment got learned about new management and organization methods, new models of professional carriers, what is particularly important taking into consideration the fact that after financial crises in 2008 the more and more polish people lost their job abroad and began to come back to Poland. In the case of Poland due to emigration reduction of the population in working age as a whole depressed GDP in 2005 by 0,16% GDP, in 2006 by 0,25%, in 2007 by 0,24% GDP, in 2008 by 0,23% GDP and in 2009 by 0,31% GDP, decreased unemployment by 0,29% in 2005, 0,45% in 2006, 0,41% in 2007, 0,32% in 2008, 0,21% in 2009. The substitution of labour by capital, starting up building the capital stock and stepping up investment lead to the productivity increases of polish workers by 0,16% in 2005, 0,33% in 2006, 0,47% in 2007, 0,58 in 2008 and 0,63% in 2009. Practically all evidence suggest that benefits outweigh the cost of migration: remittances payments increased household income, consumption tended to offset the downward effect of emigration on GDP in Poland because of the reduction of working population with positive impact net on per capita growth by 0,28% in 2005, 0,51% in 2006, 0,58% in 2007, 0,58% in 2008 and 0,51% in 2009.[10]

Table 10: Remittances of polish emigrants for their families in Poland

Year	in billion euros
2004	2,30
2005	2,90
2006	3,50
2007	4,10
2008	5,70
2010	4.20
2011	3.67
2012	0.97

Source: own estimation on the different data. Y- means numbers for first quarter of 2012.

[10] Ray Barrel, John F. Gerald, Rebecca Railey, EU enlargement and migration: Assessing the macroeconomic impact, NIESR Discussion Paper No 292, March 2007, p.13–15.

Fourthly, the accession of Poland to the EU is to be positive in the terms of the balance of structural funds. The structural aids from the EU budget to Poland rose year by year: from 1,1 billion euro net in the first year of accession to 1,61 billion euro in 2005, 2,49 billion in 2006, 4,79 billion in 2007, 3,99 billion in 2008 and we expect that it will have the level of about 9 billion euro in 2013 (see tab. no 11). In 2007 net payment from the EU budget to Poland attained more than 2% of the GDP. In the end of 2009 the EU budget has passed to Poland more than 7 billion Euro that means about 10% of all Structural Funds resources preview for the period 2007–2013 (64 billion euro). In 2009 proportionally more resources from Structural Funds the EU have transferred to Lithuania (17,4% of all resources for the period 2007–2013), Estonia (14,8%), Latvia (12,9 %), less for Czech Republic (9,7%), Slovakia (9,5%). Thus far from total sum of Structural Funds Poland got used up to about 20% of all allocation in the budgetary period 2007–20013. It is said that the latest speed up in spending European grants was caused by economic crises when polish provincial governments decided to increase subvention for local investments in enterprises and infrastructure.

Table 11: Balance of payments between Polish and the EU budget in billion euro in 2004–2013

Total Years									
2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Structural aids from EU									
2.42	4.01	5.05	7.62	7.39	9.25	11.22	14.27	15.4	15.63
Polish contribution to the EU Budget									
1.31	2.38	2.55	2.78	3.40	3.23	3.48	3.73	3.56	4.43
EU Structural Funds net transfer to Poland									
1.10	1.62	2.49	4.79	3.99	6.01	7.73	10.49	11.86	11.19

Source: Ministerstwo Finansów. Skumulowane przepływy finansowe między RP a UE w latach 2004–2013

We see growing progress in the implementation of the National Cohesion Strategy in Poland: up to the March 2011 53 050 contracts for co-financing were signed with beneficiaries for the amount of 234.3 billion zloty – amount of co-funding on the part of the EU of 161.7 billion zloty (about 40 billion euro) which constitutes 61.9 % of all allocation from Structural Funds to Poland for the 2007–2013 period. In the end of 2009 year two polish regions: Opolskie and Lubuskie got used 30% of all money previews for the period

