

POLAND'S ACCESSION TO THE EUROPEAN UNION: COSTS AND BENEFITS

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DHANANJAY TRIPATHI



**CENTRE FOR RUSSIAN, CENTRAL ASIAN AND
EAST EUROPEAN STUDIES
SCHOOL OF INTERNATIONAL STUDIES
JAWAHARLAL NEHRU UNIVERSITY
NEW DELHI
INDIA
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JAWAHARLAL NEHRU UNIVERSITY

SCHOOL OF INTERNATIONAL STUDIES
NEW DELHI - 110067, INDIA

Tel. : 6107676, 6167557
Extn. 2365
Fax : (+91)-11-6165886
(+91)-11-6198234
Cable : JAYENU

Centre for Russian, Central Asian and East European Studies

Date: 14th July 2004

CERTIFICATE

This is to certify that the dissertation entitled "**POLAND'S ACCESSION TO THE EUROPEAN UNION: COSTS AND BENEFITS**" submitted by **DHANANJAY TRIPATHI** in partial fulfillment of the requirement for the award of the degree of **MASTER OF PHILOSOPHY** is his original work and has not been submitted for the award of any other degree of this university or of any other university.

We, therefore recommend that the dissertation may be placed before the examiners for evaluation.

Prof. Anuradha M. Chennoy
(Chairperson)

Dr. Gulshan Sachdeva
(Supervisor)

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DEDICATED

TO

MY SISTER AND BROTHER

JAYSHREE AND SANJAY

PREFACE

The woods are lovely dark and deep, But I have a promise to keep, And miles to go before I sleep.

- Robert Frost

I always believed that the world history is more or less the history of Europe. Any event which influenced the world politics are either originated from Europe or it had some link with it. The two bloody World Wars started from Europe; in the entire cold war no other continent remained so much divided as Europe was. Coming to the contemporary era, 21st Century is regarded as the century of peace and cooperation. Here also Europe comes to limelight. The Eastward Enlargement of the European Union set the example of co-operation in the contemporary world. The divide once they stood and united now they are. My interest in the world history moved me to do my research on the Eastward Expansion of the European Union. I was encouraged on the subject by my supervisor, Dr. Gulshan Schadeva and it was he who suggested me to focus the study on the Poland.

An organized Polish state first manifested itself during the reign of Mieczyslaw or Mieszko, the chief of the Polanie and the Slav settlers in the Oder and Vistula basin. Poland's past is full of war and invasion, in the thirteen century Poland was annexed thrice by three different groups of people- the Teutonic, Tatar, and the Jews. Poland was again unified under the rule of Kazimierz the Great (1333-1370), and reached the zenith of its glory in the period of Jagiello (1490-1526). On the political level the period of Jagiello-dynasty resulted in the unique establishment of a strong two house parliamentary system consisting of the Sejm and the Senate. In the political field Poland was at that time the most democratically governed country of the Europe. Culturally, the golden age under the Jagiellonians opened Poland upto the many foreign influences, especially from Renaissance- Italy. Copernicus conducted his scientific research and the first great figures in the Polish literature, such as Rey and Kochanowski, wrote their works. After the last king of this dynasty, ruler was elected in Poland through elections and the tradition continued till the end of the Polish Commonwealth in 1795.

In the nineteenth Century the invasion of Poland by outsiders continued and during the First World War Poles were conscripted into the armies of the three occupying empires, Poland regained its independence at Versailles. The Germans invaded Poland in the Second World War, and after the war Poland found itself within Soviet influence. The resistance inside Poland developed in the form of Solidarity in the late 1970's and the entire country went on strike in August 1980. Compromise was made with the leaders of Solidarity and a reform package was launched in 1982, however, it failed to bring about the desired result. In 1988 Mieczyslaw Rakowski's government introduced yet another reform package. The program met with a limited success.¹ The Solidarity achieved victory in the 1989 elections and a government was formed under the leadership of Tadeusz Mazowiecki. Thereafter Poland never looked back and remains consistent on the path of reforms. Poland's experiment at economic metamorphosis has come to yield results and its GDP was 20 percent larger in 1999 than in 1989.²

If Poland's history is full of invasions then the European Union's is full of expansions. Four enlargements of the European Union had already taken place before the current one. This dissertation is an attempt to briefly study the latest enlargement and its effects on new entrants, taking the example of Poland. Amongst the ten new members from the Central and the Eastern Europe Poland is chosen as the area of study owing to the fact that it is a significantly larger country of the region, with an equally prominent economy. The study is an analytical description of gains which Poland had before joining the European Union, and will get from joining the European Union. At the meantime an effort is also made to analyze what problems Poland will face, being the part of the European Union. The study also throws light on the preparedness which Poland did for the membership.

For the reason of clear understanding of the topic, the entire dissertation is divided into four chapters and a concluding note. The first chapter "Eastward Enlargement of the

¹ World Bank, *Poland : Transition to Market Economy* (Washington: International Bank of Reconstruction and Development, 1996)

² Leszek Balcerowicz, "Poland's Transformation", *Finance and Development*, Vol. 37, No. 3, 2000, p.14.

European Union", deals with the history of the European Union and of its earlier enlargements. In this chapter the criteria for the membership, profits for both the EU and new members are mentioned while giving particulars of the changes made in the structure of the EU for its biggest ever enlargement.

The second chapter, "Poland's Preparation for the Membership", focuses on the modifications done in Poland on economic and on political fronts to make it acceptable for the membership. The chapter provides the minute details of the activities carried out for the association with the EU.

The third chapter, "Gains from Accession", describes the returns for Poland, which it got as the virtue EU's membership. Soon after the formal approval for the membership, EU provided funds for the reconstruction of Poland which is still coming to it. Apart from aid and assistance Poland is benefited on wider scale in economic and in the political regions, which will multiply with the course of time.

The fourth chapter, "Major Concerns and Problems", concentrated on the problem areas. Poland is still a transition economy and changes in the country are going on at a fast rate. EU has certain laws and regulations for its functioning and every member state has to adopt it. Poland has some complexities in incorporating those guidelines. But once the legislation of the EU was completely accommodated the problems will come down automatically.

The fifth chapter, 'Poland and EU: An Assessment', is the concluding one. This chapter is brief and centered around the discussion of hopes and despairs for Poland in the wake of the EU's membership.

No words to express my gratitude for Dr. Gulshan Schadeva, under whose guidance I completed my work. His supportive nature, expertise, experience and cheers reinforced me whenever I needed. I, confess that without his support this work would never have been concluded.

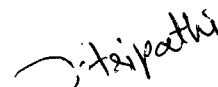
Also, thanks to the family of Centre of Russian Central Asian and East European Studies, for accepting me as part of its big family. I am proud to be a part of it.

My sincerest thanks to the Embassy of the Republic of Poland in India and its staff members. I am extremely grateful to the European Union Delegation library staffers, for going out of the way to provide information and material.

I would take this opportunity to thank my parents for whom I know this dissertation is like a dream come true. I just want to say that it is all their love and blessings that keeps me going.

I particularly appreciate my babahi, Sushmita, Ashu, and Om for their helping hand. I owe it to Balwant, for giving up his addiction to the computer and sparing it for such a long time. I recognize the efforts of my friends Sonia, Parimal, Govind, Ram Narayan, Avinash, Tushar, Sunil, Kartikeyan and all others who assisted me in searching materials and for their valuable advice.

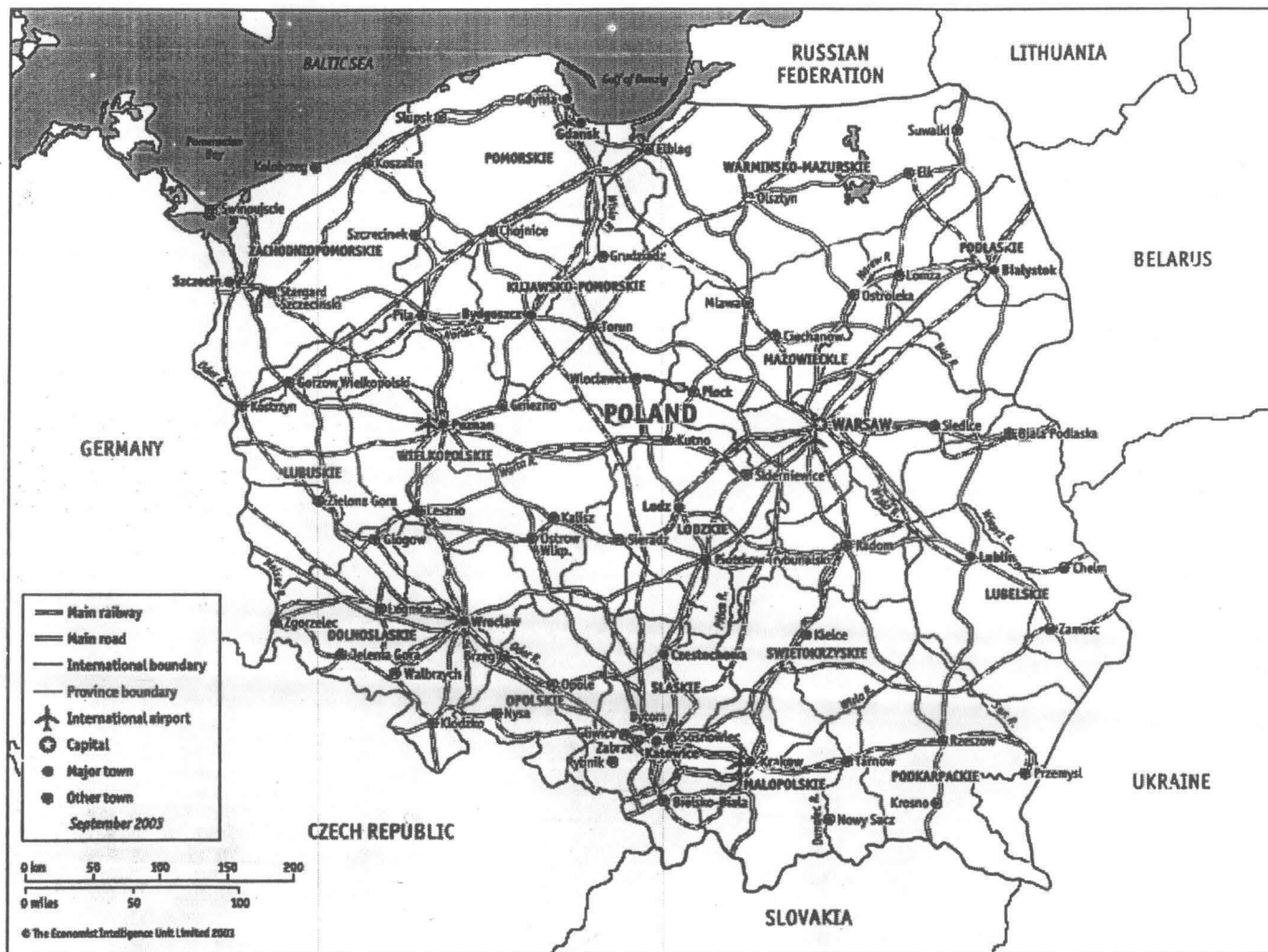
How can I forget to mention the name of Mr. Aditya Srivastav, Mr. N.R. Khan, and of Mr. VV. Vinod, who inspired me from days of my childhood and are ideals for me till now and will remain so in the future.


- Dhananjay Tripathi.

LIST OF ABBREVIATIONS

1. BAT- Best Available Technology.
2. CAP-Common Agricultural Policy.
3. CEECs'- Central and East European Countries.
4. CEFTA- Central European Free Trade Agreement.
5. CFSP- Common Foreign and Security Policy.
6. EBRD- European Bank for Reconstruction and Development.
7. EC-European Community.
8. ECSC- European Coal and Steel Community.
9. EFTA- European Free Trade Association.
10. EMU- Economic and Monetary Union
11. EU- European Union.
12. EU-15- Members of the European Union before Eastward Enlargement.
13. EU-25- Members of the European Union after Eastward Enlargement.
14. FDI-Foreign Direct Investment.
15. G 7- Group of Seven Developed Countries
16. G 24- Group of Twenty-four Developing Countries.
17. GDP-Gross Domestic Product.
18. GUS-Główny Urząd Statystyczny (Central Statistical Office, Poland).
19. IMF- International Monetary Fund.
20. ISO- International Standards Organization.
21. ISPA- Instrument for Structural Policies for Pre-Accession.
22. NATO- North Atlantic Treaty Organization.
23. OECD- Organization of Economic Cooperation and Development.
24. PHARE- Polongie et Hongrie: Actions pour la Reconversion Economique (Poland
Hungary: Actions for Economic Reconstruction)
25. RAF- Royal Air Force.
26. SOE- State Owned Enterprises.
27. SPARD- Special Accession Programme for Rural Development.

MAP OF POLAND



CHAPTER -1

EASTWARD ENLARGEMENT OF THE EUROPEAN UNION

INTRODUCTION

"Although a 'coming age of regionalism', was heralded more than ten years ago as 'the metaphor for our time', in most part of the world regional integration is still very much in the early stage of the process. The EU obviously represents the most advanced experiment, and the one that has been a long time in the making. Forty -five years passed between the formation of the European Movement in 1948 and the Maastricht Treaty of 1992, which brought the EU into formal existence. Given the deepening and widening processes are ongoing, the final destination of the EU remains unknown. Even so, there is a little doubt that it is the most successful exercise in regionalization to date and the role model for the other projects around the world".¹

Eastward Enlargement of the European Union Eastward Enlargement of the European Union

- Stephanie Lawson

In the contemporary world European Union is one of the single greatest example of economic, political and social cooperation amidst nation-state in the history of modern society. The concept of European Union was first invoked by Winston Churchill in 1946 at his Zurich University speech where he called for "A kind of United States of Europe" in order to promulgate and everlasting peace and assured prosperity.² The concept of the European Union was given a practical shape by the French Planning Commission's technocrat Jean Monet. European Union's origin can be traced back to the founding of the European Steel and Coal Community (ECSC) in 1951. The plan for ECSC was known as 'Schuman Plan' as it was made public by French Foreign Minister Robert Schuman, but it

¹ Stephanie Lawson, *International Relations* (Cambridge: Polity Press, 2003) pp. 110-111.

² The European union on line, <http://www.europa.eu.int/6/2/03>

is believed that plan was formulated by French Planning Commission under the supervision of technocrat Jean Monnet. Monnet, put his faith in the development of supranational institution which should adopt common economic policies and rational planning procedures, coal and steel were only intended as a starting point. Monnet while formulating the plan kept two things in the mind. Firstly, to organize the Franco-German relations in such a way that another war between the two would become impossible. The pooling of coal and steel production would provide the basis for economic development leaving fewer chances for war. Secondly Monnet wanted the continued supply of cooking coal from Ruhr to French steel industries. Hence, for Monnet the design of pooling the Franco- German supplies of coal and steel would tie two states into a mutual economic depending, in an addition taking out the basic material for waging the war from the control of the two governments. This is the entire story behind the set up of the ECSC; hence, the body which was formulated to avert the war and to club the economic demands of two states today acquired the shape of richest regional organization of the world.

PAST ENLARGEMENTS

At the beginning of 2004, European Union consists of 15 members from the Western Europe but initially ECSC, started its functioning just with six members. These are Belgium, France, Germany, Luxemburg, Italy and Netherlands who founded the ECSC in 1951. Every innovation is resisted from the skeptics, the same applied to ECSC. Countries like Britain, Ireland raised doubts on the future of the ECSC but the success of the ECSC compelled the skeptics to change their attitudes, and finally Britain, Ireland, and Denmark took the formal membership of the EC on 1 January 1973. This was the first enlargement of the EU. The second and third enlargement which is also known as 'Mediterranean Enlargement', took place in 1981 (with joining of Greece) and in 1986 (with the extension of membership to Spain and Portugal) respectively. The fourth enlargement took place in 1995, which is better termed as EFTA (European Free Trade Association) Enlargement. In this Austria, Finland and Sweden acquired the memberships who are the part of the EFTA before becoming the member of the EC. In

this way the body which was set up with the approval of six states in 1951, became an organization of fifteen states in 1995. The addition in the number of members reveals its achievements.

Table 1: Enlargements of European Union

No.	Year	Countries
1.	1973	Britain, Ireland & Denmark
2.	1981	Greece
3.	1986	Spain & Portugal
4.	1995	Austria, Finland & Sweden
5.	2004	Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic & Slovenia.

EASTWARD ENLARGEMENT

The formal path for eastward enlargement was laid down with the Mikhail Gorbachev's concept of 'Common European Home'. He agreed not to interfere in the internal affairs of other countries. Moreover, the bulging crisis on the economic front left no hope in the socialist system. There was some last-ditch attempts made by the Comecon in 1980's to revitalize the increasingly moribund centrally planned economy, a major Comecon economic summit held in Moscow in June 1984 but all effort collapsed one by one. Lastly, in June 1985 Secretary- General of Comecon Mr.Vyacheslav Sychav sent a letter and draft of joint declaration to the new President of the EC Jacques Delors, proposing reciprocal diplomatic recognition and relation between the European Community and Comecon.³ The particular draft was accepted in June 1985; De Clercq (then EC Commissioner for External Relations) who sent Comecon and each of its members a letter to this effect in February 1986. In the later months of 1989 the process of collapse of communism in the Central and East Europe gathered pace. The fall of Berlin wall in

³ Renzo Daviddi, "From CEMA to the Europe Agreement", *Economic System*, Vol.16, No.2, October 1992,p.272

November marked a further acceleration of the process and the Soviet Union began to disintegrate as state such as Lithuania and Estonia (both March 1990) declared their independence.⁴ In the summer of 1990 NATO declared that it no longer considered the Warsaw Pact to be an enemy. This was the end of the cold war. Soon after this capitalist world came into the assistance of the transition economies and the Paris summit of the G7 which was held in 1989 agreed that European Commission should coordinate aid to Poland and Hungary from the boarder G-24. Afterwards, EC made the trade and cooperation agreements with almost all the East European countries. The first such agreement was signed with Hungary in June 1988, followed by Poland in December 1989. This agreement was soon superseded by 'Europe Agreement' which was concluded with Poland, Hungary and Czecho -Slovakia in December 1991 and with Romania and Bulgaria in late 1992.

The debate on eastward enlargement simmered throughout the early 1990's. British Prime Minister Thatcher and her successor John Major were amongst the most enthusiastic proponents of enlargement. Lady Thatcher always hoped that the enlarging EU would preclude its deepening into a federal system.⁵ At one point of discussion John Major even suggested that Russia might be a member of EC. Keeping the widespread support for the enlargement in consideration European Council at its Madrid session in 1995, asked the Commission to prepare a composite paper that would include the opinion on all the candidate countries, Commission also directed to examine the effect of enlargement on the Union. On the request of the Madrid session European Commission in 1997, come up with 'Agenda-2000- For Stronger and Wider Union'. Running of some 1,300 pages the report consisted of three parts.

- An analysis of EU policies and the expected effect of the enlargement on the EU.
- Detail assessment of each of the candidate countries.

⁴ Stephen George Ian Bache, *Politics in the European Union* (London: Oxford University Press, 2000) p. 412.

⁵ Martin Walker, "Enlargement of the European Union: How New EU Members Will Change the Shape of Europe", in Robert J. Guttman(Ed) *Europe in the New Century: Vision of an Emerging Superpower*, (London: Lynne Rienner Publishers; 2001) p.59

- The new financial framework proposal.

On the basis of Agenda-2000, EU leaders and experts started discussion on managing enlargement. Going with the debate EU at Luxemburg in December 1997 move towards the announcement that accession process will begin on March 30, 1998, and encompasses all ten Eastern and Central European countries. At the Nice European Council in December 2000, a further element to the negotiation process was introduced that of the 'roadmap' proposed by the commission. The objective of the 'roadmap' was to bring the negotiation process forward and to ensure that all the parties to the negotiation bring themselves to the realistic timetable. The Gothenburg European Council in June 2001 reaffirmed the 'roadmap' as a framework for the successful completion of the accession negotiations.⁶ The European Council held at Copenhagen on 12-13 December 2002 ended with the following historic announcement.⁷

- The EU will enlarge to 25 members' states on 1 May 2004.
- It concluded accession negotiation with all the ten candidate countries.
- The accession treaty will be signed in Athens on 16 April 2004 following the ratification enlargement will take place on 1 May 2004.
- The new commission will take office on 1 November 2004.
- The new member states will participate fully in the next European Parliament election.