2007–2013, but Mazowieckie voivodship used less than 10%. From all Operational Program carrying out in Poland the most advanced was Innovative Economy, the less Infrastructure and Environment which used only 7% from all the quotas of 28 billion euro at the end of 2009.[11] Before enlargement the prognosis indicated about difficulties of absorption by Poland the structural funds seems now to be exaggerated.. To the December 2009 structural funds has financed 97 thousands different projects in Poland.[12] For example, due to the structural aids Poland was able to build 400 new railroads and nearly 5 thousands km new roads: 192 new motorways (A2 highways between Konin and Łodź, A4 between Wrocław and Legnica), 142 km new express ways and 92 ring roads. In comparison in the same period polish government supported by only budgetary resources to build: 20 km highways, 28 km express ways and 230 circuit roads. Additionally we are now in the process to build new superhighways of 99 km long, 170 km new express ways with the financial participation of structural aids. The European Social Funds delivered grants to introduce new active forms fighting against unemployment: aids to set up new firms, professional courses, professional consulting, what was among the greatest success of utilization of structural aids in the first period of Polish membership in the EU. According to opinion by E. Kryńska from Institute of Work and social affairs the structural funds helped to create 400 000 new jobs in the 5 years of membership of Poland in the EU.[13] The European Social Fund supported the training of 2,3 million of polish workers: 520 thousand of them were employed in the firms which used the structural aids to improve their qualifications; 650 thousands were unemployed persons who attended the courses financing by the EU to get new useful qualifications to enter back to the labour market. On the one hand the realization of the EU regional policy has forced the regional authorities in Poland to learn and adjust their practices to European rules, enlarge their capacity, reinforce the competency of polish regional authorities. Substantial acceleration in spending structural funds was accomplished during the crisis, hence Poland is being considered as one of the most successful countries among the EU new members countries in terms of utilization of structural funds. Each year the EU budget has passed to Poland more than 10 billion euro, since 11.22 billion euro in 2010 to 15.63 billion euro in 2013. The financial aids of Structural Funds helped polish regions to become more and more important actor in achieving the goal of development, transport, education, technology, industrial and environmental policy on regional

[11] Rzeczpospolita, 8 Października 2009, B2
[12] Por. Fundusze Europejskie, Dotacja krok po kroku, Listopad-grudzień 2009 Nr 6, p. 15
[13] Rzeczpospolita 30 kwietnia- 1 maja 2009, B2,3

level. On the other hand the most important barriers which faced Poland in the first years of accession was the complicated beurocratic system of utilization of structural aids. This bureaucratic barrier was not only imposed to Poland by the EU law but is increased also by polish regulations (for example public procurement) and administrations practices. In the first period of accession polish enterprises pointed out also to a mismatch between the Structural Funds support and their real needs.[14] The EU funds generally positively contributed to economic growth, improved many sectors of polish economy like transport, environmental protection, education, functioning of small and medium size enterprises and convergence among regions. In assessing the impact of Structural Funds it is used to distinguish between the short – term demand effects and long term supply effects. Investments in infrastructure or in human capital, which create additional demand increase production and employment in short run. In the long run investments act for increase productivity of factors of production and structural change, hence bring long term growth. According to HERMIN demand model European Commission assesses increase of GDP in Poland yearly by 0.4%–0.5% over the course of spending period. More significant are the supply side effects of Structural Funds 2007–2013 in polish regions estimated in the range from 8% to 12% of GDP. ([15]). K. Piech by the help of three macroeconomic models (HERMIN, MaMoR2, CGE-type model) assessed that with the aids of the EU funds, which are going to be spent in the period 2007–2013, Poland will be able to reach almost 70% of the EU-25 GDP in 2020 and without the Structural Funds – about 3 points less. Overall, it is assessed that about 1/6 of the level of development in Poland is to be contributed by resources coming from structural funds. Only one Operational Program-Development of Eastern Poland is expected- according to the macroeconomic modelling – to deliver additional GDP of 1,38% and up to 13 610 new jobs annually in five the least developed polish voivodships.[16]

Fifthly, inclusion of polish agriculture into Common Agricultural Policy was accomplished without any major economic and social problems and has brought a lot of positive changes. After accession to the EU the polish agro-food sector became an export hit on the market of many EU countries: growth rate of agricultural export was almost twice faster than import growth. In

[14] Fundusze Unijne. Aktualności, 25.04. 2007, http://www.mrrr.gov.pl/ Aktualnośći, Fundusze+ unijne04–06/wdrażanie, Structural Funds' Implementation in Poland – Challenges for 2007–2013. Budgetary Affairs European Commission 4/9/2007, p.4)

[15] Investing in Europe's Future. Fifth Report on Economic, Social and Territorial Cohesion, Bruu ssels 2010, p. 249 -254.

[16] K. Piech, Result of the EU funds macroeconomic impact assessment- the case of Poland, Riga 29 May 2008, p 1- 37.

2004–2009 the agricultural production grew by 23% in Poland. However according to GUS data, since 2008 we have seen deterioration in Polish foreign trade in agricultural products: in 2009 this dynamic growth of export was decreased to 12,1% (11,3 billion euro) due to the financial crisis and imports rose even more by 21,7 % to 9,8 billion euro, but the trade balance was still positive (1,5 billion Euro). The share of agriculture food articles in the value of the entire Polish exports accounted for 9.0% and these export grew dynamically also during the crisis. The positive trade balance with the EU partners in agro-food sector indicated that polish farmers were able to compete on the European Single Market even having only partial direct payment from European Structural Funds. The polish farmers were the only one social group who get the direct aids and 1,4 million of them applied for the Structural Funds. It has been calculated that as Poland was gradually covered with direct payments between 2007 and 2015, EU budget funds in sum amounted to EUR 16.3 billion. Against critics polish agricultural information system (IACS) proved to become efficient effectively support a lot of small polish farms. The rise of export to the European single market, prices for many agricultural products, and direct aids have increased of farmers income and profitability from agricultural production. After accession to the EU the average income of farms in Poland grew from 24% to 48% in reference with average income of workers working in the industry and services sectors. Although polish agriculture received only part of direct aids (25 % in 2004, 60% in 2009), lower than the EU 15 members states farming (the full payment will happen in the budgetary period 2013–2020) increment of income in Polish agriculture after accession was over 70% caused by increase of subsidies, while the share of other factors accounted by other 30% (increase production, price, technical change.[17]

Table 12: Direct payments transfers for polish agriculture in million euros in the period 2005–2012. In brackets the preview payments

Years	Direct payments in million euros
2005	(755,8) 702
2006	(881,7) 811
2007	(1140,8) 935
2008	(1425,9) 1037

[17] M. Piotrowska, L. Kurowski, Global Challenges and Policies of the European Union- Consequences for the" New Members States, Research Papers of the Wrocław University of Economics, 2009, p.387

Years	Direct payments in million euros
2009	(1711)
2010	(1996,1)
2011	(2281,1)
2012	(1566,2)
2013	(2851,3)

Source: 5 Years in the EU, Warszawa 2009, p.207

On the one hand from 1 800 thousands polish agricultural farms, the output of the especially 500 thousands biggest farms have been growing at a fast rate and restructuring and modernization of farms have been accelerated (these farms produce about 90% of all agricultural production in Poland.), on the other hand in some small farms up to one or two hectare direct aids create 90% of their average agricultural income[18] where significant amount of payments became in an effect social aids and helped to increase rather the consumption in small farms then investment with little influence to change them to more productive sector of economy. Altogether with a lot of success we see that it was rather doubtful that Common Agricultural Policy was able to profoundly change Polish agriculture into more productive sector of the economy in a relatively short period of time. Existing CAP intervention provide incentives for continuing small and low- productivity farming: research done by the Agricultural University in Poznań indicates that after accession to the CAP number of polish farms decreased only by 148 thousands and about 420 thousands farmers in Poland still make a living from farms not larger than 2 hectares. During the last 10 years an average size of an individual farm increased in Poland by only around 1ha and percentage of people employed in agriculture decreased from 18,3% to 15%.[19] To change polish agriculture profoundly the corrective mechanism of Common Agricultural Policy is still needed in the long run perspective.