The process which was started with the signing of agreement between EC and Hungary in June 1988 was finished on 1 May 2004, with the accession of ten East and Central European countries

⁶ The Accession Process from Negotiation to Ratification, *Enlargement Information Unit* (Brussels: European Commission, 2002) p.22.

⁷ *EU-India Update*, vol. 2 no.2 December 2002.

Table 2: Association Agreement of CEEC's with EC and Submission of Accession Application.

State	Date of Association Agreement	Date of Accession Application.
Cyprus	December 1972	July 1990
Czech Republic	October 1993	January 1996
Estonia	June 1995	November 1995
Hungary	December 1991	March 1994
Latvia	June 1995	October 1995
Lithuania	June 1995	October 1995
Malta	December 1970	July 1990
Poland	December 1991	April 1994
Slovakia	October 1993	June 1995
Slovenia	June 1996	June 1996

Source: *Europa web site: <http://europa.eu.int/scadplus/leg/en/lvb/e40001.htm>*

Table 3: Road to Eastward Enlargement.

Year	Events
1985	Secretary-General of Comecon Mr. Vyacheslav Sychav proposed reciprocal diplomatic recognition & relation between European Community & Comecon.
1986	The proposal of Mr. Vyacheslav Sychav was accepted & Comecon member states were send a letter in this regard.
1988	EC signed the first 'Trade & Cooperation Agreement' with Hungary, flowed by Poland in 1989.
1989	Fall of Berlin Wall
1990	NATO declared that it no longer considered Warsaw pact to be an enemy
1991	Disintegration of USSR. EC signed 'Europe Agreement' with Czecho-Slovakia, Hungary & Poland.
1995	Madrid European Council asked the European Commission to look into the technicalities of the Eastward Enlargement.
1997	European Commission comes up with 'Agenda-2000- For Wider and Stronger Union'. EU at Luxemburg announced that accession process will begin from March 30, 1998.
2000	Nice European Council introduced further elements in the negotiation process, called it 'roadmap'.
2001	Gothenburg European Council reaffirmed the 'roadmap' as the framework for the successful completion of the accession negotiation.
2002	Copenhagen European Council made the announcement of the date of enlargement i.e. 1 May 2004.
2004	1 May 2004 fifth enlargement of the EU took place.

CRITERIA FOR MEMBERSHIP

He that will have the fruit must climb the tree, and before getting the membership of rich men's club, candidates were required to meet criteria prescribed by EU from time to time. In June 1993, Copenhagen European Council summit laid three basic criteria for EU membership; these can be divided into three categories. Firstly, a political criterion that an applicant must have stable institutions, guaranteeing democracy, the rule of law, human rights and the protection of minorities. Secondly, economic criterions that an

applicant must have a functioning market economy and the capacity to cope with the competitive pressure with the single market of the EU. Thirdly, a criterion relating to the *acquis communautaire* which include that an applicant must be able to take on the obligations of membership, including adherence to the aims of political, economic and Monetary Union. These were the three main criteria but few others were also included with the due course of time.

The Madrid European Council in 1995 said that each candidate country should adjust its administrative structure so that EU legislation is not only transposed at national level but also effectively through appropriate administrative and judicial structure as a prerequisite of the mutual trust required for the EU membership. Similarly, at Helsinki European Council in 1994 it was said that candidate countries must share the value and objective of the EU as set out in treaties; it also urged candidates to resolve outstanding border disputes and emphasized the importance of high standard of nuclear safety. At the Nice European Council in 2000, candidates were requested to continue and speed up the necessary reforms to prepare themselves for accession. Candidates were asked to bring their national rules and practices in line with those of EU.

These were the conditions which candidates had to meet for joining the EU. Along with it, EU also mentioned some thirty one what it called 'chapters', for going in negotiations. They are as follows.⁸

1. Free movements of goods.
2. Freedom of movement for persons.
3. Freedom to provide services.
4. Free movement of capital.
5. Company law.
6. Competition policy.
7. Agriculture.
8. Fisheries.

⁸ European Commission, *The European Union Still Enlarging*, (Brussels: European Commission, 2001)

9. Transport policy.
10. Taxation.
11. Economic and Monetary Union.
12. Statistics.
13. Social policy and employment.
14. Energy.
15. Industrial policy.
16. Small and Medium size undertakings.
17. Science and Research.
18. Education and training.
19. Telecommunications and information technologies.
20. Culture and audiovisual policy.
21. Regional policy and coordination of structural instrument.
22. Environment.
23. Consumer and health protection.
24. Cooperation in the field of justice and home affairs.
25. Custom Union.
26. External relations.
27. Common security and foreign policy.
28. Financial control.
29. Financial and budgetary provisions.
30. Institutions.
31. Others.

CHANGES MADE FOR THE ENLARGEMENT

The fifth enlargement i.e. the 'Eastern Enlargement' of the EU is one of the biggest in its history by inducting ten Central and East European Countries. For this biggest ever change, the old structure of the EU originally designed in the 1960's for six countries was not ideal and required change. The enlargement of 1995 i.e. EFTA Enlargement deepens

the quest for the structural changes in the EU. The European Council meeting in Nice started talk on 'leftovers' of the Amsterdam negotiations. The areas of reforms related to the relative size of the member states.⁹ It was agreed that reallocations of votes in European Council and readjustment of seats in European Parliament is necessary before accommodating the new members. In this respect after a long deliberations finally in 2000, Nice Treaty was signed assigning new voting rights in the Council and seats in the European Parliament. This Council also fixed the voting share of entrants and their space in the Parliament. The given table will focus on the changes brought in the European Parliament and the European Council after the Nice Agreement.

⁹ Esko Antola , "The Future of Small States in the EU", in Mary Farrell, Stefano Fella & Michael Newman (Eds) *European Integration in 21st Century: Unity and Diversity*, (London: Sage Publications , 2002) p.68

**Table 4: Voting Rights of Member States in the European Council & Parliament
Before and After Nice Treaty**

Member	Council		EP		Seats	
	Pre-Nice	Post-Nice	Pre-Nice	Post-Nice	Pre-Nice	Post-Nice
Germany		10	29		99	99
France		10	29		87	72
UK		10	29		87	72
Italy		10	29		87	72
Spain		8	27		64	50
Netherlands		5	13		31	25
Portugal		5	12		25	22
Belgium		5	12		25	22
Greece		5	12		25	22
Sweden		4	10		22	18
Austria		4	10		21	17
Denmark		3	7		16	13
Finland		3	7		16	13
Ireland		3	7		15	12
Luxembourg		2	4		6	6
TOTAL	87(1)		237		626	535
APPLICANT STATES						
Poland			27			50
Romania			14			33
Czech Republic			12			20
Hungary			12			20
Bulgaria			10			17
Slovakia			7			13
Lithuania			7			12
Latvia			4			8
Slovenia			4			7
Estonia			4			6
Cyprus			4			6
Malta			3			5
TOTAL			345(2)			732

Source: *Intergovernmental Conference on Institutional Reforms*, Brussels, 12 December, 2000.

Similarly, adjustment was also made in the Common Agricultural Policy (CAP) of the European Union. In the wake of the Agenda-2000 reform of the CAP represented "minimal adjustment" to the status quo to make the enlargement possible; the new member states were accommodated through their exclusion from the subsidy system, but with some compensatory structural expenditure.¹⁰ The key objective of CAP during the time of its incipient mentioned in Article 33(39) of the Treaty of Rome.¹¹ Following were its main objectives.

- Increase agricultural productivity thus to ensure a fair standard of living for agricultural producers.
- Stabilize market.
- Assure availability of supplies.
- Ensure responsible prices to consumers.

After the reforms its new objective are as follows

- Production has been artificially constrained by the mechanism such as milk-quotas and compulsory set aside for arable crop.
- Prices has been cut but they remain for the most above the world level and producers are normally been given direct payment in compensations.
- Payment has been introduced for environmentally beneficial form of farming and support for environmentally damaging investment has been reduced.
- More emphasis has been put on rural development and encouraging farmers to look to markets and diversified form of income to reduce their dependence on subsidy.

These are the changes made in the EU structures to make the eastward enlargement smooth without any trouble in the future.

¹⁰ Rajendra. K. Jain, "Eastward Enlargement of the European Union: East European Perceptions and Prespective", in Shashikant Jha & Bhaswati Sarkar(Eds) *Amidst Turbulence and Hope: Transition in Russia and Eastern Europe* (New Delhi: Lancer's Books; 2002) p.213

¹¹ *Common Agricultural Policy (CAP) from Creation to the Present Day.*
www.defra.gov.uk/farm/farmindx.htm.

WHO WILL GAIN WHAT

Regarding the eastward enlargement there is commonly two beliefs. Firstly, just as the flood of Marshal Plan aid inspired the Western Europe's furious growth rate in 1950's and 1960's, enlargement to the east will be locomotive for the future growth of new entrants. Secondly, EU-15 will going to come under tremendous financial pressure once the economies in transitions will be collaborated. Both these convictions are based on sheer assumptions and are far away from realty.

GAINS FOR THE CANDIDATES

From Eastern European perspective profit is not limited only to the economic sectors, but considerable effects can be witnessed on social and political life. The profits in the economic sense can be calculated under the following heads.

Aid and Assistance

Centrally planned economy failed to sustain in the long run and with its demise in the late 1980's economic problems doubled in the East European countries. These countries opted for market reforms. "Transformations from a centrally planned economy are a complex process. Therefore even under the best circumstances, it entails large difficulties and transition costs. This is the process which involves institutional, structural as well as behavioral changes".¹² Applicants needed plenty of money to restructure the economy eg. Just to establish transport sector CEEC's need 90.4 billion Euros (Table 6) and around 108.4 (Table 7) billion Euros, to approximate the EU environment standards.

¹² Gulshan Sachdeva, "Macroeconomic Policies and Performances in Central and Eastern Europe: 1999-2000", in *Amidst Turbulence and Hope: Transition in Russia and Eastern Europe*, op.cit. p139. Also see David Lipton and Jeffery Sachs "Creating Market Economy in Eastern Europe: The Caser of Poland", *Brooking Papers an Economic Activity*, No. 1, 1992, p.75- 147.

Table 5: Initial Conditions in Central and East Europe

countries	1	2	3	4
Albania	629	0	36.9	0.78
Bulgaria	5740	0	50.6	0.75
Croatia	6919	0	74.4	0.85
Czech R	8207	0	12.2	0.91
Hungary	6081	0	64	0.75
Poland	5687	1	63.4	0.82
Romania	3535	1	2.9	0.92
Slovak	6969	0	6.8	0.96
Slovenia	11525	0	0	0.9

(1) PPP adjusted GDP per capita in 1989. (2) Natural Resource endowment 0 = Poor, 1= Moderate, 3= Rich. (3) Foreign Debt in per- transition year in GDP. (4) Secondary school enrollment in per transition year (share of school age population)

Source: Stanley Fischer and Ratna Sahay (2000), *The Transition Economies After Ten years*, IMF Working Paper WP/ 00/30, Washington DC: IMF.

Table: 6 The Applicants' Total Investment Needs in the Transport Sector

Country	Total Investment(billion Euros)	Annual Investment as % of GDP*
Bulgaria	5.3	4.6
Czech	10.2	2.0
Estonia	0.6	1.1
Hungary	10.2	2.2
Latvia	2.0	3.4
Lithuania	2.3	2.3
Poland	36.4	1.3
Romania	11.2	3.5
Slovakia	6.5	3.5
Slovenia	5.7	3.1
TOTAL*	90.4	2.6

* Total Investment Divided Over Ten Year as a Percentage of 1999 GDP.

Source: *Transition Report* (London: EBRD, 2000)

**Table 7: Total Investment Cost to the Applicant of Approximating to EU
Environment Standard
(In Billion Euros)**

Country	Estimated Minimum	Estimated Maximum
Baltic(Total)	8.9	9.3
Bulgaria	11.7	15.0
Czech	10.7	12.4
Hungary	11.5	13.7
Poland	34.1	35.2
Romania	20.2	22.0
Slovakia	4.1	5.4
Slovenia	1.84	1.84
Total	108.4	121.5

NOTE: the Commission Calculated Investment Would Be Spread Over 20 Years

SOURCE: *European Commission (1997), Approximating Seminar*

This much of money could not be generated from internal resources and here external assistance becomes obligatory for the CEEC's.

Phare (Polongie et Hongrie: Actions pour la Reconversion Economique) is one such programme, providing aid and assistance to the CEEC's. Phare was the pre-accession instrument financed by European Community to assist the applicant countries. Originally created to assist Poland and Hungary in 1998, today it encompasses all ten countries.¹³ Phare fund focused entirely on pre-accession priorities highlighted in each country's accession partnership. Civil servants from the member states are also seconded through "twining" to assist their counterparts in preparing for accession. Lastly, Phare management was integrated into applicant country's government structures through the creation of national fund and a limited number of implementing agencies. Along with this, Phare programme was readjusted in 1999, by inducting SPARD (Special Accession Programme for Rural Development) for agricultural and rural development and ISPA (Instrument for Structural Policies for Pre-Accession) in transport and environment infrastructure.

¹³ www.europa.eu.int/comm/enlargement/pas/ass

Table 8: Indicative Annual Allocations per Country for PHARE, ISPA and SAPARD from 2000: Comparison with pre-accession Flows From 1995-99. Including Cross Border Cooperation Programme (In Millions Euros)

Country	PHARE Indicative annual allocations (National Programme)	SAPARD Indicative annual allocations	ISPA		TOTAL		Average allocations From PHARE from 1995-99
			Minimum	Maximum	Minimum	Maximum	
Bulgaria	100	52.1	83.2	124.8	235.3	276.9	83
Czech	79	22.1	57.2	83.2	158.3	184.3	69.0
Estonia	24	12.1	20.8	36.4	56.9	72.5	24
Hungary	96	38.1	72.8	104	206.9	238.1	96.0
Latvia	30	21.8	36.4	57.2	88.2	109	30
Lithuania	42	29.8	41.6	62.4	113.4	134.2	42.0
Poland	398	168.7	312	384.8	878.7	951.5	203
Romania	242	150.6	208	270.4	600.6	663	110
Slovakia	49	18.3	36.4	57.2	103.7	124.5	48
Slovenia	25	63	10.4	20.8	41.7	52.1	25
TOTAL	1577	520	1040		2645		730

SOURCE: *Phare 2000* -Annual Report.

www.europa.eu.int/comm/enlargement/pas/phare/into.htm.11.

These figures show the increase in the funds from the earlier period giving an outlook of assistance to the CEEC's from the EU.

Economic Improvement

Apart from getting help through assistance programme candidate countries are equally benefited by functional market economy. It is often maintained that their increasingly improved macro performances in recent years is in part due to the respective EU

membership.¹⁴ Structural changes in the CEEC's have been accompanied by marked recovery with respect to the overall economic performance as measured by the usual indicator of real GDP (Gross Domestic Product) growth.¹⁵ The given table will throw more light on the matter.

Table 9: Real GDP in the Applicant State.

(In %)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Cyprus	7.4	0.6	9.8	9.8	5.8	5.5	1.9	2.4	5.0	4.6	5.1	4.0	1.8
Czech	-1.2	-14.2	-7.1	-0.5	2.6	5.2	4.4	1.0	-2.7	-0.2	3.3	3.3	2.0
Estonia	-8.1	-10	-14.4	-2	-2.7	2.5	3.5	11.4	4.0	-1.4	7.1	5.0	6.0
Hungary	-3.3	-11.9	-5.0	-2	2.9	2.0	1.3	4.4	5.1	4.5	5.2	3.8	3.5
Latvia	2.7	-8.3	-33.8	-19.9	0.6	-1.6	2.5	6.5	3.6	0.1	6.8	3.3	6.1
Lithuania	-6.9	-13.1	-37.7	-17	1.0	2.5	4.7	5.7	5.1	-3	3.8	5.9	6.8
Malta	6.3	6.3	4.7	4.5	5.7	7.3	4.2	4.8	3.4	4.1	5.4	-0.8	2.5
Poland	-11.6	-7.6	1.5	4.0	5.2	7.0	6.0	6.9	4.8	4.1	4.0	1.0	1.2
Slovakia	-2.5	-14.5	-7.0	-4.7	4.8	7.4	6.9	6.5	4.4	1.9	2.2	3.3	4.4
Slovenia	-4.7	-9.3	-6.0	1	5.3	4.8	3.5	3.8	3.9	4.9	4.6	3.0	2.9

Source: *UN Economic Survey of Europe* (Geneva: UNECE, 2004, No. 1) p. 19.

The given data shows that economies which registered negative GDP in the early 1990's showed reasonable improvements in the later stage.

With the amelioration of the economy and by adopting liberal policies CEEC's attracted foreign direct investment on large scale. The stable political, monetary and financial policies strengthen the confidence of foreign investors in the CEEC's. In 2002, foreign investor poured a record \$30 billion into Central and Eastern European economies.

¹⁴ R.E. Baldwin, J. Francois, R. Portes: "The Cost and Benefit of EU Enlargement", *Economic Policy* (24) 1997 p.169

¹⁵ Ansgar Belke, Martin Hebler, "EU Enlargement and Labour Markets in the CEEC's" *Intereconomics*: Vol..35, No.5, Sep-Oct 200, p.219.

Nearly two third of that amount went to the nations that are set to join the European Union by 2004.¹⁶ The given table will focus on it.

Table 10: FDI Flow in the Applicant States of EU
(In Million US \$)

Country	1998	1999	2000	2001	2002
Cyprus	264	685	804	652	297
Czech	3,700	6,310	4,984	5,634	9,319
Estonia	581	305	387	542	307
Hungary	2,037	1,977	1,646	2,440	854
Latvia	357	347	410	164	396
Lithuania	926	486	379	446	732
Malta	273	815	604	294	-375
Poland	6,365	7,270	9,341	5,713	4,119
Slovakia	684	390	1,925	1,579	4,012
Slovenia	216	107	136	503	1,865

Source: *UN World Investment Report* (Geneva: UNCTAD, 2003).

Here we can say that the process which was started to set the house in order for accession brought economic boom in the candidate countries.

Socio-Political Benefits:

The crucial qualification for membership would not be prosperity but democracy, free speech and institution.¹⁷ To get the membership of EU East European countries had undergone for a change of its political structure. Authoritarian system was replaced by vibrant democracy, freedom of expression and speech was guaranteed which was not at all a part of the communist system. Infact, one of the most widespread improvements

¹⁶ Richard J. Hunter, Robert Shapiro & Leo V. Rayan, Richard J. Hunter, Robert Shapiro & Leo V. Rayan, "Foreign Direct Investment in Poland-2003", *The Polish Review*, Vol XLVIII, No. 3, 2003. p.303.

¹⁷ Martin Walker, op.cit p.58

across Eastern Europe has been the growing freedom of press, particularly a democratic increase in access to foreign media and greater openness to external ideas.¹⁸ The following table will make the picture clear.

Table 11: Freedom Index in 2003 of the Applicant States Which Earlier Remained under the Communist Rule.

Country	EP	Civil Society	Ind. Media	Governance	CL & JF
Czech	2.00	1.50	2.25	2.25	2.50
Estonia	1.75	2.00	1.75	2.25	2.50
Hungary	5.25	4.00	4.00	5.50	4.50
Latvia	1.75	2.00	1.75	2.25	2.25
Lithuania	1.75	1.50	1.75	2.50	1.75
Poland	1.50	1.25	1.75	2.00	1.50
Slovakia	1.50	1.50	2.00	2.25	2.00
Slovenia	1.50	1.50	1.75	2.25	1.75

Abbreviations:

EP- Electoral Process.

CL & JF - Constitutional, Legislative and Judicial Framework.

Note: Rating is based on a scale of 1 to 7 with 1 representing the highest level and 7 representing the lowest level of democracy development in 2003.

Source: Nations in Transition 2004. www.freedomhouse.org/search/nitransit/200/index.htm

The above table shows that except in Hungary the freedom index is satisfactory, the role of the EU in this entire process is very important. The criterion for membership has to be fulfilled and all the applicant states sincerely formulated their policies to give the liberal democracy a free hand. The countries which remained under the authoritarian regime for a long time such great leap forward in the direction of establishing the democracy is praiseworthy.

¹⁸ Miguel..Angel Cento and Tania Rands, "The World They Have Lost: An Assessment of Change in Eastern Europe" *Social Research* Vol 63 No. 2 (Summer1996) p.371.

PROFITS FOR EU-15

Earlier in this chapter we have discussed that both the EU-15 and the applicant countries will be benefited by eastward enlargement but gains for EU-15, will be less in comparison to that of CEEC's.

Enlargement will add 100 million consumers to the single market¹⁹ with one trade policies, competitions rules and product standards. A key academic study in 1997 by the Centre of Economic Policy Research estimated that accession of countries of Central and Eastern Europe would – even in conservative scenario- bring an economic gain for the EU-15 of 10 billion Euros.²⁰ European Commission has also estimated that EU enlargement (defined as a 10 year period of integration from 1995-2005) will push the EU's GDP by a cumulative 0.5 percent. Similarly, German scholar Friedrich Ebert Stiftung, forecast an increase in EU GDP by 0.1-0.4 percent, over several years. However, if more dynamic process, such as increased competitions and higher investment are taken into account, then gain could exceed by 1 percent of EU- 15's present GDP.²¹

With ten new members, western firm will get a chance to invest in a market having same rules and regulations and at the same time they make themselves strong enough to tackle the global competitions. West European companies are investing in the labour intensive sectors such as clothing or cars as well as in skill intensive one such as electronics. These are the industries that are coming under growing competitive pressure from the low cost producers in Asia and elsewhere. By transforming labour intensiv productions of Eastern Europe, EU companies will make sure that they stay competitive on global scale and continue to expand in their home market.

¹⁹ Heather Grabbe: *Profiting From enlargement*, (London: CER, 2001)

²⁰ R.Baldwin, J.R. Francois and R.Porter, op.cit

²¹ Kantika Barysch: "*Does Enlargement Matters for the EU Economy?*", (London: CER,2003),also visit www.cer.org.uk

EU, is also concerned with the growing crime in the East Europe, which if overlooked can generate future problems. But the enlargement will going to bring the scale of drug trafficking, money laundering, weapon smuggling, car jacking and terrorism under avoidable limits. This is so because new members will have to take EU rules for dealing with these problems hence, enlargement will help to combat organized crimes, with more sophisticated policing, firmer support from rule of law and better develop crime control stretching right across the continent.²² On the contrary, no membership means increase in the prospect of crimes as the consequences of vicious circle in disappointed candidate countries of low growth, low investment, lack of foreign capital and limited future.

In this section we can also take the environment. The issue of environment is the core to the heart of EU -15 citizens. They are even ready to defy, Americans on the issue, their strong ally in international relations. Eastward enlargement is good news for the green lobbies all over the EU-15. In some way enlargement will enrich the EU-15's environment. The candidate countries have many environmental resources that will make an important contribution to the ecological system of the European continent. "There are vast areas of unspoiled and well protected nature reserves and a long tradition of preserving biodiversity and promoting nature conservation".²³ It is also believed by many environmental activists that if there would have been no enlargement than the growth in the candidate countries may have taken place on the cost of environmental degradation, as witnessed in many developing countries. Investments in raising environment standard in the candidate countries bring benefit for the entire Europe. Moreover, candidate countries will have to undertake the rules and regulations prescribed by the EU in regard to the environment. This will check the gross violations on this front.

Beyond these, arrival of the new members will enrich the EU through increased cultural diversity, interchange of ideas and better understanding of the peoples. Enlargement will strengthen the Union's role in the world affairs in foreign and security policy and other fields of global governance. Many analyst argues that enlargement will not only help the

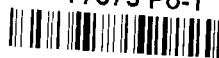
²² *European Union Still Enlarging*, (Brussels: European Commission , 2001) p19

²³ *ibid*

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EU to become more important global player (largest domestic market in the world, additional resources, additional economies-of-scale advantages) but that this factor may become basic driving force of integration particularly in those areas which are used to be characterized by reforms deadlock in the decade (Common Agricultural Policy, institutional Reforms, decisions making process, move towards a federal structure etc).²⁴

By going through the various advantages of the enlargement for the EU-15, we can safely conclude that it is a 'positive sum' game.

SOME CONFRONTING ISSUES

Despite various leverages both for EU-15 and for candidates countries, there are issues which are seen as 'trouble-makers' for the process. The issue of extending budget, large scale migration, and institutional problems e.t.c are still not resolved fully and the suspicion prevailed on them.

On the budget there is a widespread felling that by sponsoring the ambitious accession of ten weak economies, EU is overweighing itself. This rhetoric lacks facts as going strongly by data's we find that budget for enlargement for the period of 2000-2006, is 67 billion Euros – just a thousandth of EU's GDP per year. That is a tiny price to pay for re-uniting Europe and a tenth of what Germany paid for its own unification after 1990.

According to many researchers 100,000-400,000 people from east will migrate to west once the restrictions on labour market will be lifted. Similarly, few come up with the conclusion that by 2020, two to three million people from the new member states will start living in the old EU countries. These figures may look outsized but it will only amount to 0.5-0.8 percent of the EU population.²⁵ Academic surveys and estimations suggest that allowing free movement of labour is unlikely to provoke large migratory flow from the new members. Previous EU enlargements generated only a relative limited

²⁴ Andras Inotai, "Strategic Issues of Enlargement", *Intereconomics*, Volume 37, No. 4, July/August 2002, p.181.

²⁵ Kantika Barysch, op.cit

migration, despite wide disparities in employment and income between the poorer Mediterranean states and richer northern Europe.²⁶ Increasing political security in CEEC's, steady economic growth and foreign direct investment are increasing the social security of the people and discouraging the movement of workers to the Westward. It is also significant that if wages are low in the CEEC's so are the prices, hence, most of the East European are enjoying reasonably good standard of life. The FDI activities in the CEECs' is high, they absorb the "cheap" labour force and thus lower the incentive for a significant migration from east to the west.²⁷ It is also seen that East European even does not like to move around within their own countries despite substantial regional difference in wage and unemployment rates. The fear of extensive migration from the East is not valid as it is been propagated.

Coming to the institutional problems, European Union mainly consist of three institutions, which are prominent decision making bodies. These are European Parliament, European Council and European Commission. The new expansion will subsequently lead to the transformations in these bodies (discussed earlier). The necessary adjustment are made, still there is an apprehension of dominations of small states on the decision making process. If, small states can make the coalition in European Council and European Parliament, than they can easily pursue their agendas. Similarly, the question of European Commission is more stringent. The role of the European Commission is exceptional compared to the other EU institution. It carries out the analysis of EU policies, determine the general interest of the activities of EU, make decision on implementation of EU policies and review the budget of the EU. Now after the accession commissioners in EC will go up to 31 that might affect its efficiency. To accommodate new commissioner more than one will be given the responsibility of an area subsequently reducing the credibility. Different commissioner will try to pursue their narrow domestic interests making the Commission a debate house. Similarly, there is a fear that functioning of the

²⁶ Heather Grabbe, "The Sharp Edges of Europe: Extending Schengen Eastwards", *International Affairs*, 76, July, 2000. P.522. also see Thomas Bauer and Klaus F. Zimmerman, "Integrating the East: The Labour Market Effects of Immigration", in Stanley W. Black (Ed) *Europe's Economy Look East: Implication for Germany and European Union* (Cambridge: Cambridge University Press, 1997) pp.269-314.

²⁷ Ansgar Belke and Martin Hebler, op.cit. p. 223.

European Parliament will be adversely affected.²⁸ At present every country hold the presidency for six month in every 7.5 years, after enlargement small countries will hold presidency for 9.5 years from total 13 years. There is also a belief that small countries are heard less in the international politics if they hold a prominent post in the Commission, Council and Parliament they will adversely affect the bargaining position of the EU in world affairs. These are few doubts related to the working of European Union after the enlargement. In short, these are the apprehensions which are put forward by many scholars.

Amongst the problems, the issue of agricultural sector is notable from CEEC's perspective. Agriculture has important place in the CEEC's economy consisting of 7% of GDP and providing employment to 22%, of the working population. According to new CAP (discussed earlier) policies, farmers will not get any compensatory fund as it is changed to structural aid fund. How the farmers of CEEC's will tackle the new competition without the compensatory aid is a million dollar question? They also have to take the steps for improving the productivity and this can be done using and applying mechanical farming. In the traditional way of farming many peasant are employed but once machines and modern equipments were used it will reduce their utility on the land, this will result in massive unemployment. Moreover, EU's towering standards in the food product add more woes to their crisis. Only those agro-products were compete which can meet the standard. Once the domestic market is flooded by the best quality products form the EU-15 the profitability of the firms of CEECs' will drastically come down. There is a need to overhaul the entire agricultural sector in the new member states and without it positive outcome cannot be achieved.

These are few of the important problems which many analyst are pointing out but final conclusion on them will be given only after some time from now.

²⁸ Michelle Chini, *The European Commission, Leadership, Organization, and Culture in the EU Administration*; (1996) (Manchester: Manchester University Press. 1996) pp.200-241. also see, Jennifer Brown, "Small States in European Institutions", *Jean Monnet Unit*, University of Turku, Working Paper No. 8, 2000.

CONCLUSION

As Robin Cook²⁹ said “by enlarging the EU, we are finally overcoming the cruel and unnatural division of our continent. And we are creating the condition that will help to prevent a terrible suffering and destruction, Europe has known this century. The vision of community’s founding fathers on an ever closer Union among the people of Europe is another step closer”. The simple sense emerging from the statement is, ‘Europe is now united’. Eastward Enlargement has its various sides but the strongest one is a creation of new Europe whose boundary will extend from West to East by ending the age old divide.

When changes come it influences the established norms. Similarly, by this enlargement many things in the EU will change. Some of them will bring positive result some might do the opposite. Although it will not be safe to make any astronomical conclusion on the topic, since it will be an immature time to draw lines. The enlargement is done on the 1 May 2004 and lot is still to be seen in this regard. Definite result can be calculated only after some time should pass.

²⁹ British Foreign Secretary at the launch of the accession process in Brussels on March 30, 1998.

CHAPTER 2

POLAND'S PREPARATION FOR THE MEMBERSHIP

INTRODUCTION

"It is a little known fact, however, that under the cloud of European tragedy not only the Western European politicians like Churchill dared to dream of a blueprint for European politics, but the men like General Sikorski too, the head of the Polish government, and the Czech President Edvard Benes, who as early as 1940 put forward a proposal in London to build a 'Closer Political and Economic Association', after the war. The treaty to that effect was signed on 23 January 1942. But the cold war prevented Poland from actively participating in the task of unifying Europe. Not until the 2+4 treaty, in the wake of German unification, did Poland receive belated recognition for its role in the anti-Hitler's coalition".¹

-Gunter Verheugen

Getting the membership of the European Union is not an easy task and it does not absolutely depend on the geography of a nation. Being European state is not a guarantee for the membership, and only that European state will get the space in the prosperous club who will meet all the conditions laid down by it. In short EU has a clear view 'if the cap fits, wear it'. Poland is the largest country in Central and Eastern Europe, in terms of land area - 3, 12,680 sq.km and population which numbered 38, 400,000 in 1990.² This is not an advantage, and Poland undergone through the entire process of fulfilling the criteria. In the earlier chapter we have briefly mentioned the criteria prescribed by the EU for the new entrant. In this chapter we will try to analyze the steps taken by Poland to meet these conditions.

¹ www.europa.eu.int/speeches.

² Roger East and Jolyon Pontin, *Revolution and Changes in Central and Eastern Europe* (London: Printer Publisher, 1997) p 9.

Poland never showed any indolent or careless attitude in satisfying the obligations of the EU in the form of different conditions. As Polish President Kwasniewski, said while addressing a gathering at the college of Europe in Natolin on 6th November 1996, "For us the prospect of European integration is a historic challenge. We are thinking not only of the benefits we will gain from the accession to the European Union. We are also aware of the obligations incumbent upon us from our role in the unification of the continent". So by this statement we can infer that Poland had worked in the direction of fulfilling the criteria of the EU. To have a clear view of Polish preparedness, it is important to understand, how Poland came close to the negotiations for the membership

POLAND'S JOURNEY TOWARDS EU: A BRIEF HISTORY

Diplomatic relations between the EU and Poland were first established in September 1988. A trade and cooperation agreement was signed in September 1989; this trade agreement was a non-preferential agreement providing for reciprocal Most Favoured Nation Treatment. After this, Association Agreement which is also known as Europe Agreement was signed between the two on 16, December 1991; which entered into force from 1, February 1994. Encouraged with these agreements Poland made its application for the EU membership on 5, April 1994. Due to the constant support for the eastward enlargement of the European Union, and by the intense effort on the part of successive Polish governments the accession negotiation was commenced on 31, March 1998. The negotiations for the membership were finally confirmed completed at the European Council meeting in Copenhagen, on 13, December 2002.

If we only go through the chronological details the accession process it will appear effortless but this is not the case. The preparation for the membership was not at all a trouble-free affair, and lot is been done before getting the green signals from the European Union. This became more definite, by the criteria which were announced during the closing session of Copenhagen European Council summit in 1993. In the summit it was concluded that "The associated countries in Central and Eastern Europe that so desire shall become the members of the union. Accession will take place as soon

as the country is able to assume the obligations of the membership by satisfying economic and political conditions. Membership requires:

- 1) That the candidate country has achieved stability of institutions guaranteeing democracy, rule of law, human right and respect and protection of minorities.
- 2) The existence of functioning market economy as well as the capacity to cope with the competitive pressure and market forces within the union.
- 3) The ability to take on the obligations of membership, including adherence to the aims of politics, economic and monetary union.

The Union's capacity to absorb new members, while maintaining the momentum of European integration, is also an important consideration in the general interest of both Union and candidate country".³ These are the conditions which every aspiring state has to execute before getting the formal membership of the European Union. Poland has brought changes in its political, economic, and social structures to meet these criteria for the membership. These changes can be analyzed separately under the category of politics and economic.

POLITICAL CRITERIA:

According to the criteria, liberal democracy has to be established in all the member states. Liberal democracy is a form of a democratic rule that balance the principle of limited government against the ideal of popular consent.⁴ Followings are considered as the indicators of the liberal democracy.

- 1) Constitutional government based upon formal, usually legal rules.
- 2) Guaranteed civil liberties and individual rights.

³ *Agenda 2000- Commission Opinion on Poland's Application for Membership of European Union.* (Brussels: European Commission, 1997).

⁴ Andrew Heywood, *Key Concept in Politics* (London: Macmillan Press, 2000) p 169.

- 3) Institutional fragmentation and a system of check and balance.
- 4) Regular elections respecting the principles of universal suffrage and one person one vote.
- 5) Political pluralism in the form of electoral choice and party competition.
- 6) A healthy civil society in which organized groups and interests enjoy independence from government.
- 7) A capitalist or private enterprise economy organized along market lines.

These seven points are regarded as the core of the liberal democracy, hence, Poland's political structure should be judged consequently.

Of all the Soviet bloc countries, Poland was the most rebellious. Mass protests took place in 1956, 1968, 1970-1, and 1980-1. It was during the last of these that the most significant opposition movement in communist Eastern Europe, 'Solidarity' was formed. This type of opposition was unique in the Soviet bloc.⁵ So Poland has a legacy of political changes with the need of the time. This pattern of adaptability were seen when Poland started transforming its political institutions on the lines of the European Union. Let take every institution separately.

Constitution

Constitution lays down certain meta-rules for the political system; in effect, these are the rules that govern the government. Having a constitution is the first step in establishing a liberal democracy. Political transformation in Poland started soon after the fall of communist regime in 1989. The course of amending the constitution started in October 1992, when the constitution of 1952 (drafted under the communist regime) was amended. The new constitution introduced parliamentary democracy in the Poland. A referendum was held and the constitution was approved by the citizens on 25, May 1997, after getting

⁵ John S. Dryzek and Leslie Homels, *Post-Communist Democratization Political Discourse across Thirteen Countries* (Cambridge: Cambridge University Press, 2002) p.225.

the consent of the people the new constitution was adopted in the Parliament on 2, April 1997.

With the new constitution Poland became a democratic country, a multi-party republic with a bicameral Parliament. The constitution of 1997 formulated five guiding principles of the political system.⁶ These are as follows.

- 1) The supreme authority of the nation: The constitution guarantees free and universal elections of national representatives to the Sejm and Senate (two houses of Parliament).
- 2) Representation: The right to make the decision in the name of the nation is transferred by elections to the members of the Sejm and senate.
- 3) Tripartite division of power: Based on division and balance of powers between the Legislative (divided between Sejm and senate), the Executive (shared by the President of Republic of Poland and the Council of Ministers) and the Judiciary (performed by the independent courts and tribunals).
- 4) Political Pluralism: Guaranteed freedom to establish political parties and freedom of their activity.
- 5) Elected Local Government: Local government is the participant in the exercise of public authority. There also exists the possibility to create, independent of the state, various forms of self governance (e.g. self governing professions).

The spirit of Polish constitution can also be judged by its preamble which says that "Herby establish this constitution of the Republic of Poland as the basic law for the state, based on respect for freedom and justice, cooperation between the public powers, social dialogue as well as on the principle of aiding in the strengthening the power of citizens

⁶ *Poland in Brief*, www.msz.gov.pl/mszpromo/en/2_1/htm.

and their communities".⁷ In brief, we can say that the constitution of Poland has all the characteristics of a liberal democracy.

Civil liberty and Individual Rights

Civil liberty and the individual rights in a country show the temperament that whether it follows a democratic model of governance or not. In the regard article F, of the treaty on European Union is important which says, "Any state wishing to join the European Union must first ratify the European Convention for the Protection of Human Rights". In January 1993, Poland ratified the European convention for the protection of human rights. Most of the additional protocols were ratified between May 1993, and October 1994. To bring transparency to the whole act; Poland also permits its citizens to take their case to the European Court, if they consider that their rights under this Convention have been violated. Poland has also ratified the Convention on the Prevention Torture, and also Political Convention on Minorities.

Poland has not only ratified these conventions but made an honest attempt to ensure its applicability in the domestic law. Article 91, of the new Polish constitution says that all those treaties which are ratified by the Parliament are directly applicable to the domestic law. In Poland the office of the Commissioner for Civil Rights Protection has existed since 1987.⁸ This office is one-person constitutional body, established to protect the rights and freedom guaranteed in the constitution and other normative acts. On the lines of the European Union, Poland has also repealed capital punishment from its new penal code which is adopted by Sejm on 6th June 1997.

⁷ www.polska.pl/constitution.htm

⁸ Poland in Brief, op.cit.

Division of Power

Power and influence are closely related. Political power can be described as the power that the government and its organs—the police, bureaucracy and the law court exercise.⁹ If the political power will concentrate in one hand, then there are possibilities that such person or institution can turn authoritative. This is the reason why democracy is said to be incomplete without division of power between different institutions of the country. Poland insured that the theory of division of power should be strictly implemented and legislature, executive, and judiciary should work independently in its own sphere.

Legislative power is vested in the Parliament, where Sejm has a final say over the senate on legislative and budgetary matters. Both the chambers of the Parliament have the power of initiative but the same should be approved by the President, the government, and by minimum 100,000 citizens. The President possesses a right to veto the law passed by the Parliament. Despite this power of the President, he does not enjoy an absolute veto as the Parliament can nullify the Presidential veto by three-fifth majority.

On the executive side, President is the supreme executive, who is elected for the period of five years through direct universal suffrage on the basis of simple majority two-ballot system. The President has the power to appoint Prime Minister and the Council of Ministers.

Judiciary, is an important pillar of the democracy and its autonomy is been insured in the Poland. There is a complete transparency in the appointments of the Judges. The appointment of the Judges is been done on the advice of the National Council for the Judiciary, which is a collegiate body set up in 1989. National Council of Judiciary consists of 24 members, mainly of judges appointed by the jurisdictions to which they belong.