After accession to the European Union Poland showed robust economic growth for a couple of years (5% in 2004, 3,2% in 2005, 5,8% in 2006, 6,4% in 2007, 5% in 2008. In 2009 the growth of GDP dropped to 1, 7%, but Poland was the only country in the EU to post positive rate. In 2010 real growth increased to 3.8%, total consumption expenditure was by 3.2 higher than a year

[18] Global Challenges and Policies of the European Union- Consequences for the " New Member States, Research Papers of Wrocław University of Economics, No 59, 2009, p. 384

[19] Frenkel, Ludność wiejska (w:) Polska wieś, FDPA, Warszawa 2008, p.54. Polityka nr 43 (2728) 24 października 2009

before but investment rates was 19.5% while in 2009 – 21.2%. For the period 2007–2011 the Polish economy to grow at a high pace, generating the highest compounded annual growth rate in the European Union as a whole (4.3% to 0.5% in the EU-27). Poland remained on a path of economic growth even in times of crisis for many EU' member countries. In 2012, the pace of growth pact Polish economy slipped to 1.9% of GDP, but it was still positive. In 2014 – 2015 rates of growth were above 3% and for 2016 it is predicted at the level 3.7%. The EU structural funds helped Poland to avoid a recession at the time of euro zone crisis. We estimate that, on average 0.5 -1 percentage points of annual growth over the period was the result of investments co-financed by the EU. It is worth noting that, in the period 2014–2020 Poland will receive another huge potential of 73 billion euro of structural funds. Additional growth due to the accession to the EU is assessed by different analysis from 0,5% -1% to 1,75 % of the polish GDP. The positive economic effects of our accession to the EU was shown by dropping of polish unemployment statistics from nearly 20% unemployment of total labour force in 2004, to 17,6% in 2006, 14% in 2007, and even 8% in the middle of 2008. In 2009 unemployment grew to 10, 9% and in 2010 and 2011 to more than 11%., but dropped below 10% after 2014. We saw the growing confidence by the part of businesses and consumers in the prospect of polish economy in the European Single Market, which created new investment and consumption boom. After accession to the EU Poles bought a lot of new cars, building materials, AGR goods, the expansion of industry production was spread across the entire spectrum of industry: growth was seen in as many as 25 out 29 sectors. Polish GDP constituted in 2004 approximately 41% of the average GDP of EU at purchasing power parity, in 2008 about 50% of the average GDP 27 members states, in 2009 -55% due to decrease on average of GDP in the EU by about 4,% and growth more than 1% in Poland, in 2010 reached the level of 57% of the EU average, in 2015 – 67% of the average of the EU GDP, and it was estimated that as an effect of the rapid growth of polish economy after crises our GDP would be approximately 70% of the 27 EU members states by 2020 and more 80% in 2040 year.

After accession to the EU we observed temporary and limited negative impact of the European single market on polish economy. The most visible was the growth of prices on some agricultural products (especially sugar) as well as building materials, alcohol, cigarettes, connected with changes in indirect taxation. But the level of inflation gradually decreasing in the following years and in 2006 with 1,4% yearly inflation Poland was among three EU members countries indicated the lowest level of its rates. The fears that Polish enterprises would start to wind on mass scale after accession did not (come true) materialize. On the contrary polish firms developed their sale to the European single market and improved their profitability. However, the accession to the EU of new member country is as usual connected with differentiation process of regional development. It is argued that some regions in Poland gained more on the integration processes then others that: capital Warsaw seemed to receive the most profit from adhesion into the EU as the city to be able to compete at a European level and attracting a lot of foreign capital, the greatest benefits from integration processes fall also to large agglomeration (Poznań, Cracow, Wrocław Tri- city – Gdańsk, Sopot, Gdynia, Lodź), integration benefited some regions like Mazowieckie voivodship, Śląskie, Wielkopolskie, Dolnośląskie voivodships, places localized near modern communication links, but most disillusioned regions were located in the east part of Poland facing external EU tariffs barriers, personal control, losing business connections with eastern partners, and regions dependent on heavy industry, cool mine production, ship-building sector and states farming.