⁹ Sushila Ramaswamy, *Political Theory Ideas and Concepts* (New Delhi: Macmillan Press, 2003) p.62.

Regular Elections

Regular elections in the free and fair atmosphere, is another important pre-condition of the liberal democracy. In this context Poland is been appreciated by the European Union.

Poland follows bicameral legislature having two chambers - Sejm and Senate. Sejm consist of 460 members, elected for four year term by proportional representation in multi-seat constituencies, with a 5 percent of threshold, and 8 percent for coalition.¹⁰ In senate there are 100 members elected on the basis of simple majority for four years, in 40 multi-seat constituencies within the "viovodships".¹¹ There is a greater ethnic homogeneity in Poland which have 98.7 percent ethnically Polish, rest of the population is consists of small minorities of Ukrainians, Belorussians and German-Speakers.¹² Representation of the minorities is also ensured in the Sejm. In order to guarantee representation of the minorities in the Sejm, there is a provision exempting their list from the minimum 5 percent rule, by the virtue of which four deputies representing the German minority are in the Parliament since 1993. President of the Poland is also an elected representative (see table 1) of the Polish people. As far as multi party system is concerned there are more than 400 political groupings and approximate 150 parties in 1993 (see table 2). These are the indicators that elections in the Poland are not only regular but the features of the liberal democracy are also visible in it.

¹⁰ www.electionworld.org/elections_around_the_world/Poland/Poland.htm

¹¹ States in Poland is Known as Viovodships

¹² Roger East and Jolyon Potin, op. cit. p10. For more details see, Ray Taras (Ed), *National Identities and Ethnic Minorities in Eastern Europe* (Houndmills: Macmillan Press, 1998)

Table -1: Presidential Elections in Poland, 2000 and 1995.

2000 Name	Party	Votes	%Votes	1995 Name	Party	Votes	% Votes
Aleksandr Kwasniewski	SLD	9,485,224	53.9%	Aleksandr Kwasniewski	SLD	6,275,670	51.7%
Andrzej Olechowski	Independent	3,044,141	17.3%	Lech Walesa	Ind (1)	5,917,328	48.3%
Marian Krzaklewski	AWS	2,739,621	16.6%	Jaerek Kuron	UW	1,646,946	-
Jaroslaw Kalinowski	PSL*	1,047,949	6.0%	Jan Olszewski	Ind	1,225,453	-
Andrzej Lepper	-	537,570	3.1%	Waldemar Pawlak	PSL	770,419	
Janusz Korwin- Mikke	UPR*	252,499	1.4%	Tadeusz Zielinski	-	631,432	
Lech Walesa	CHD*	178,590	1.0%	Hanna Gronkiewicz- Waltz	-	492,628	
Jan Loposzanski	PP*	139,682	0.8%	Anderzej Lepper	Self- Defence	235,797	
Dariusz Grabowski	Kdp*	89,002	0.5%	Jan Pietrzak	-	201,033	
Piotr Iknowiez	PPS/RLP*	38,672	0.2%	Tadeusz Koluk	-	27,259	
Tadeusz Wileeki	-	28,805	0.2%	Kazimierz Piotrowiez	-	12,591	
Bogdan Pawlowski	Independent	17,164	0.1%	Leszek Bubel	PPPP*	6,825	

Abbreviations used in the table:

SLD- Democratic Left Alliance ,AWS- Solidarity Electoral Action, PSL- Polish Peasant's Party, UW- Freedom Union.

*These Parties are not registered.

SOURCE: *Elections and Parties in New European Democracy*, Published by CQ Press, www.cspp.strath.ac.uk/CQflyer.htm

**Table 2: Vote Percentage of Various Political Parties in Poland
(1991, 1993, 1997, 2001)**

No.	Name	1991	1993	1997	2001
1.	Democratic Freedom Union	12.3	10.6	13.4	3.1
2.	Democratic Left Alliance	120	20.4	27.1	41.0
3.	Christian National Union/ Homeland	8.7	6.4	-	-
4.	Centre Alliance	8.7	4.4	-	-
5.	Polish Peasant Party	8.7	15.5	7.3	9.0
6.	Confederation Independent Poland	7.5	5.8	-	-
7.	Liberal-Democratic Congress	7.5	4.0	-	-
8.	Peasant Alliance	5.5	2.4	-	-
9.	Solidarity	5.1	4.9	-	-
10.	Polish Beer-Lover's Party	3.3	0.1	-	-
11.	Christian Democracy	3.5	-	-	-
12.	Union of Labour	2.1	7.3	4.7	With SLD
13.	German Minority	1.2	0.7	0.4	0.4
14.	Realpolitik Union	2.3	3.2	2.0	-
15.	Democratic Party	1.4	-	-	-
16.	Party X	0.5	2.7	-	-
17.	Movement for Autonomy of Silesia	0.4	0.2	-	-
18.	Non-Party Reform Bloc	-	5.4	-	10.2
19.	Self Defence for Polish Republic	-	2.8	-	-
20.	Movement for Republic	-	2.7	-	-
21.	Movement for Reconstruction of Poland	-	-	5.6	-
22.	Electoral Action Solidarity	-	-	33.8	5.6
23.	National Prisoner's Party	-	-	2.2	-
24.	National Christian Bloc	-	-	1.4	-
25.	National Alliance of Prisoners	-	-	1.6	-
26.	Citizen's Platform	-	-	-	12.7
27.	Law & Justice	-	-	-	9.5
28.	League of Polish Families	-	-	-	7.9
29.	Others	9.6	0.6	0.5	0.7

SOURCE: Same as of Table 1.

EUROPEAN COMMISSION'S OPINION

European Commission in its regular report on Poland's progress towards accession in 2002 stated that, "In its 1997 opinion, the commission concludes that Poland fulfilled the political criteria. Since that time the country has made considerable progress in further consolidating and deepening the stability of its institutions guaranteeing democracy, the rule of law, human rights and respect for the protection of minorities".¹³ It is evident from the report that European Union is satisfied with the Poland's effort to implement the democracy in its effervescent form.

ECONOMIC CRITERIA

For joining the European Union, it is essential that the applicant state must have the functional market economy. Keeping this commitment in consideration Poland always kept the wheel of economic reforms rotating. Poland was the first centrally planned economy to follow the path of liberalization. As a result of economic reforms Poland's GDP was 20 percent larger in 1999 than in 1989.¹⁴ Before going to further details we must look what are the indicators of market economy. Major multilateral organizations have outlined the following criteria for an economy moving away from the centrally planned to a market economy.¹⁵

- 1) Macroeconomic stabilization.
- 2) Price and market liberalization.
- 3) Liberalization of exchange and trade system.
- 4) Privatization.
- 5) Establishing a competitive environment with few obstacles to market entry and exit.
- 6) Redefining the role of state.

¹³ Regular Report on Poland's Progress Towards Accession (Brussels: European Commission, 2002)

¹⁴ Leszek Balcerowicz, "Poland's Transformation", *Finance and Development*, Volume 37, No.3, 2000, p.14.

¹⁵ The World Bank *From Plan to Market World Development Report*, (New York: Oxford University Press, 1996).

These are the six basic points of the basis of which the nature of an economy is determined.

THE PROCESS OF ECONOMIC REFORMS IN POLAND

Poland started the economic reform in 1989, by 'Shock Therapy' plan which is also termed as 'Balcerowicz Plan'. The then Finance Minister, Leszek Balcerowicz advocated "shock treatment" a rapid, but painful transition to the market economy. Three major objectives of shock treatment were, to abolish central planning system, to start liberalization of prices, and to start privatization. The momentum set up Mr. Leszek Balcerowicz continued, and its success can be judged by the fact that Poland economy shown the sign of growth from 1992 onwards, and returned to its pre-transition output level in 1995. The complete picture of the Polish economy can be framed by scrutinizing what adjustments are made in the various sectors of the economy.

Price Regime

The reform process in Poland began with the price liberalization. By the end of the 1990; majority of the prices has been determined by market.¹⁶ The process of the price determination is mainly done by the market forces but still government has control on certain items related to the day to day life of the general public. These items include energy, public transport, rents, pharmaceuticals and spirit. Along with this Polish government is providing some price support to agriculture products, which has a commendable share in the nation's economy and still considered as the sector not ready for an open market competition.

¹⁶ Alexander Svetlov, "The MNC's Role in the Process of Transformation in Poland"
www.politikforum.de/poland.htm

Stabilization of Economy

Balcerowicz, while presenting budget proposal at Sejm in 1989 said, "The economic Program has two basic layers. First: planned action of government. Second: Anticipated foreign assistance combines with our activities. For government's action, we envisage two kinds of undertakings. First: Internal stabilization, i.e. struggle against inflation and common shortage of goods. Second: Institutional changes associated with this struggle, with the program of internal stabilization. The temporary increase in the deficit proposed in the table draft, in other word's the table debt's owed to the National Bank of Poland to a total of 4.9 trillion is in fact only a formal recognition of the financial situation, which surfaced earlier on".¹⁷

In 1989 when the first non-communist government of Poland came to power the economy was in the state of severe and rapidly imbalances. The budget deficit has reached 7-9 percent of the GDP.¹⁸ An overdeveloped raw material and energy sector existed and the high domestic and external indebtedness marked the state of affairs.¹⁹ Hyperinflation, mismanagement and the lack of development capital were the order of the day. By 1990, GDP had declined by 12 percent, and a sharp decline in the living standard was witnessed, as inflation reached alarming levels. Public sector workers and social security recipients suffered. Changes in these figures were witnessed with the progress of time, and soon Poland's economy came back on the track of development from a hazy situation.

The stabilization program involved measures like 'forced adjustment', which include cuts in budget expenditure, withdrawal of tax concessions, imposition of new taxes, and immediate restriction of credit for centrally financed ventures. The aim of these measures, as directed by economic logic was to balance the budget and reducing the emission of money. By January 1990, a package of tough measures for monetary and

¹⁷ Summary of World Broadcasts, EE/0577/C12, 3 October, 1989.

¹⁸ Ebrill, Liam, Ajai Chopra, Charalambos, Chirstofides, Paul Mylonos, Inci Otker and Gerd Schwartz, *Poland: The Path to a Market Economy* (Geneva: International Monetary Fund, 1994) p.2

¹⁹ Camdessus, Michel, "Achievements and Prospects After Ten Years of Transition", <http://www.org/external/np/speeches/1999/121099.htm>.p4.

fiscal policy was launched. Punitive wage measures were applied, which kept the nominal wage growth significantly below the inflation rate. The introduction of these measures in Poland were accompanied by comprehensive price liberalization, cutting of subsidies, and diastolic increase in a few remaining controlled prices, notably energy products. Budgetary balance was also quickly achieved by cutting expenditure mainly on subsidies and tax exemptions. Within a period of one year - from December 1989 to December 1990, inflation was reduced from 79.6 percent to 17.7 percent.

Poland properly implemented the stabilization program whose positive returns soon become visible in both internal and external sector. Polish real GDP rate is positive since 1992; in 1995 the GDP grew by record 7 percent. Real wages are rising since 1994, unemployment rate began to decline 1997 onwards, and inflation which lingered at the annual rate of 20 percent during much of 1996 is come down thereafter. These are the indicators proving that stabilization program has shown its impact (see table 3) on the Polish economy.

Table 3: Figures Indicating Stable Internal Sector of Poland.

Components	1998	1999	2000	2001	2002
Consumer Prices*	11.7	7.3	10.1	5.5	1.9
Average Real Wage*	3.5	4.9	1.3	2.4	2.4
GDP	4.8	4.1	4.0	1.0	1.4
Revenues#	126,560	125,922	135,664	140,527	143,520
Unemployment %	10.6	15.3	16.0	18.5	19.7

* Percentage Change, Year on Year.

In Million Zloty.

Source: Economist Intelligence Unit- 2003.

Poland at present by and large regarded as an open economy where exports account roughly one quarter of GDP. This becomes possible by taking steps towards stabilization external sector. A large number of firms were allowed to make independent arrangement with the foreign partners, custom duties and tariffs are either deregulated or made void in many cases. Similarly, on other fronts also Poland has shown marked improvement e.g.

In 1980's it was the fourth largest foreign debt owner in the world but currently it have only \$ 64 billion of debt in 2002.²⁰ There is also no shortage of the foreign exchange reserves in the Poland due to the continuous inflow of foreign and portfolio investments. According to the United Nations World Investment Report Poland attracted 42 percent of the FDI which came in the CEEC's from 1985-99 (see figure 1).

These are the cursor which shows that Poland has stabilized its internal as well as external economy. The details are in the table 4.

Table 4: Figures Indicating Stable External Sector of Poland.

(In Million US\$)

Components	1998	1999	2000	2001	2002
Total External Debt	40,401	55,494	60,671	63,259	62,393
Foreign Reserves*	28,275.2	27,314.1	27,463.5	26,563.1	29,783.7
FDI	6365	7270	9342	5713	4119
Overall Trade Balance#	5,937(L)	167	676	-423	645
	3,044(I)	5,927	159	618	-437

* Total Reserve Including Gold.

Includes Financial Account Balance, Capital Account Balance, Current Account Balance, and Trade Balances.

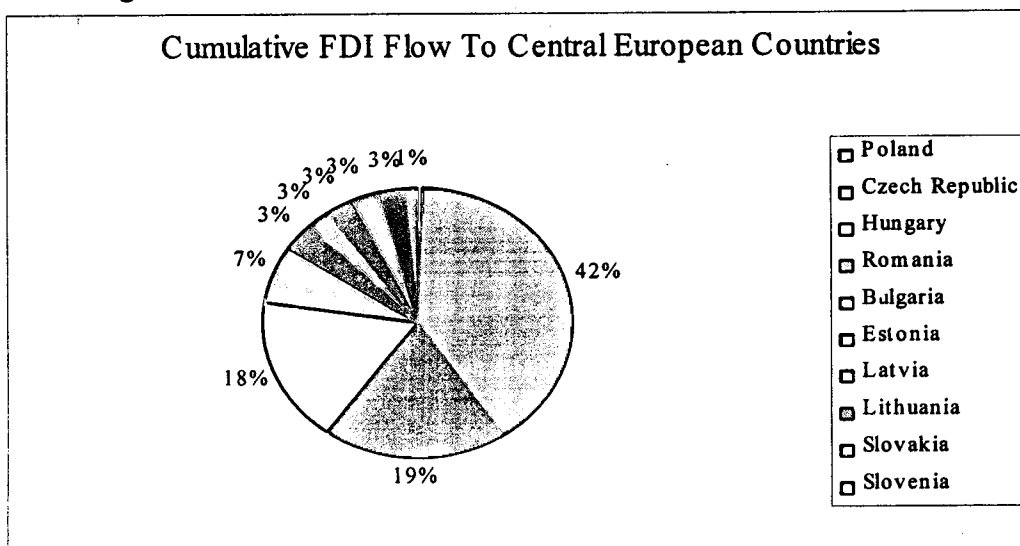
L- Local Series.

I- IMF Series

Source: Same as that of Table 3.

²⁰CIA World Fact Book, www.cia.gov/cia/publications/factsbooks/docs/poland.htm

Figure 1: Cumulative FDI Flow to Central European Countries.



SOURCE: *World Investment Report* (Geneva: UNCTAD, 2000).

Note: Investments in the various countries of the CEEC's as shown in the chart are as follows.

Poland- 42%, Czech Republic-19%, Hungary-18%, Romania-7%, Bulgaria-3%, Estonia-3%, Latvia-3%, Lithuania-3%, Slovakia-3%, Slovenia-1%.

In last we can safely conclude that both internal and external stabilization in Poland has taken place smoothly after some initial setbacks which are natural for the economies in transition.

Convertibility of Currency

Market economy will not be considered as fully functional if currency is not made convertible. Full domestic convertibility of the national currency was one of the principles of Polish economic reform from its very onset in January 1990.²¹ To meet this goal Poland made a number of amendments for example liberalizing Foreign Exchange

²¹ How to Trade with Poland, *Economic and Business News from Poland*, (New Delhi: Embassy of the Republic of Poland) December 2001, no.1, p9.

Law in 1998, which became operational from 1999. The law adopts the standards followed in OECD and EU countries. The new Foreign Exchange Law made Zloty (currency of Poland) a currency for the legal tenders in the foreign tenders as well as its quotations is now been accepted by OECD Central Banks, and Inter- Bank markets. In 2000 Polish government made Zloty a free floating currency on international currency exchanges, with this Poland acquired the distinction of the second Central European country to freely float its currency.

Structural Changes

Major steps were taken in Poland in the direction of bringing structural changes. The areas which are taken in study while discussing the structural changes are foreign trade, labour market, public finance and enterprising sector.

1) Foreign Trade: Poland's share in world trade started increasing once it follows the path of liberalization. This shift in trade took place mainly between 1989 and 1993. Poland has successfully reoriented its trade towards EU market, a shift spurred on by the Russian crisis of 1998. As an indicator the overall trade integration with the EU, the ratio of export and import of good and services to GDP has increased over the period since 1997 from around 47 percent to 63.3 percent in 2001. Merchandise export with the EU is steady at around 70 percent of the total export since 1998, from less than 67 percent in 1997. Polish firm ability to penetrate the EU market is also a reflection of the progressive upgrading of the composition of the country's export portfolio over last five years. The share of raw material and other non-proceed products in total export is decreasing in favour of the manufactured goods (see table 5) in the sectors that tend to be more skilled

labour intensive or capital intensive. More details about the foreign trade can be obtained by going through this table.

**Table 5: Composition of Polish Export
(In Million US \$)**

Item	1998	1999	2000	2001	2002
Machinery, Transport Equipments	8,022	8,278	10,820	13,056	15,411
Manufactured Goods Classified by Material	7,116	6,986	7,856	8,614	9,757
Miscellaneous Manufactured Goods	5,861	5,750	5,805	6,355	7,072
Food & Live Animals	2,840	2,328	2,367	2,669	2,967
Total Export*	28,253	27,332	31,689	36,134	41,010

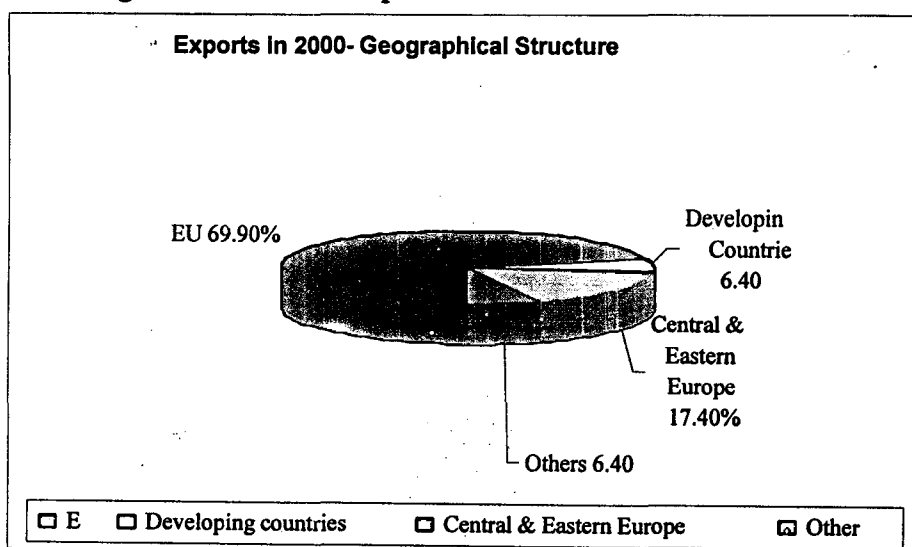
Source: GUS.

**Table 6: Poland's Foreign Trade.
(In Million \$ US)**

Years	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports	14,143	17,240	22,895	24,440	25,751	28,229	27,407	31,651	36,134	41,010
Imports	18,834	21,569	29,050	37,137	42,308	47,054	45,911	48,940	50,341	55,113

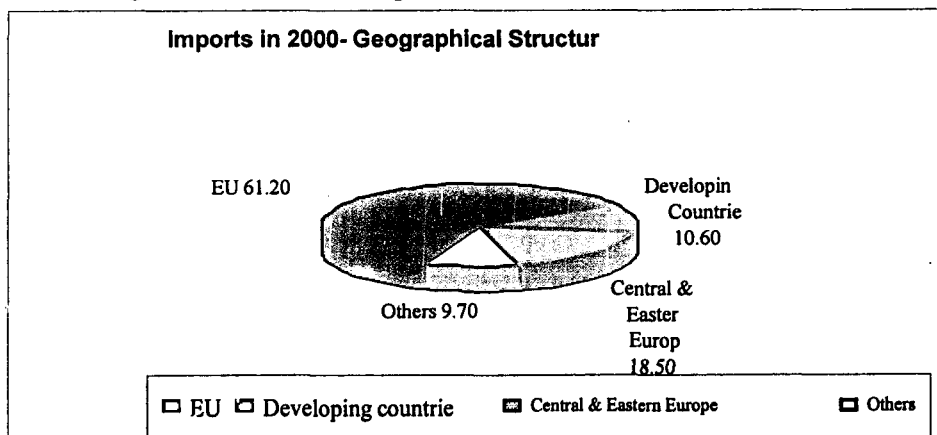
Source: Central Statistical Office Poland, 2001.

Figure 2: Poland's Export to various destinations in 2000



SOURCE: Central Statistical Office Poland, 2001

Figure 3: Poland's Import to various destinations in 2000



SOURCE: Central Statistical Office Poland, 2001

2) Labour Market: Labour market comes under the preview of the social policy of the European Union. The norms of this policy are focused on different aspects of legal position of employees in the employment process, and in particularly the promotion of equal treatment (equal rights) of men and women on the labour market, employment policy, issues concerning safety and health at work places, as well as social dialogue.²²

On the equal treatment of men and women Poland amended its labour code on 24, August 2001. Through this amendment Poland implemented the regulation required by the European Union laws in the additional chapter II.²³ On the employment policy European Union's norms directly refers to the elements which stipulate the individual employment status, such as working time, leaves, parental leaves, as well as those concerning collective rights related to the guarantees in the cases of insolvency of the employer, the employee's right to information and consultation in the company in the cases of changes in the economic or financial situation, technological changes, restructuring and merging of companies as well as collective redundancies.²⁴ The latest European Union norms also

²² EU Employment Policy 1999-2001, *Office for Official Publication of European Community*, Luxembourg- 2001

²³ Draft Act on Amending the Acts on -Labour Code and on Amending Others Acts, www.mpijps.gov.pl

²⁴ www.negocjacje.gov.pl

introduced a principle of equal treatment of employees in employment on the basis of criteria other than gender, marital status or family relationship.

In Polish legislation, the ban on employment discrimination with regard to gender, age, disability, race, nationality, political or religious beliefs as well as membership in trade unions has been formulated in art.11.3 of labour code. Measures are also taken by the Polish legislator relating to the equal rights of women and men lead to the change in the regulations stipulating the list of works that cannot be performed by women.

These are the changes brought in the labour sector of the Poland to ensure the fulfillment of conditions for the membership of the European Union.

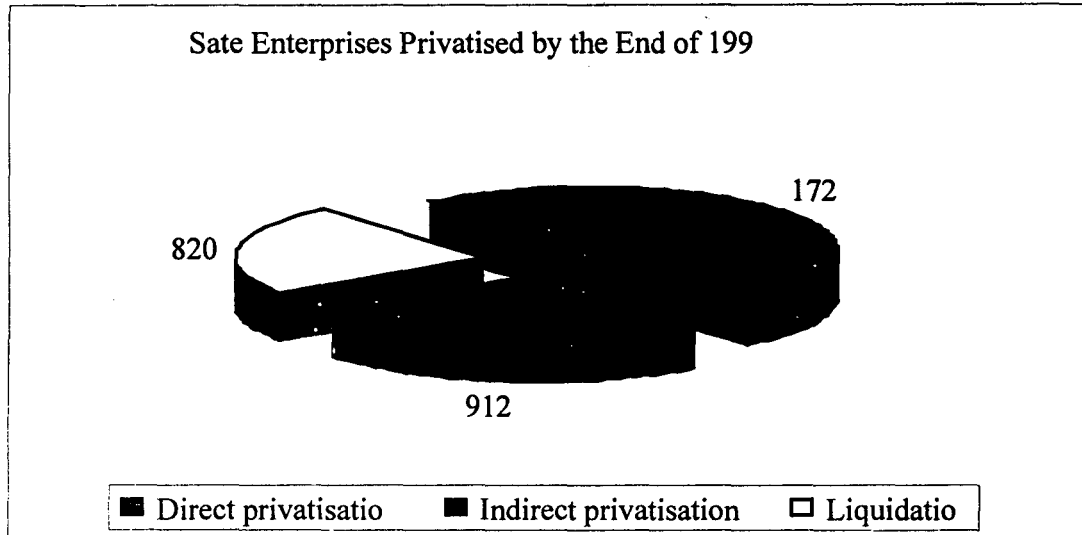
3) Public Finances: The changes in the public finance were brought with the adaptation of VAT (Value Added Tax) by Poland in 1993. Subsidies which were forming high percentage in 1980's were reduced and were brought about 8 percent of the GDP in 1990. Similarly, explicit subsidies in the government budget have also been reduced to less than 2 percent of GDP.

4) Enterprise Sector- Privatization and Enterprising Restructuring: Privatization was viewed as an integral part of the program of systemic change, and was aimed at creation of an efficient market economy. It was driven by the idea of freeing from the 'fetters of the economic system of the past', to create opportunity for the spontaneous and make way for the development of market relations.²⁵ The move towards a market economy is intimately linked with privatization of state-owned property, and the restructuring of the production process. In Poland, according to the latest information 60 percent of the GDP is generated in the private sectors. The small scale privatization of retail, catering, and service sector was more or less been completed between 1990 and 1992. Large scale privatization was started slowly but according to the available data 52 percent of the

²⁵ Beksiak Janusz, Tomasz Gruszecki, Aleksander Jedraszczyk and Jan Winiecki, *Outline of a Programme of Stabilization and Systemic Change* (London: CRCE, 1989) p.43.

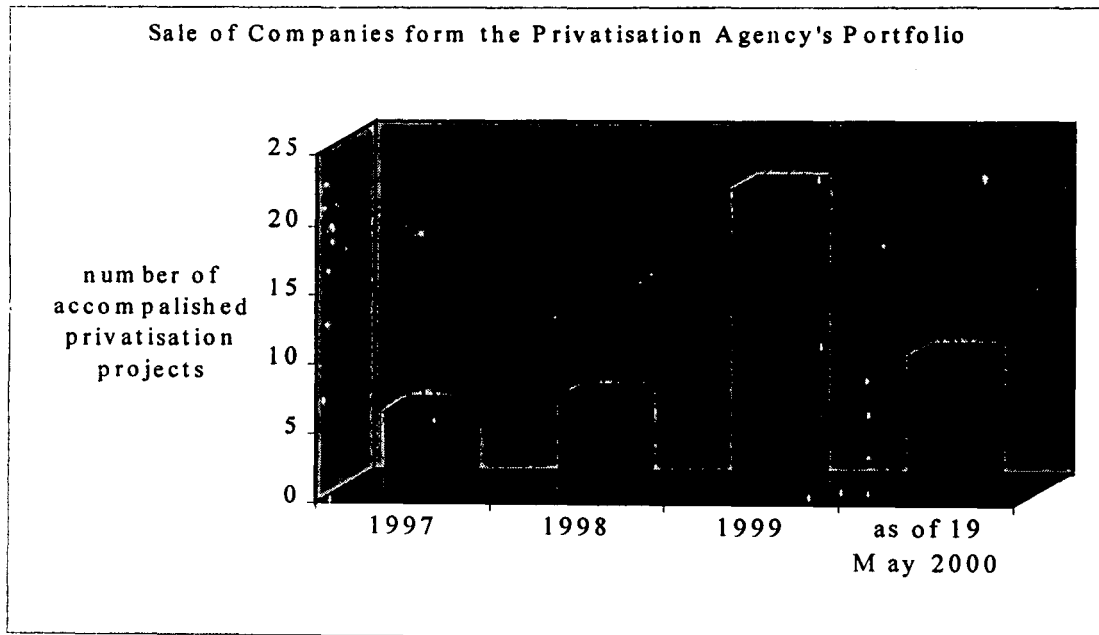
privatization of the large sectors was completed till 1996. The figure 4 and 5, given below will make the things more clear.

Figure 4: State Enterprises Privatized in Poland by the end of 1999.



SOURCE: <http://www.paz.gov.pl>

Figure 5: Sale of Companies in Poland from Privatization Agency's Portfolios



SOURCE: Embassy of Republic of Poland in India, New Delhi

Financial Sector

Financial sector too has to be brought on the lines of the market economy. This can be done by restructuring the financial sector on the principles of market. Poland's monobank system was dismantled in 1989, with the division of Central Bank and Commercial Bank. Currently a large number of commercial banks operate in Poland under the supervision of National Bank of Poland (NBP), which includes both state owned and foreign owned banks. During the period of 1993-95, four commercial banks emerged from the cartel of nine state owned banks operating under the NBP. In 1996 one more bank was privatized and remaining four was privatized in 1998. At the end of 2000, of the 73 commercial banks operating in Poland (excluding co-operative banks, bankrupt banks and banks under liquidation), 16 banks were quoted on the Warsaw Stock Exchange, including eight out of ten largest banks in Poland.²⁶ Foreign shareholders have been steadily increasing their investments in the Polish banking sector, banks with majority foreign equity accounting for 69.6 percent of the total assets of the banking sector. According to the NBP American, German and Dutch institutions have made the largest investments in the Polish banking sector.

Table 7: The Structure of the Banking Sector in Poland at the end of 2000

	Number	% Share
Banks controlled by State Treasury	7	22.9
-directly	3	21.1
-indirectly	4	1.8
Banks Controlled by Private Sectors	67	72.9
-with majority Polish equity	20	3.3
-with majority foreign equity	47	69.6

Source: Embassy of Republic of Poland in India: New Delhi

To make economy more flexible and to completely bring it out of the state control, Warsaw Stock Exchange was opened in 1991. By the end of 1996; 106 companies registered themselves in the Warsaw Stock Exchange, 25 more companies registered in

²⁶ Ibid

1997, and this figure attained the 216 mark at the end of 2002. The total business done through Warsaw Stock Exchange in 2002 is of 110.6 billion zloty (see table 8).

Table 8: Business through Warsaw Stock Market.

Years	1998	1999	2000	2001	2002
No. of Quoted Companies	198	221	225	230	216
Market Capitalization(in billion zloty)	72.4	123.4	130.1	103.4	110.6

Source: Source: Economist Intelligence Unit- 2003.

In this way financial sectors were brought out of state monopoly and market forces are operating in this sphere. All necessary steps and care has been taken to maintain the autonomy of these institutions.

EVALUATION OF EUROPEAN UNION ON ECONOMIC CRITERIA

The European Union in its '2002 Regular Report on Poland's Progress Towards Accession', evaluate the fulfillment of the economic criteria as following.

"More economic stability has been achieved, reform have been continued, while the Polish authorities commitment to the economic requirements of European Union accession has been sustained. Hence, it is concluded that Poland is a functioning market economy. The continuation of its current reform path should enable Poland to cope with the competitive pressure and market forces within the Union".²⁷ Table 9, will give an overview of the Polish economic condition.

²⁷ Regular Report on Poland's Progress towards Accession, op.cit.

Table 9: Poland in Figures

	1998	2001	2002
Population	38.7 millions	38.6 millions	38.6 millions
GDP Growth(Current \$)	158.4 billions	183.4 billions	189.0 billions
GDP Growth (%)	4.8	1.0	1.4
Value Added in Agriculture (% of GDP)	4.8	3.8	3.2
Value Added in Industry (% of GDP)	36.3	31.3	30.5
Value Added in Service (% of GDP)	59.0	64.9	66.4
Gross Capital Formation (% of GDP)	26.2	21.0	19.1
Trade in Goods as a Share of GDP (%)	47.5	47.1	50.9
High Technology Export (% of manufactured export)	2.9	3.1	2.8

Source: *World Development Indicators Database*. April 2004, www.worldbank.org/data.htm.

OTHER CRITERIA

The membership is not ensured just by fulfilling the two basic criteria but the third one says that "The ability to take on the obligations of membership, including adherence to the aims of politics, economic and monetary union". There are 31 chapters determined by the Union which needed to be negotiated and should get the 'closed' remark before accession. These chapters are as follows (For more details see appendix 1 at the end).

Table 10: Chapters Poland Negotiated With the EU in its Run-up to the Membership.

No.	Name	Negotiations Opened	Negotiations Closed
1.	Free Movement of Goods	21st June, 1999	29th March, 2001
2.	Free Movement of Persons	26th May, 2000	21st December, 2001*
3.	Freedom to Provide Service	12th November, 1999	14th November, 2000
4.	Free Movement of Capital	15th July, 1999	22nd March, 2002
5.	Company Law	19th May, 1999	28th November, 2001
6.	Competition Policy	19th May, 1999	20th November, 2002
7.	Agriculture	14th June, 2000	13th December, 2002
8.	Fisheries	19th May, 1999	10th June, 2002
9.	Transport Policy	12th November, 1999	10th June, 2002
10.	Taxation	7th December, 1999	21st March, 2002
11.	Economic & Monetary Union	30th September, 1999	7th December, 2002
12.	Statistic	19th April, 1999	19th April, 1999
13.	Employment & Social Policy	30th September, 1999	1st June, 2001
14.	Energy	12th November, 1999	27th July, 2001
15.	Industrial Policy	29th October, 1998	19th May, 1999
16.	Small & Medium Size Undertakings	29th October, 1999	29th October, 1999
17.	Science & Research	10th November, 1998	10th November, 1998
18.	Education Training & Youth	10th November, 1998	10th November, 1998
19.	Telecommunication & Information Technology	29th October, 1998	22nd June, 1999
20.	Culture & Audio Visual Policy	29th October, 1998	4th December, 2001
21.	Regional Policy & Coordination of Structural Instrument	6th April, 2000	1st October, 2002
22.	Environment	7th December, 1999	26th October, 2001
23.	Consumer & Health Protection	19th April, 1999	19th May, 1999
24.	Justice & Home Affairs	6th May, 2000	30th July, 2002
25.	Customs Union	21st June, 1999	29 March, 2001
26.	External Relations	19th May, 1999	12th November, 1999
27.	Common Foreign & Security Policy	10th November, 1998	6th April, 2000
28.	Financial Control	6th April, 2000	14th June, 2000
29.	Financial & Budgetary Provision	26th May, 2000	13th December, 2002
30.	Institutions	22nd April, 2000	22nd April, 2002
31.	Others	-	-

* closed temporarily

CONCLUSION

Krzysztof Majka, the Ambassador of Poland in India at a seminar on European Union enlargement said, "I would like to mention that Poland has passed a long and bumpy road to reach the point of signing of the Accession Treaty. In quite a short span of time we had to direct our economy, our entire law system and make them compatible with EU standards. That has been causing lot of political problems as well as social unrest even. We had to adopt just in terms of pages only 1, 20,000 pages of act. It looks quite simple but to adopt their parliaments, then to implement it is really very difficult and of course it is costing a lot of money. Just in technical terms the whole document which has been signed by 10 candidate countries in Athens consists of 6000 pages, the so called "Polish chapter" alone consists of more than one thousand pages. The whole adoption or coming along the road to that point close to accession took us more than 10 years. So it is quite long time".²⁸ The speech of Mr. Majka reflects the effort undertaken by Poland to reach the destination on 1 May 2004.

Demise of communism in 1989, was the beginning of the new era in the Poland which was manifested by transformation in all the fields. This transformation is not envisaged by the intention of joining European Union, but surely it was accelerated and directed by that intension. This is witnessed in all the areas stretching from politics to economics. Democracy was established, and its longevity was ensured, to make sure that no hurdle will come in getting the membership of the EU. The incorporation of EU's legislation on Torture in the Polish constitution, abolition of death penalty, are some of the examples as how the things were changed on the lines of the European Union. Similarly, ideal conditions were created for the functioning of the market economy. State either played the role of facilitator or of watchdog, for the proper implementations of the rules and regulations. Except in agriculture, Poland had not followed the policy of protection, and allowed market forces to have their way. Zloty is fully convertible and financial sector is running on the principles of market, where National Bank of Poland is just a supervisory body. In the labour market also, EU legislations were put into practice despite the

²⁸ Krzysztof Majka, The Ambassador of Poland in India, at Seminar on *Enlargement of the European Union*, (Mumbai: 30 April 2003) www.euindiachambers.com/seminarenlargement.htm#michel.

monetary burden it will put on the exchequer of the government. Along with fulfilling the three basic criteria, most of the chapters are permanently closed for the Poland, and few are temporary closed as Poland still needs some more time to adopt them. In short, Poland's membership to the EU is directly associated with the toil of its effort to meet the criteria.

CHAPTER- 3

GAINS FROM ACCESSION

INTRODUCTION

*"Rights and privilege and other things can only come through friendship- without mutual co-operation we can never make ourselves strongmen. The law of exchange must be applied to the best of our power"*¹

- Swami Vivekananda

"Accession to the EU goes significantly beyond the implementation of specific economic instruments or acts of European law," says the World's Banks senior economist Daniel Oks, Senior Economist" It is an issue of creating the conditions for Poland to enjoy the benefits of integrating in the European and the global economy. The reforms which will prepare the country for EU membership should be viewed as critical instruments in increasing the well-being of people in Poland".² In the OECD Policy Brief we find the following evaluation of the Polish experiences. "Ten years after having embarked on an ambitious programme of economic transformation, Poland has established itself as one the most successful transition economies. Efforts to stabilize the economy, put the public finances in good order, conduct a sound monetary policy, unleash market forces and implement structural reforms on a broad front have been well rewarded. These, together with further structural reforms to stimulate competition in product markets, reduce rigidities in labour markets and improve the functioning of capital markets, are the best ways to guarantee that Poland can stay on the fast track to join the European Union while also strengthening market confidence in Poland's underlying fundamentals".³ These comments reflect that now it is a time for Poland to get the fruits, for its sincere attempt to carry on the reforms whose one major objective remains the membership of the EU.

¹ Abrar Mohsin, *Immortal Speeches* (New. Delhi: Book Palace, 1992) pp 122-123.

² *More Reform for Poland on the Road to Europe*, World Bank Advises Poland on Economic Strategy, News Release No.98/1433ECA, <http://www.worldbank.org/website/external/news>.

³ OECD-Policy Brief January 2000, Economic Survey of Poland 1999-2000

Last chapter highlighted the changes brought in Poland, in accordance to the conditions given by the European Union for the accession. On 1st May 2004, Poland got admission in the European Union along with nine other Central and East European countries. Evaluating the costs and benefits at this moment from the membership, would be the conclusion reach in the haste. Still due to the changes brought in the social, economic, and in political spheres, a number of positive as well as negative consequences were seen.

POLITICAL GAINS FOR POLAND

European Union has not been only created to achieve some cooperation among the states in the Western Europe but it goes even further and declares that its final goal would rest on achieving the political union in Europe, or at least in the Western part of the Europe by gradual integration of economics, political, social and finally cultural field.⁴ Hence Poland's gain will not be limited in economics but it will have its impact on the politics, culture and on foreign affairs.

Today Poland is counted in the liberal democracies of the world. The things were not the same some two decades before. The German invasion of Poland took place in September 1939, which eventually leads to the outbreak of the Second World War.⁵ After the end of the war Poland found itself within the Soviet influence. In a series of barely concealed manoeuvres under Soviet directions a communist single party regime was established between 1944 and 1947. The communist system of rule on Poland was finally weakened by the solidarity movement in the year of 1980-81. Solidarity movement taken the shape of nation wide protest and at last communist regime was replaced by the elected government. Soon after the political changes Poland disclosed its aspiration to be a part of the European Union. Poland had implemented the directives of the European Union in its fullest, only in some exceptional cases Poland has asked for the transition period.

⁴ R. Pavananthi Vembulu, *Understanding European Integration; History, Culture and Politics of Identity*(N.Delhi, Aakar Books, 2003), p.3

⁵ Bert Wiskie, "Polnad's Long Desired Return to Europe", *Yearbook of European Studies*, 1999. p136

Poland's benefits from the European Union in the political term can be analyzed under two categories.