The main drivers of the recovery for polish economy from negative consequences of economic crises after 2008 seems to be gradual rebound of international trade and capital movement, further increase of public investment and policy of fiscal consolidation. The rebound in demand on the European Single Market is expected to support again polish export growth since 2010. Together with growth of export one can predict also coming back of inflow of FDI to Poland with a view of enlarge selling possibilities. The planned growth of public investments financed by Structural Funds during actual budgetary period 2013- 2020 are going to offset the expected fall in private investments by polish firms. Reduction of budgetary deficit and public debt seems to be a goal of medium term polish economic policy to accomplish convergence criteria, but it would probably happen not earlier then in 2016–2020. The risk factors of this recovery are connected with unfavourable labour developments and low elasticity of the labour market. Falling employment, emigration and slowing real wages may depress growth of interior consumption, private investments, firms expansion and recovery in the housing market. The crises may also weaken the incentive for structural reform; the risk of populism may spreading with a call for protectionism, to rise tax and budgetary spending, to delay entry of younger workers to the labour market.

The economic crises after 2008 posed new challenges for integration of Poland in the EU by declining dynamics of trade, investment and services circulation, coming back polish emigrants from abroad, hence the question arise what will be the future position of Poland in the EU and which efforts should be undertaken to safeguard the achievements of accession. Firstly the gains from accession to the European Single Market can be further exploited by deepening the integration of markets of goods and services with the EU partners. To gain more profit from international division of labour the structure of polish export have to change continuously towards production of goods with high value added and to develop intra-industry specialization. Our economy should not only compete on the basis of lower labour costs (agricultural goods, textiles,), and production of capital intensive goods (transport equipment, machinery) but also strive to increase productivity (now at the level of about 60% of the EU 27 average), technological development and spending more resources on R+ D to export more technology intensive products. We should act also to implement completely the 2006 Service Directive, for further liberalization of the electricity and telecommunication sector, for easing of restriction in professional services (accounting, architecture, legal and business services). A Copenhagen study calculated that the new service directive could create up to 600 000 new jobs on the European Single Market and increase the GDP of members states by 0,6%. Secondly, the economic crises and financial interdependence between Poland and the EU partners underscores the importance of strengthening the EU cooperation in financial sector and its common supervision. The UE ought to do the best to restore stability, transparency and confidence in the financial sector and to undertake reform of the common banking regulators. Thirdly, Poland on the European Single Market should increase the effectiveness of public administration to cut red tape and improve functioning of its judiciary system. Simulation made by the European Commission shows that output and consumption could increase by 3% in the EU new members states, if 25% reduction in administrative burdens were achieved. Fourthly, financial crises has exposed also vulnerabilities of polish budgetary equilibrium and fiscal system. Polish huge budget deficit 7.2% in 2009, and about 6.9% in 2010, reduced below 3% in 2015 is going to be increase according the government plan to more than 3% in 2016, public debts -49,8% in relation to GDP in 2009 grew to 53% in 2011 and to 55% in 2015. According to Quest -1% increase in the public consumption may cut potential output in the range of 0,6% to 1,6% after ten years period. Therefore, sound fiscal policy is essential for our further integration in the European Single Market as well as to accomplish convergence criteria, hence in the medium term we should increase its quality and make reform concerning spending on public sector (health care, pension, education).Fifthly, the further benefits from European Single Market can be achieved due to the accession into euro zone. The standard analysis shows that polish benefits are to be comparable to the elimination of non-tariffs barriers under the single market program and will give additional moderate impulse to economic growth by 0,4–0,5% of GDP each year during medium term period. This additional growth would come mainly from: intensification of trade with the EU partners, increase of competition, elimination of risk of rate of exchange and transaction costs, increase of attractiveness of polish market for international investments, new possibilities for polish economic agents to finance their activities on European Single Market. These benefits will not occur, however, in the short term, because the new Polish Government likely will postpone accession to the euro zone outside 2020r.