1) In Strengthening Rule of Law.

2) In Foreign Affairs.

1) In Strengthening Rule of Law:

Harmonization of national legislation with European Union laws in the accession states has been going for years.⁶ In Poland lawmakers had either adjusted or in the process of adjusting the domestic legislations to match with that of European Union. The European Union law covers two different categories. The first category of law is primarily based on treaties establishing European Community (EC), in establishing the European Atomic Energy Community (Eurotom), and the legal acts adopted by the community institutions. By the virtue of the direct effect and supremacy, these legal orders profoundly influence almost all types of legal relations in the member state.⁷ The second category is based on institutional international cooperation. Polish constitution has already adopted European Union's Legislations. Article 91(3) of the Polish constitution says that, "If an international agreement, constituting an international organization, ratified by Poland, so provided the law enacted by it shall be directly applied".

Now the question arises how the adaptation of the European Union legislations benefited Poland? Poland is following a reform path, particularly in the economic law. By joining the company of most developed nations, and accommodating their rules and regulations, Poland has accelerated the reform process which has its own advantages. On economic front even in the case of isolation Poland would have gone for liberal policies and to put them in practice, Poland would have integrated them in its domestic laws. Such policies cannot be ruled out in the contemporary world where governing mantra is globalization,

⁶ Europe Enlarged: Understanding the Impact; Economic Intelligence Unit, *The Economist*, p.49.

⁷ Maciej Szpunar, *Polish Legal System in Light of Membership in the European Union*; Research Paper of Centrum Europejskie Natolin: 2003, p97.

as seen in the case of China, Russia, and India, etc. Any deviation from liberal policies means exorbitant costs in the terms of creating an unattractive aura for the foreign investors and by slowing the ongoing reforms process. Implementation of the regulations of the common market makes Poland a favoured destination of the foreign investors. Some scholar also believes that investors will feel secure in putting capital in a country where common rules are applied for 25 nations. Norway and Ireland, which decided not to join the European Union but become a member the member of European Economic Area and thus obliged to abide by the significant portion of the single market regulations.⁸ If Poland will go in the same direction it means taking away the privilege of participating in creation of laws in the single market.

Not only on the economic front but accession to the European Union will also be the solution to the growing crimes like drug trafficking, illegal immigration, cross-border terrorism, etc. According to the treaty of Amsterdam, which entered into force in May 1999, the European Union is committed to develop policies in the field of visa, asylum, immigration, and other policies related to free movement of the persons, and to develop common action in the field of police cooperation and judicial cooperation in criminal matters.⁹ Moreover, opening up of the courts and administration to institutionalized international cooperation will result in a more effective fight with all type of organized crimes. The treaty of Amsterdam will result in creation of sound and efficient legal institutions where there is a reduced uncertainty of arbitrary decision-making. After the implementation of this treaty, Border Protection Army of the Poland will be replaced by more efficient Border Guard who will be used for border protection, border traffic control, and for fighting border related crimes. In the fields of visa migration and asylum the accession process is supporting institution building, as a result a network of diplomatic mission and consular offices of Poland in the world will be strengthened. Here due to the European Union monitoring in the context of accession has played a substantial role in keeping and placing immigration and asylum policies high on polish agenda. The reform in the Polish judicial system in going on without much political

⁸ Idib

⁹ K.Iglicka, "Migration Movement form and into Poland in the light of East- West European Migration", *International Migration*, Vol 39, (2001), pp. 3-32.

interferences from outside, this is unanticipated if Poland had not joined the European Union.

The fight against the organized crime, drugs, fraud and corruption, also benefits from accession driven institution building. Examples are the creation of National Centre for Criminal Investigation, General Inspector for Financial Information, and Central Bureau of Investigation in the Poland. European Union standards support the development of an accountable and reliable police organization and custom authorities. Likewise to push the case for membership the staffs in the security agencies are made modern and professional and by exchange of information between the members state the entire system becomes more efficient and effective.

In this sense accession to the European Union will change the Justice and Home Affairs of Poland, thus strengthening the rule of law. The successful adaptation of Community's law is an indispensable condition for the participation of the Polish citizens, firm and institutions in the benefits resulting from Poland's membership of the EU to an extent equal to the benefits available to the Union's citizens and legal entities.¹⁰

2) In Foreign Affairs:

"The shortest and the bloodiest century on the European continent saw the Poland as a protagonist in all the main events. But the twentieth century was not the first to show the vulnerable geopolitical position of the country. Throughout its history Poland felt victim to the expansionist ambitions of neighboring states several times. Membership of the European Union will certainly be a solution to this problem".¹¹

The European Union-15¹² signed the Maastricht treaty which added two new areas of cooperation viz. the common foreign and security policy, and judicial and police

¹⁰ Andrzej Stepniak, "Strategy of Poland's Membership in the European Union", *Intereconomics*, July/August, 2002. p. 184.

¹¹ Bert Wiskie, op. cit. p. 131

¹² European Union's members before the Eastward Enlargement.

cooperation. After witnessing the bloody disintegration of the Yugoslavia and disturbance in the Balkans, European Union became more alert on the security of Europe. In the Next European Union treaty which was signed in Amsterdam in 1999, focused on enhancing the coordination of member states in the security area. Finally, European Council in Helsinki in December 1999 announced the establishment of European Union military domain, with the following objectives.

- 1) To safeguard the common values, fundamental interests, independence and integrity of the Union.
- 2) To strength the security of the Union in every way.
- 3) To preserve the peace and strengthen international security.
- 4) To promote international cooperation.
- 5) To develop and consolidate democracy and the rule of law, respect for human rights and fundamental freedom.

With joining the European Union, Poland will utilize the Common Foreign Policy to optimize its own security within the community. As announced by the Minister of Foreign Affairs, "Poland intended to actively participate in the CFSP (Common Foreign and Security Policy) from the pre-accession phase".¹³ Poland being a member of European Union will get 27 votes in the EU Council which is over 8 percent of the total votes. The strong position of the Poland in the European Union will give it the power to influence the decision making process in the council which is also true in the case of Common Foreign and Security Policy. Some analyst holds the view that Poland will be the key member of the European Union, when it will formulate its eastern policy in the strategic terms. Poland as the member of the European Union and being an equal partner in the Common Foreign and Security Policy has an opportunity to play a vital role in the

¹³ Ministry of Foreign Affairs of the Republic of Poland <http://www.msz.gov.pl>

making of European Union's policies towards the countries like Russia, Belarus and Ukraine. It is to be noted that these countries (Russia, Belarus and Ukraine) are the neighbours of Poland. In the case of not joining the EU Poland will lose all the leverages it gets through the membership. Poland's economy doesn't have that much extra to support an independent foreign policy towards its neighbours as well as in the world politics.

Similarly, in the case of the energy security Poland's role is well acknowledged by the EU. Few believe that although Russia is a main source of energy security for the new members of the European Union from the Central and East Europe, European Union is not comfortable with the dominating role of the Russia in this field. The transit location of the Poland is significant and it can be utilized to improve the energy security of the EU-25. By participating in the Common Foreign and Security Policy, Poland will get access to the material, logistic, administrative and training resources of the EU, and fund under the External Action Programme of the European Union. In the same manner, participating in the military research projects and cooperation of the European armament industries will give Poland a chance to play strategic role in the region, the role which is denied to it till the present.

These are the some noteworthy political benefits which Poland will garner in the near future as the constituent of the European Union.

ECONOMIC BENEFITS

European Union is the richest regional organization of the world, and membership of the European Union is regarded as directly proportional to the prosperity. Poland started the economic reform process in 1989 with the introduction of 'shock treatment', a rapid but painful transition to the market economy. 'Shock treatment', was advocated by then finance minister of Poland Leszek Balcerowicz who said, "The point here is not the success of the government, but the chances for the success of the people. Although this will require tremendous effort and often also sacrifices, particularly at the beginning of

the path of reforms that we are intended to carry on".¹⁴ It was rightly been analysed by Mr. Balcerowicz that reforms have its costs, which the people had to stand. Poland by opting to be a part of the European Union has reduced the burden on its citizens. "The European Union is likely to focus more on the set of economic reforms that will enhance Poland's prospects for fast and sustained economic growth than on the strict and premature adaptation of Economic and Monetary Union (EMU) convergence criteria (e.g., inflation, and interest rate levels), agreed upon the Maastricht. A strong economy will be better prepared to absorb shock and adhere sustainability to the EMU criteria, while at the same time minimizing the potential budgetary cost of the accession to the EU (e.g., social adjustment costs)".¹⁵ In this respect one can see the profit of membership for the Poland in three important areas of economy viz. form grants and aids by the European Union, in international trade, and benefits at micro and macro levels.

1) From Grants and Aids:

Poland will reap the benefits of the membership in the form of structural and regional funds, and the further transfer of unused pre-accession funds. According to the estimate from Ministry of Finance, in 2004-2006 Poland should be able to obtain upto 62 billion zloty in additional funds, consisting 66 billion zloty in transfer of state budget and 10.4 billion zloty in financing from pre-accession funds such as PHARE, ISPA and SAPARD. The remaining 45.1 billion zloty would be used for financing development projects.¹⁶ EU membership will also require Poland to co-finance some of the projects benefiting from EU funds in the amount upto 25 percent of the total cost of the project. In fact, Phare program, which is the major financing program of the European Union for the applicant states, was originally created to assist Poland and Hungary in 1989.¹⁷ Poland is

¹⁴ Summary of World Broadcasts, EE/0577/C1/2, 3 October 1989.

¹⁵ Nissan Liviatan and Daniel Oks, Macroeconomic Policy during Accession to the Europe in Richard F. Staar (Ed.) *Transition to Democracy in Poland*, (Houndmills, Macmillan Press Ltd; 1998) p. 163.

¹⁶ Zbyszko Tabernacki, Poland's Public Finance Reforms: Too Little for Some, Too Much for Others, Global Insight, April 2003,

¹⁷ <http://www.europa.eu.int/comm/enlargement.htm>

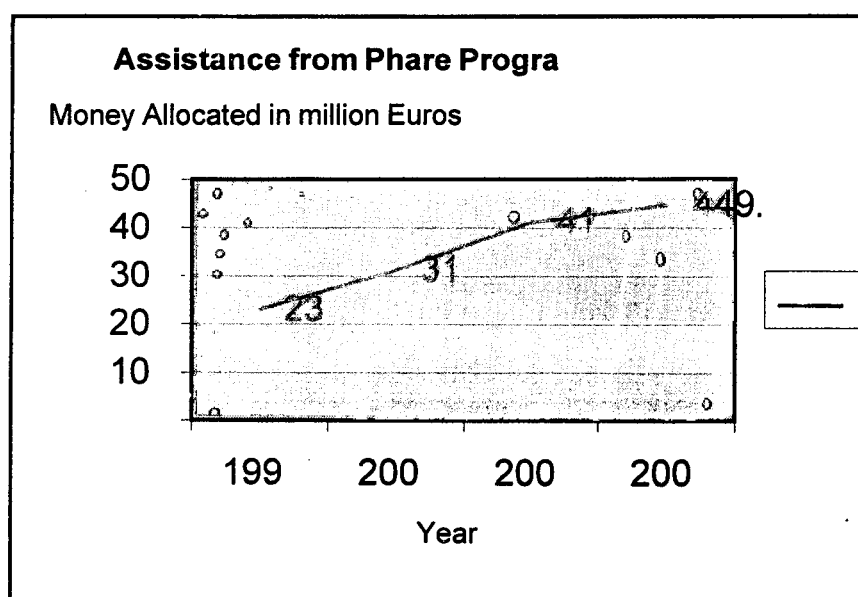
largely benefited by this program as it gets the much needed monetary support to carry out the reforms. The following table will make the things more clear.

**Table: 1 Allocated Money to the Poland from Phare Program of the European Union
(In Euro Millions)**

Years	1999	2000	2001	2002
Money Allocated	231	313	411.0	449.8

Source: Phare Annual Report 2002.

**Figure1: Money Allocated from Phare Program
(In Million Euros)**



Source: Table 1.

The above figure confirms that with the passage of time the amount of assistance has increased for the Poland.

2) International Trade:

International trade firmly depends on the domestic policies of a nation. The two policies which have wider impact on the foreign trade are the tariff policy, and the exchange rate

of currency. Along with these commercial policies, nation's political system also has its effects on the quantity and the quality of the foreign trade. Stable political system and a transparent trade policy help in building the faith of the investors in the nation. Tariff policy is limited only in the few sectors; basically in the agricultural area which need some support form the government due to the dependency of the large section of the population on the agriculture. Poland has justified the government assistance to the agriculture sector because it is necessary to counter the rising imports of subsidized foodstuffs from EU. Polish farmers have largely been sheltered from EU competition because of the asymmetrical treatment of agriculture liberalization under the Europe Agreement.¹⁸ This support is expected to vanish, since Poland is now the member of the EU, and its peasants will get export subsidy like the rest of their EU counterparts. Likewise, In 2000 Polish government made Zloty a free floating currency on international currency exchanges. Moreover, the faith of the foreign investor has uplifted from the simple logic that Poland is now a part of the European Union, hence, there is no risk that any 'U' turn will come in the economic policies of Poland. The unbroken and the constant reforms, along with the steady political environment and the shade of the European Union, have brought capital into the Poland in the mounting order. The following table showing the net capital flow in Poland will make the things more clear.

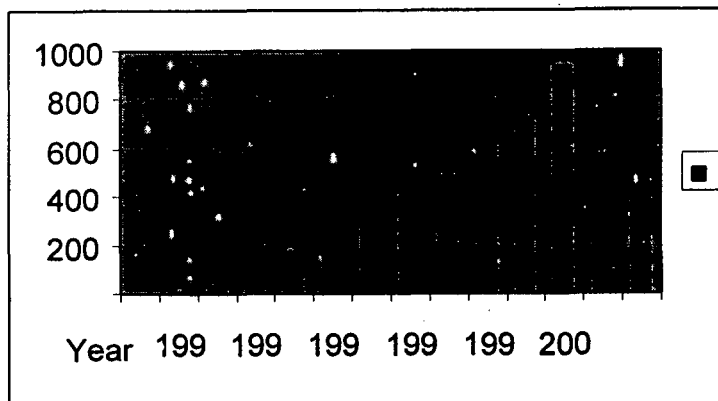
**Table2: Net Capital Flow in Poland.
(In Million US\$)**

Years	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
FDI	89	291	678	1715	1875	3659	4489	4908	6365	7270	9342	5,713	4,119

Source: *International Monetary Fund September Balance of Payment*, CD ROM 2002.

¹⁸ Poland, *Trade Policy Review*, (Geneva: WTO, 2000) p.77.

**Figure 2: FDI flow in Poland from 1990 - 2002.
(In million US \$)**



Source: table 2.

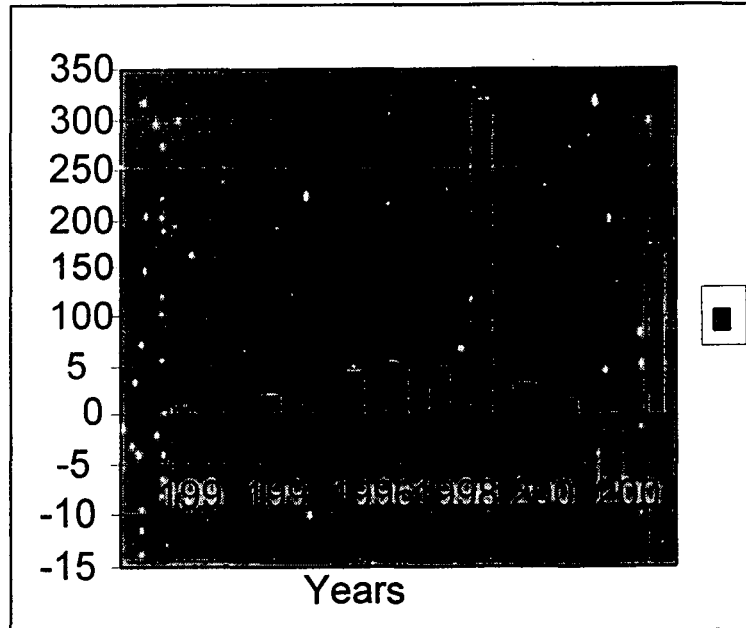
FDI trend characterize the economic situation of Poland which demonstrate marked advancement. Foreign investors are not only confident due to the policies of Poland but they are also eyeing on this country, taking the cost benefits by investing in a cheap destination, where average production cost is low in comparison to the Western European countries. Poland is also among the few CEEC's from where the outward flow of FDI is also registered in the recent years. This is the sign of forward movement of the Polish economy from transition to advancement. The following table will give the exact figures.

**Table 3: Outward Flow of FDI from Poland.
(In Millions US \$)**

Years	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
US \$	7	13	18	29	42	53	45	316	31	17	-90	173

Source: Same as that of table 2

**Figure 3: Outward Flow of FDI from Poland
(In Million US \$)**



Source: Same as that of Table 2.

The sector which attracts foreign investment the most is further ameliorating the Polish economy. Over half of the inward foreign investment from the end of the 1998 was coming in the manufacturing sector. This is because Poland's policies in manufacturing largely aimed at the preparing for EU accession.¹⁹ For a transition economy the strengthening of manufacturing sector is associated with the high growth rate and creation of more employment. Initially Polish economy remained dependent on the agriculture which too was highly subsidized. "Poland is a country whose employment structure is still overly biased towards agriculture, heavy industries and raw materials-the primary sector. While agriculture is relatively efficient, given its structure and resources, its products are highly subsidized as through the intermediary state organizations as to the prices paid to the peasants and the present regime with a hard political, as well as economic nut to crack".²⁰ It is clear that Poland required a heavy investment in the

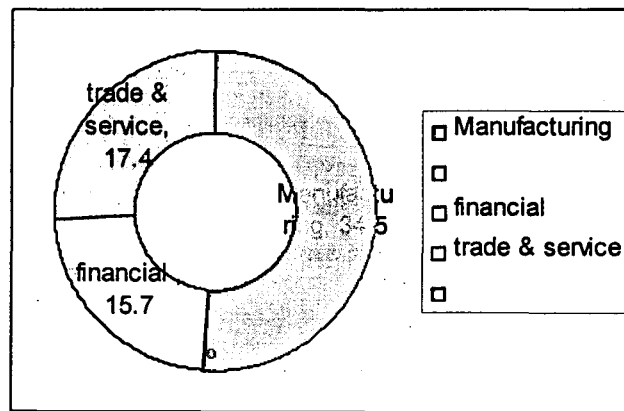
¹⁹ Poland. op cit. p.91.

²⁰ George Kolankiewicz and Paul G. Lewis, *Poland: Politics, Economics and Society* (London: Pinter Publishers, 1988) p.98.

manufacturing sector to modernize the economy and putting the desired sum was not possible through internal sources. Here the FDI became crucial for the Polish economy.

In the mid-2002, the lists of foreign direct investors in Poland consist of 920 companies from 35 countries. In 2002 manufacturing accounted for 34.5 percent of the total foreign investment, the financial sector accounted for 15.7 percent, and the trade and service sector received 17.4 percent.²¹ So the Manufacturing sector in the Poland received the maximum investment which helped in creating the infrastructure, crucial for any economy. In this way the coming of foreign investment to the Poland by adopting the policies of the EU has highly benefited the economy in wider sense. The given figure will illustrate the areas in which the FDI is coming.

Figure 4: FDI (%) in Various Sector of Polish Economy in 2002.



Source: www.paiz.gov.pl

Poland has also managed to retain its leading position in the region in a ranking of investment attractiveness compiled by the A.T. Kearney Consulting Company. Poland is ranked 11th, ahead of the Czech Republic (14th), Hungary (16th) and Russia (17th).²² It is the policies which are the guiding force behind the coming investment in the Poland. Although in the last couple of years, FDI flow to the Poland has slowed down. Privatization of state-owned assets or state-owned enterprises (SOEs) in the Central and

²¹ www.paiz.gov.pl/why1_7.html

²² www.atkearney.com

Eastern Europe continues to be the driving force behind the FDI inflows into the region, although the process of privatization has "slowed down to a marginal level" in Poland, as Poland has lost much of its appeal to foreign investors as a destination of investment.²³ In fact, in 2002, revenues from privatization amounted to 2.2 billion zloty instead of the expected 6.6 zloty.²⁴ The big reason for this is that privatization of the state assets in the Poland has been completed upto a large extent, almost 52% of the privatization of the large sector has been completed. However, there are several large and attractive enterprises that are still awaiting privatization, including LOT Polish Airlines, PZU (Poland's largest insurance company), a number of power plants, steel mills, and several companies in oil sector.²⁵

In foreign trade also Poland's ties with the Western and developed nations has on the boost. This is the verification that now the mature economies of the world look towards the Poland as the safe destination to trade with. The confidence is the result of Poland's membership to the European Union. In order to obtain the membership of the European Union, Poland has followed a stable trade policy which has its constructive effects. The table given below will illustrate the reality.

**Table 4: Main Trading Partners
(% of Total)**

Years	1998	1999	2000	2001	2002
Export					
Germany	36.2	36.2	34.8	34.2	32.3
France	4.7	4.9	5.2	5.4	6.0
Italy	5.9	6.6	6.3	5.4	5.5
UK	3.9	4.0	4.5	5.0	5.2
Import					
Germany	26.7	25.3	23.9	23.9	24.3
Russia	5.1	5.8	9.4	8.2	8.4
Italy	9.4	9.4	8.3	8.8	8.0
France	6.5	6.9	6.4	6.8	7.0

Source: Economist Intelligence Unit. 2003

²³ Wanda Zelonkiewicz, "FDI: Bring it on", *Warsaw Business Journal*, February. 16, 2003. p. 22.

²⁴ Andrzej Ratajczyk, "Privatization: New Minister, New Plan", *Warsaw Voice*, February. 8, 2003. p. 19.

²⁵ Richard J. Hunter, Robert Shapiro, Leo V. Ryan, "Foreign Direct Investment in Poland-2003", *The Polish Review*, Vol. XLVIII, No. 3, 2003, p. 305.

The improvement in the foreign trade has its own positive impact on the economy and Polish revenues from the export kept on increasing in the recent times (see table 5).

Table 5: Poland's Export Revenue.

(In Million US\$).

Years	1994	1995	1996	1997	1998	1999	2000	2001	2002
Export	17,024	22,878	24,453	27,229	30,122	26,347	28,256	36,092	32,152
Revenues									

Source: National Bank of Poland, 2001/ World Bank Group. www.worldbank.org/data

3) Reform in the Internal Sector:

In the internal sector also Poland has been benefited from the accession. The numerous benefits can be categorized under the following heads.

- a) In employment generation.
- b) Continuous Economic Growth.
- c) Micro- level Reforms.

a) In Employment Generation:

Transition has its own side effects, the loss of employment is one such unavoidable feature of it, hence, swell in the number of unemployed in Poland is an economical phenomena. The unemployment in Poland is more in the regions marked by the accumulation of certain characteristics of economical and social development, i.e. in the places where the economical structure had been dominated by collective farms (PGR),

traditional heavy, and raw material industry, or by single-standing large scale work establishment.²⁶

As the member of the European Union (Earlier as the candidate) Poland is getting funds. These funds are utilized in developing infrastructures, for fighting with poverty, etc. The investment made from these funds helped in creating new jobs. In 2003 some early sign of stabilization appeared in the Polish labour market suggesting that it might have reached a turning point after several years of deterioration. In November 2003 the registered unemployed rate stood at 17.6 percent- 0.2 percent lower than that a year earlier.²⁷ Allocation from structural funds will contribute to creation and maintenance of jobs. Inflow of financing from European Social Fund will facilitate to counteract unemployment through programmes like intervention works, training and retraining, loans in support of the establishment and purchase of business activities. The Silesian viovodship is a good example, under the Integrated Regional Development Operation Programme in the years 2004-2006 this region is to be allocated funding of EUR 405.2 millions (at 1999 prices), where 70 percent of this fund has to come from the EU.²⁸

b) Continuous Economic Growth:

Membership to the EU has led to the growing economic activities, which has promoted the saving and subsequently investments. The increase in the investment means higher potential for the GDP growth. Membership will also promote competitiveness and openness of the economy. According to the analysts Poland will get following direct benefits from the membership.

i) Increased scale and contribution of public and private investment in GDP.

²⁶ M.Szylko-Skoczny, "Youth Unemployment in Poland and Chosen CEE Countries", *Yearbook of Polish European Studies*, vol. 2, 1998, p.223.

²⁷ Eastern Europe, *UN Economic Survey of Europe*, 2004, No. 1. p. 68.

²⁸ "The Balances of Costs and Benefits of Poland's Accession to the European Union", *The Office of the Committee of European Integration*, (Warsaw, April, 2003) p.12.

ii) Acceleration of the process of modernization and absorption of new technologies, through increased import, as well as greater expenditures on education and domestic research and development.

iii) Increased trust on the part of foreign markets, which lead to acceleration of the inflow of direct foreign investments.

iv) Safe financing of increased investment expenditures through greater domestic and foreign savings, including community funds.

This will keep the graph of economic progress always in the upward direction. The following figures given below indicate the progress Poland has made in the economic sphere.

Table 6: GDP (%) of the Poland from 1990-2002.

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Poland	-11.6	-7.6	1.5	4.0	5.2	7.0	6.0	6.9	4.8	4.1	4.0	1.0	1.2

Source: UN Economic Survey of Europe 1990-2003.

Table 7: Consumer Price Index (%) from 1990-2002.

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Poland	585.8	70.3	45.3	36.9	33.2	28.1	19.8	15.1	11.7	7.4	10.2	5.5	1.9

Source: UNECE Common Database, derived from national statistics.

Table 6, representing the GDP of the Poland in last 12 years, and table 7 representing the consumer price index of the Poland in the same period speaks for the stable economic performance of Poland. If on one hand GDP has increased than by keeping the consumer price index in control, Poland has avoided any risk of high inflation in the economy.

c) Micro -Level Reforms:

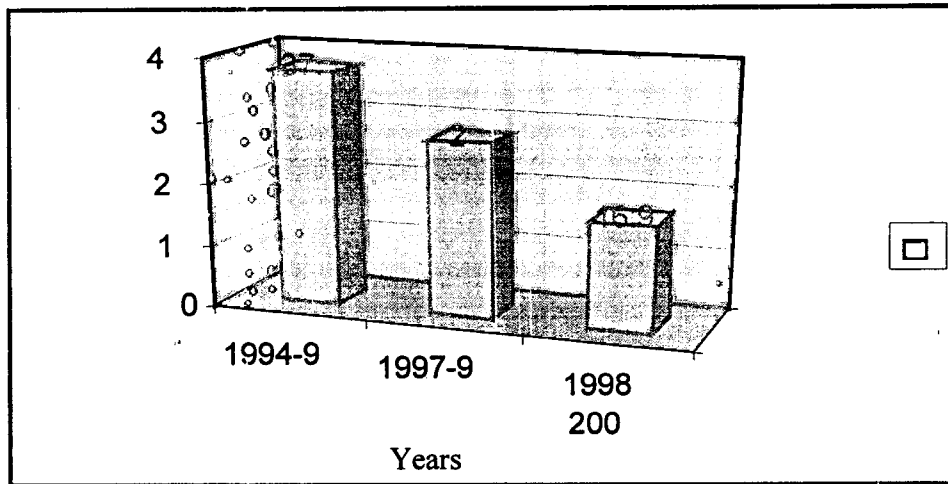
Micro-economic effects from the accession can be compartmented into three categories according to the phases.

- i) The first phase is during the creation of Free Trade Zone and Custom Union.
- ii) Second phase is the joining the Common Market.
- iii) Third phase will start when Poland will enter into Economic and Monetary Union.

By entering in the first phase Polish companies will be benefited by penetrating into an integrated area consisting of 25 member states following a common rule and regulations. To operate in the largest area covering from rich Western European countries to the continental Europe, Polish firms have to implement technological and product innovation. At present the level of innovation of Polish companies is very low and decreased from 37.6 percent in the 1994-96 to 28 percent in the 1997-98, the number has further declined and came to just 16.9 percent in 1998-2000.²⁹ On the other hand innovation level is much higher for the EU and is 51 percent. There is a hope that after

²⁹ Ministry of Economy- Poland. www.mg.gov.pl

Figure 5: Level of Innovation in Poland from 1994-2000.



Source: Ministry of Economy Poland/ www.mg.gov.pl

the accession Polish companies will spend a considerable amount of their profit in research and development because it will become a necessity to stay in the market. Even if some of them do not wish to spend, they can get benefited by exchange of technological know-how between companies operating in same Custom Union.

The elimination of administrative, technical and fiscal barriers is characteristic for the next phase, which is being the part of Common Market. Poland will get numerous benefits just by entering into the Single Market. The process of integration through increased competition has an impact on the reduction of production costs and reduction of prices. Lower prices than create an increase in purchasing power of the population, which stimulates demand, and therefore stimulates economic growth. Along with if the reduction of costs and prices enables the benefits in the area of price, cost competitiveness to be discounted and this in turn will be reflected in an improved trade balance and increased GDP.

In the third phase, Poland will enter into the Economic and Monetary Union (probably by 2008). After getting the membership of Economic and Monetary Union currency risk associated with settlements made in euro, and performing calculations in a single

currency will be condensed. The use of the single currency will reduce the transaction cost and will bring down the production cost of products. The complexities in the price discrimination will be eliminated, providing more opportunity for the companies to promote their products. The firms seeking capital will obtain better access to financial credits, which in addition will be cheaper.

These are few significant benefits for the polish economy from the accession to the European Union. The uninterrupted economic growth due to rising foreign trade and by enhancement in the internal sector Poland has attained a distinct place. Table 8 will show the strong position of polish economy in the contemporary time.

Table 8: Official Reserve Assets, 1993- 2003 in Convertible Currencies**(In Million US\$)**

Month/Year	Official Reserve Assets
December 1993	4,281
December 1994	6,028
December 1995	14,963
December 1996	18,220
December 1997	21,403
December 1998	28,275
December 1999	27,314
December 2000	27,466
December 2001	26,564
December 2002	29,794
December 2003	33,975

Source: National Bank of Poland.

SOCIAL BENEFITS

Anything changing inside a country has its direct impact on the society. When we are analyzing the things in the terms of benefits for Poland from the accession, it is equally important to know how the Polish society gets its own share in this. Three important profits will go into the account of the Polish society.

1) Profit for Working Class:

The social policy of the European Union has a purpose of making basic provisions of the European Economic Community real. The Community's norms are focused on the different aspects of the legal position of employees in the employment process, and in particular the promotion of equal treatment (equal rights) of men and women on the labour market, employment policy, issues concerning to safety and health at work place, as well as of social dialogue. To calculate the benefits, it is necessary firstly to scrutinize the Polish labour sector.

The figures of the workforce in the Poland showed the biases towards the men. The women employed in Polish economy are about 15 percent point lower than men. The discrimination of women on the Polish labour market can also be illustrated by a higher contribution of women in the unemployment figures; this is despite the fact that women are better educated than unemployed men. In the 1996-2001, the contribution of unemployed women with the higher qualification in the overall number of unemployed women ranged between 2.3-3.8 percent, and for men it is from 1.2 -2.5 percent. The unemployment rate with regard to women increased in the years from 29.5 percent in 1996, to 37 percent in 1999, whereas for men it increased respectively from 23 percent to 28.5 percent for the same period.³⁰ There is considerable optimism that this gap will reduce in coming time, and the reason is again the membership. EU Community rule is very clear on equal employment. The Council Directive 76/207/EEC of 1976, deal with the equal treatment of men and women in regard to access to employment. The Community law on equality to men and women referring to employment is already been implemented in Polish legislation by amended labour code in 2001.³¹

On industrial safety side which is associated with the Community's Directive 89/655/EEC. This directive entitles the member state to guarantee proper safety of the

³⁰ *Eurostat Yearbook Office* for Official Publications of the European Community. Luxembourg, 2001.

³¹ www.negocjacje.gov.pl

workers in the industrial sector. Here Poland has asked for a grace period of three years.³² The apparent reason for the extended period is the high cost, which is involved in the implementation of the EU directives because modernization of outdated technologies has a price tag. The cost of implementing the directive is very less in comparison to the rewards associated with it. In the long run, following the industrial safety norms both employee and employers will be benefited. The very first gain can be estimated by the judgment that after implementing the prescribed safety norms in the industries, accidents will be reduced and absenteeism will come down. Moreover, the costs resulting from bad working conditions are considerable. In Poland all those who suffer incident while on work or bad health is paid by the government. This is done through the Social Institution called in Poland- "ZUS". In total "ZUS" benefits related to the occupational accidents and diseases amounted in 2002 to approximately 4.2 billion zloty, that is about 0.5 percent of the GDP. Transportation of the provisions of EU directives into the Polish law and their practical implementation should limit the socio-economic losses caused by inappropriate working conditions.³³

EU directive also describe of holding social dialogue between employee and employers organizations including government. This is done to assure harmonious development of international enterprises operating in the EU. A Work's Council within such enterprises will be established with the sole purpose of disseminating information to the employees, and to have employer-held consultations on the decisions that pertain to all employees. These issues are stipulated in the Council Directives 94/45/EC, the provision has already adopted in the Polish legal system in April 2000, by the virtue of the Act on the European Councils. Poland has already taken a step forward in this direction and started organizing social dialogue. However, it is not extensive as it is in the EU-15. The cause for this is not the cost, but the fewer number of trade unions in the Poland which averages 31 percent of the employee in Poland, whereas in the member state membership of the trade

³² Poland in the European Union, *Economic and Business News from Poland*, (New Delhi, 2003) p46-48.

³³ Krzysztof Pater, "Safety and Health and EU Enlargement", *European Agency for Safety and Health Work*, http://www.agency.osha.eu.int/publications/conference/index_en.htm.

union is amounted to 50 percent.³⁴ Other benefits in the employment sector are evident by applying the EU norms for example in the case of vacation leaves. Member state has committed themselves to guarantee all employees who have worked for at least one year, a paid vacation leave of minimum twenty days. In Poland the paid vacation leave is only of eighteen days. Another such benefit will go to the pregnant workers and workers who have recently given birth or are breast feeding, working time will also be made flexible and much more transparency is expected to come in the functioning of the management.

2) Developing Human Resource:

When we are analyzing the benefits to the society from the accession one significant point need attention, how the accession will have its influence in the development of human resource in the Poland? Poland's integration with the European Union will improve the operating conditions of higher educations and scientific research. At present schooling rate in Poland is below the EU average. Membership will now provide stimulation for the change in the existing figures. Major benefits of the accession are - right to obtain education in the EU member state, the facility to participate in Community Education Programme. For Example after getting the membership Poland will participate in education and instructional policy of the European Community for the years 2004-2005. The active participation in this program is mandatory for the member state under article 76 of the European Treaty. Benefits ensuing from the accession will be most felt by the students and university teachers. They will gain new opportunity for training and advancement of their professional qualifications. A very significant is that Polish citizens will have guaranteed right to study in the universities of other member states under non-discriminatory principle. This will manifest in the lower costs of studies abroad and facilities in the areas of right to residence. On the other hand such situation will force higher education in Poland to improve the quality of education provided-otherwise school

³⁴ Wiesława Kozek: "Social Dialogue and EMU in Poland", paper presented in a seminar organized by European Foundation for the Improvement of Living and Working Conditions, May 22-24, 2002, Vienna. Also see 'the General Polish Social Survey of Accumulated Data', *Institute of Social Studies*, Warsaw; 1998.

failing to undertake relevant measures will start to lose students, who will find alternate places of study.

Polish scientist and research community are now allowed to get the coverage under European Research Area, giving Polish scientist the opportunity to use modern research infrastructure of other states and to exchange experiences. It will improve also the standing of research units in the scope of financing for research and development works. Potential of Polish scientist will be used more effectively due to the instrument of co-operation and financing within the EU. Other benefits are like acquisition of funding for research work, employees' mobility, an opportunity to facilitate and shorten the way between the result of research work and their implementation, as well as co-operation with renowned research centre's of other countries.³⁵

In this sense membership is like opening a door to the human development in the Poland, by creating a knowledge based society.

3) On Environmental Issue:

The issue of the environment is at the heart of the European Union. All its member states follow stringent rules in regard to the environment and least compromise is done on this subject. Many believe that environment is one of the significant features for the eastward enlargement of the European Union.³⁶ In the case of environment Poland will get two types of benefits, one in the short-run and other in long run. In short- run, Poland will get financial aid to protect its environment by controlling pollution. Even in the case of not joining the EU, Poland would have gone for pollution control, but only by spending exorbitant amount from its own revenue. For economy in transition such expenditure is not possible as other areas are more demanding. In 2000, EU established separate fund for providing financial assistance in environment and transport. Poland had got between

³⁵ The Balance of Costs and Benefits of Poland's Accession to the European Union, Executive Summary, *The Office of Committee of European Integration* (Warsaw: April 2003) pp.21-22.

³⁶ See Chapter 1 p.20

312-385 million euros under ISPA programme in each year from 2000-2002. In the year of 2002 Poland received 357 million euros under this category.³⁷

In the long term advantages for Poland will come automatically just by implementing the environment standards of the EU. The Polish firm by adopting eco-standards of the EU will not only do the standardization of the process and products, but in addition will improve their competitiveness. Export should be facilitated if producers suspected of eco-dumping will get clearance, for example Polish metallurgical sector is accused of such dumping.³⁸ The sooner the industries comply with the environmental standards the better is for them. The eco-friendly industries not only get the business in the EU-25, they too have a chance of expansion in the world trade which is more eco-concerned at present than ever. In long term the other benefits comes when Poland will fully go for the pollution control mechanism. Polish firms have to take up the EU Integrated Pollution Prevention Directives. This can be done by using the "Best Available Control Technology"(BAT), which is generally been referred as a technology-forcing process intended to reduce future emissions thus preventing unnecessary pollution. Similarly, the health benefits of achieving cleaner air and water are abundant. The following table will show the returns form the clean environment.

**Table 9: Monetary Valuation of the benefits from the implementation of 'acquis communautaire' in the area of environmental protection by Poland:
(In Million Euros)**

Annual Benefits	Air	Water	Waste	Total
Low	2650	1400	165	4215
High	15400	3280	2750	21430
Present Value of Benefits to 2020				
Low	25800	13590	1600	40990
High	149930	31960	26300	208190

Source: Estimates of the ECOTEC Report 2001.

The strict implementation the EU standards in pollution control can advance the chances of establishing the environmental industries in Poland. If the bulk of equipment needed

³⁷ Partnership for Accession of Poland: Activities of European Union;
http://www.europa.eu.int/pol/index_en.htm

³⁸ "The Benefits of compliance with the Environmental Acquis for the Candidate Countries", Commission of European Communities, Brussels, 2001.

for pollution control is produced in Poland, its effects will be wider in the sense of economic gains. Firstly, many industries manufacturing equipment will develop. Secondly, in the same vein the maintenance of the equipment as well as inspection and compliance programs will undoubtedly create a significant number of jobs.³⁹ In addition, probabilities cannot be ruled out that foreign investment in the industry will take place, as there is no saturation in this field.

CONCLUSION

It is said that the 'coming events cast their shadow before'. The benefits from the European Union, started coming to Poland from the days of its candidature. The aid and assistance through various programmes of the EU promoted the reforms in Poland and membership will further enhance the development of Poland. The onset of liberal democracy, respect for the human rights, peace and tranquility in the country, are some of the visible benefits from the EU. The end of history in 1989, created a vacuum in the region, which latterly been filled by the eastward expansion of the European Union. The path from centrally command economy to the market economy cannot be completed without assistance, and here EU comes as the sole mentor for the Poland. The bulging revenue, sufficient foreign exchange, growing GDP, controlled inflation, is the indicators of a sound and progressive economy. The objective of joining the European Union always keeps Poles engaged in the development work leaving less scope for the disturbance as seen in other parts of the region, particularly in Balkan. The assurance of membership keep the hope alive in the minds of the citizens that morning in not far, darkness will soon depart. Poles now belong to a grouping which has set several landmarks in its history of 53 years. The point which is significant that benefits are not only in figures but it is reaching to the common man. The labour law, the safety and health norms in the industries, the effort to check pollution, the freedom to go to European Court if the justice is denied, etc are the matter which influences the day to day life of the man. In the same way development will further gain momentum once a total

³⁹ Randy. M. Mott, "All Green for Polish Accession?", *Central Europe Review*, Vol. 1 No.24, 6 December 1999, www.ce-review.org/index.html.

restructuring of the Poland on the lines of EU will be completed. In brief, the benefits are abundant which will multiply in the coming time.

CHAPTER -4

MAJOR CONCERNS AND PROBLEMS

INTRODUCTION

Two things of opposite nature seem to depend on one another, as a man depends on a woman, day on night, the imagined on the real. This is the origin of change.

Two Things- by Wallace Stevens

'There is but in everything', and the accession of the Poland to the European Union is not free from it. Poland has to face several daunting tasks ahead before it will start getting the complete returns from the European Union. The above assertion is based on two important characteristics. Firstly, Poland is yet not achieved the status of a developed economy. Secondly, joining an organization which is based on numerous laws and regulations, covering all the areas from economy to the socio-political life is not at all easy. Any state, how strong it is will need time to adjust its social, economic and political structures according to the lines of that organization. These are the reasons why Poland has to face some short term troubles. As mentioned above that European Union deals with all the affairs of a nation, these troubles will be visible in all the areas. This chapter deals with those concern and problems that Poland will face in the coming period. For comprehensive understanding it is better to take each area (economical, socio-political) separately. In the economical sphere the core concerns for Poland are in the following quarters.

1) In Financial Sector:

The budget of the European Union is financed by the member countries within the framework of the system, i.e. own funds. Article 201 of the treaty of the European

Union says that, "With no prejudice to other types of income the budget is financed in whole from own resources. The Council, univocally deciding as suggested by the Commission and after consultation with the European Parliament, decided upon regulation concerning the system of own resources of the Community whose adaptation it advises to member countries according to their respective constitutional requirement". Every member state has to contribute to the Union by paying fee which is based on the formula applied on the entire member.¹ The contribution includes following four sources of Funds:

1) First and oldest two sources are agricultural charges and the sugar levies contributed by the sugar industry.

2) The second source is the custom duties lived on the third countries. In the case of custom the collection is made by the particular country but supplied to the Union's budget. Although, 25 percent of the value collected through the custom will remain with the member country in order to balance administrative and logistic costs of the collection of charges and custom.

3) Third source is the taxation of goods and services i.e. Value Added Tax (VAT). A part of such contribution is calculated applying the uniform rate encumbering the basis, currently calculated as 1 percent of VAT, estimated harmoniously for all countries. However, if estimated VAT basis is higher than a half of 1 percent of Gross Domestic Product (GDP), the value equals to the half of percentage of GDP is adopted for calculation of a portion of the contribution that has to be paid as VAT. In the majority of the less affluent EU countries and also in the case of all considerably poorer, newly acceded countries, the basis in the form of a half of one percent of GDP will apply.²

¹ I. Begg and N. Grinwade, *Paying For Europe*, (Sheffield: Sheffield Academic Press, 1998) p. 36-58

² *Non-Paper from the Commission to the Cabinet, Methodological Aspect Related to the Calculation of Net Budgetary Balances*, Undated Paper of European Commission (Brussels: European Commission, 2002)

4) In the case of previous sources are not sufficient to achieve the desired income of the community budget, another i.e. fourth source of income is applied with its value calculated as a part of the sum of Gross Domestic Product of all member countries. A single method is applied to calculate GDP of each country.

These are the four source of income for the European Union; all of them are based on the contributions made from the member states. All the sources are important but in the recent times fourth source has become more imperative, precisely because of two reasons. Firstly, liberalization of the global trade means that the custom levies by the EU for the imports from the third countries gradually loose their weight. Secondly, relatively stable share of supply from VAT does not cover growing needs of the EU budget resulting form the new elements in the integration process. Cited estimates of the Commission indicate that, after 2004, means from the fourth source become the clearly dominating stream of budget supply, which might comes around 70 percent of the whole income.³

Poland as the member of the European Union has to contribute its share in the Union's budget. Although the correct estimate of the Polish contribution is still not been done, but approximate calculations of several sources are available. Some of the earlier scientific calculations anticipated Poland's liabilities towards the Community budget in the years 2004- 2006, will range from 2 to 2.4 billion Euros.⁴ Few document prepared by the government administration indicated different values. The report concerning advantages and the costs of integration of the Republic of Poland with the European Union, issued by the present government, even mentioned a potential level of the lower range threshold amounting to 100 million Euros, if it would be possible to negotiate correction mechanism postulated in the negotiation position of the Poland. In such a case Poland have to pay 10 percent of the targeted contribution in the first year of the membership, 30 percent in the second year, and

³ M. Mattila, "Fiscal Redistribution in the European Union and the Enlargement", *University of Helsinki*, 2002, www.valt.helsinki.fi/staff/euredist/redist/pdf.

⁴ E. Kawecka-Wyrzykowska, S.Uadvka, "Estimated Polish Payments to the European Union Budgets and Transfers form Union Budget Poland's Behalf", *CASE*, Warsaw, 2000, Volume 1, pp.107-108 & 114-115.

50 percent in the third year. Whatever should be the mode of payment one thing is clear that Poland has to make a hefty amount of payment as a virtue of its membership to the European Union. Table 1, present the amount Poland has to add to the European Union's budget, the estimate is based on different sources. The problem which comes under the discussion is that, how an economy which is not in its best era will bear the payment of this exorbitant amount?

Table 1: Estimated Values of Polish Contribution in Million of Euro.

No.	Source of Estimate	2004	2005	2006
1.	Non-Paper form the Commission on Methodological Aspects Related to the Calculation of Net Budgetary Balances. Undated, 2002. (at 2002, Price)	2398	2496	2565
2.	Paper on Methodological Aspects Related to the Calculation of Net Budgetary Balances, Unpublished Material of European Commission, 22 July, 2002. (at 1999, Price)	2429	2470	2560
3.	Financial Framework for Enlargement 2004-2006, Poland. Estimated Net Budgetary Positions After Enlargement, Unpublished Material of Danish Presidency, 4 November 2002. (at 1999, Price)	2337	2407	2492
4.	Financial Framework for Enlargement 2004-2006, Indicative Allocation of Commitment and Payment Appropriations, Unpublished Material of Danish Presidency, 19 December 2002. (at 1999,Price)	2369	2454	2519

**Table 2: Contribution Structure and Components According to their Sources.
(In Million Euros, at 1999, Price).**

Source	2004	2005	2006	Total	Structure
Customs and Customs Duties	123	213	213	549	8%
VAT	194	304	310	808	12%
Fourth Source* (GDP Fraction)	1114	1707	1752	4573	70%
British Rebate**	148	230	244	622	10%
Total	1579	2454	2519	6552	100%

* Contribution calculated for 8 months (as of the Planned to EU on 1.05.2004)

** Special part of the contribution involving the financing of the reduction in the contribution of the Great Britain defined upon by the motion of this country by the European Council in Fontainebleau in 1984.

Source: Financial Framework for enlargement 2004-2006. Figures given by Natolin Research Centre of Poland. www.natolin.edu.pl.

The satisfying factor in this entire thing is that, still the money coming from the European Union to the Poland is more in comparison to the money going from Poland to the European Union. Table 3 will throw light on it. The table shows that the net benefit is in the favour of Poland. It will continue to receive funds from the European Union for the developmental projects. Despite this natural advantage payment to the European Union budget will be an additional burden on the Polish transitional economy.

**Table3: Costs and Benefits for Poland
(In Million Euros. at Prices 1999)**

Year	From EU to Poland	From Poland to EU	Net Balance
2003	+846	0	+846
2004	+3,299	-2,429	+870
2005	+4,140	-2,470	+1,669
2006	+5,248	-2,560	+2,688

Source: European Commission Report 22, July, 2002

2) For Polish Firms:

Poland after getting the membership of European Union has become a part of the common market. All the rules and regulations which till yesterday were applied on the EU-15 are now squarely applied on the Polish firms. It is beyond doubts that Poland's economy made progress in last two decades. Perhaps the foremost among these is the emergence of a dynamic SME (Small and Medium Sized Enterprises) Sector. New private firms are the fastest growing in the country, and accounts for around 70 percent of the employment and close to half of the GDP and export.⁵ This is an encouraging sign but the Polish firms are yet not matched with those of EU -15. The integration to the EU's single market will result in a significant toughening of the competitive operating environment for Polish SME. Moreover, the product standard of the European Union has to be followed by the Polish firms along with the rest of the regulations.

⁵ Poland's Approach to EU Accession: Trade and the Political Divide, *Time Fortune*, Series 2, Issue 6, July 2002. www.oxan.com, for more information also visit, www.ibif.org.

It is believed, that now as the Poland has joined the common custom area of the European Union some companies are under the threat of extinction, and many companies have to survive on the imports of the manufacturing goods in order to meet the severe competition. In the process of preparing for the competition on the single European Market, enterprises should still undertake efforts aimed at reducing production cost and the modernization of the production processes, as well as adjustment to the European norms and standards (ISO). Micro-economic studies indicate that although the number of acquired ISO 9000 certificate increased from 130 in 1995 to 2075 in 2000.⁶ This level is still low in the contrast to the Czechs, who already have 3855 certificates and Hungary which has 4672, by the same time. Along with this many Polish enterprises operating in the common market have to obtain certificates. The cost of obtaining certificates which are essential to carry out the business in the common market, for a single product or a product type amounts between several hundred to several thousand zlotys.⁷ The simple conclusion which can be drawn from this is that, the enterprises should have to meet the requirements in order to increase sales in the European countries and to survive in the domestic markets; otherwise they will evaporate from the market.

When the competition will increase further, due to the single market, it will put further pressure for the reductions of cost. The companies which would go for the cost effective techniques would stay in the common market. This will be done by giving importance to the research and development, by a higher share of technology, involvement of human resources, and a higher degree of product and process innovations. It is an indication that Polish enterprises have to borne certain investment outlays. The volume of investment outlays is dependent upon the type of product manufactured in a given undertaking. Food processing sector will bear the largest cost, due to the stringent requirement concerning food safety. Tightening of the market supervision will also result in elimination from the market of those businesses, which evade legal regulations concerning product safety standards of the

⁶ On the Basis of the materials of the Ministry of Economics of Poland, www.mg.gov.pl

⁷"The Balance of Costs and Benefits of Poland's Accession to the European Union", *The Office of Committee of European Integration*, (Warsaw: April 2003) p.8

European Union. For example it is estimated that almost 50 percent of the building material currently sold on the Polish market fail to meet the required norms.⁸

Satisfying the ecological standards of the European Union is also noteworthy for the Polish firms. Those firms which fulfill the ecological criteria, new opportunities for them are on the cards. These firms will acquire the full access to the single European market of about 500 million consumers.⁹ On the other hand companies which do not meet these requirements, will not only be unable to export their products to the EU as the case is today, but they will also not be able to sell them in the domestic market, which will become the part of the single European market.

3) In Agricultural Sector:

In March 1998, when accession talks began, EU negotiator Nikolaus van der Paus stated that, "It will now be easier for the Polish government to force through the occasionally painful reforms even at the cost of a temporary decline of support". Many of these "painful" reforms will be in the agricultural area because of the number of Polish citizens who will be affected.¹⁰ The agriculture sector is the one which is expected to be most influenced by Poland's accession to the European Union. In a wider sense, this is a sector which is said to be the biggest concern in the eastward enlargement. The apparent reason is the amount of workforce that is engaged in the agricultural activities in the Central and East European countries. According to the existing figures; 22 percent of the labour force in the new member countries, is occupied in the agricultural activities, this is just 5.3 percent for the EU-15 countries.¹¹ Any changes associated with the agriculture undeniably influence the population of the new member states. A lot of confusion still prevails on the

⁸ "The Balance of Costs and Benefits of Poland's Accession to the European Union" op.cit .p.9.

⁹ Navedita Das Kundu, "European Union Enlargement Process", *Man and Development*, March 2001, p.123.

¹⁰ Meredith Swisher, "Agriculture as the Challenge to Poland's Accession to the European Union", http://www.bc.edu/bc-org/avp/law/lwsch/journals/bciclr/23_1/05_FTN.htm

¹¹ Sahil Khanra, "The Road to European Union Expansion: The Grand Ambition, The Huge Challenge", *EDGE*, Spring Quarter, 2003. Also visit. [www.stanford.edu/classes/e297c/The Road to European Expansion.htm#_ftn1](http://www.stanford.edu/classes/e297c/The_Road_to_European_Expansion.htm#_ftn1)

Common Agricultural Policy (CAP) of the European Union. CAP was implemented in 1962, to provide high level of support to the EU farmers. The structure of the CAP is already changed (see chapter 1, p.11.) to accommodate ten Central and East European Countries. In the new frame work of the CAP, peasants of the new member state are not eligible for the high subsidies, though they get financial support. This changed form of CAP will not affect the EU-15 farmers, but for the farmers of new member states it will. Except for Slovenia, the governments of CEECs' cannot afford to support agriculture as EU has in the past. With the completely open borders between EU and the CEEC's, the CEEC's agro food sector may find it difficult to compete with the Western European firms. The EU product standard will add more woes to the crisis.¹²

As a result of these changes, Poland also falls in the category of the countries which has to face numerous gloomy situations on the agricultural front, at least in the short run. The crisis in the agricultural sector is serious because of this reason that agricultural sector represent the 20 percent of the total employed people in Poland, this is despite the decline of number of people working in the agricultural sector.¹³ Any change linked with the agriculture will have its brunt on the employment. According to one estimate, an additional 600,000 will loose the job in the agricultural sector, by Poland's accession to the European Union.¹⁴ With more than a quarter of workforce engaged in this area, reform to comply with the *acquis* is difficult. There are various reasons which make the situation inescapable. Some of the prominent causes are as follows.

Firstly, Poland has too many of the small farms, according to the General Agricultural Census 1996, there were over 2,041,000 farms in Poland . Many of them are small and produce very less to be sold in the market. Due to these small holdings modernizing the farm is almost an unworkable mission. It is anticipated that out of

¹² Susan E. Leetmaa, Elizabeth A. Jones and Ralph Seeley, "Enlargement of the European Union to Central and Eastern Europe: Obstacle and Possible Consequences of Policy Harmonization", *Economic Research Service/UDSA, Regional Trade Agreement of US agriculture/AER/771*. p.122.

¹³ *The Economist*, <http://www.economist.com/countries/Poland/profile.cfm?>

¹⁴ Meredith Swisher, op. cit.

two million farms in the Poland only about 160,000 are ready to compete within the EU. The ownership structure in the countryside will also change. There will be higher subsidies for larger farms, stimulating their formation. In total, the number of farms may decrease by several hundred thousand.¹⁵

Secondly, the quota system and direct payment under the Common Agricultural Policy of the European Union is also not very much in the favour of the Polish peasant in the short run. Production quota is given to a country for the various agricultural products, and it is expected not to exceed. If the production of a certain item surpasses the production quota, it will result in the losses. In case of Poland, the introduction of the dairy quota will be most severe. A farmer cannot go beyond the dairy quota or he will be heavily charged.¹⁶ He may, however, escape paying the charge by buying a part of the quota from another farmer, who does not use his quota entirely. With such a mechanism a dairy quota is a serious constraint to the development of dairy cattle production, as there is no incentive for increasing production but punishment. Likewise the sugar quota too, is an obstacle for the production, but not as severe as dairy quota. There are three types of quotas in the sugar production viz. A, B and C. Quota A, is the national quota of the member state, quota B, is the sugar exported with the help of export refund. Lastly, quota C, is the sugar produced by the plant outside the two quotas, such sugar has to be exported to the world market at a very low price.¹⁷

The quota system is flexible on cereals, oilseed and proteins crops. In these farmers gets the market price along with the direct payment. Farmers may produce these crops without any limitation, but here also two things should be kept under consideration. One, getting the bare market price for the extra produce, for quota he

¹⁵ Dariusz Styczek, "European Union Accounting for Accession", *Warsaw Voice*, 20 August, 2000, www.warsawvoice.pl/view/30

¹⁶ Małgorzata Kaczorowska, "EU Negotiations: Milking an Issue," *The Warsaw Voice*, December 15, 2002, www.warsawvoice.pl/view/30

¹⁷ Janusz Rowiński, "Agriculture- Costs and Benefits of Poland's Membership in the EU", Research Paper of *Centrum Europejskie Natolin*, 2003, p108.

will get the normal price plus direct payment. Two, if farmers of the member state files the applications to cover a greater area than a national base area, covering the greater area subsequently lead to the proportionally lower direct payment. The remaining quotas of potato- starch, raw tobacco, dry fodder, hops, tomatoes for processing, beef cattle and sheep, do not constitute such a severe limitation as a dairy quota. A farmer may go above the quota but spare production is not covered under the direct payment. Table 4, will give details of the various production quotas Poland has got after a negotiating with the European Union.

Table 4: Negotiated Quotas for Different Products for Poland.

Product group	Polish negotiation position	EU negotiation statement	Negotiated quantity
Field crops general (ha)	9 263 000	9 217 667	9 291 377
Reference area (t/ha)	3,61	2,96	3,00
Potato starch (tons)	262 000	90 546	144 985
Dry fodder (tons)	160 000	0	13 538
Raw tobacco (tons)	55 000	37 933	37 933
Young bulls (units)	2 200 000	857 700	926 000
Suckler cows (units)	1 500 000	325 581	325 581
Slaughter cattle (units)	2 021 000	2 034 300	1 815 430
Slaughter calves (units)	1 017 000	1 200 600	839 518
Sheep	720 000	335 880	335 880
Milk (2004 – tons)	11 845 000	8 875 000	8 964 000
Sales to dairies (tons)	11 183 000	6 956 333	8 500 000
Direct sales (tons)	662 000	1 918 667	464 000
Milk 2008 (tons)	13 740 000	8 875 000	9 380 000
Sales to dairies (tons)	13 176 000	6 956 333	8 916 000
Direct sales (tons)	564 000	1 918 667	464 000
Sugar (tons)	1 866 000	1 665 017	1 674 495
A quota (tons)	1 650 000	1 590 533	1 590 533
B quota (tons)	216 000	74 484	83 961
Isoglucose (tons)	42 200	2 493	6 232
A quota (tons)	40 000	2 493	6 232
B quota (tons)	2 200	0	0

Source: Same as of Table 2.

The above table reflects that Poland negotiated for higher quotas in almost all the products, which are not granted to it. The connotation which emerges out of this is that Polish farmers have the capacity to produce over the negotiated amount, but at present they have to curtail the production.

Hardly, the problem will come for the Polish peasants in the case of direct subsidies. The use of the direct subsidy remained the trickiest in the Copenhagen Summit in December

2002. It was agreed that between 2004 and 2006, Polish farmers should receive direct payment in the amount of 36 percent, 39 percent and 42 percent respectively of full payments. Although this amount is higher than the proposed one for the Poland by the EU, but it is not free, as Poland is obliged to pay 20 percent extra to the shifting funds, which indicate an extra burden on the Polish budget. At the same time European Union agreed to allow Poland to provide extra tops-ups on direct payments from the national budget, upto 55 percent in 2004, 60 percent in 2005 and 65 percent in 2006. The use of this right means Poland should pay 21.6 percent in 2004, 22.8 percent in 2005 and 24.4 percent in 2006 of the full amount of the direct subsidy (see table 5).¹⁸

**Table 5: Direct Payment to the Polish Farmers in 2004.
(In PLN)**

	Small Farms	Semi-Subsistence Farm	Market Oriented Farm
Area in Hectares	3.5	12.5	35
Agricultural Income	3190	12436	30301
Total Income	20962	24879	40532
Direct Payments From EU	520	2000	5600
LFA* Payments	700	2500	7000
Support to Semi-Subsistence Farms		5000	
Total EU Support	1220	9500	12600

*LFA- Less Favoured Areas.

Source: Table Published by Office of the Committee of European Integration, Warsaw in April 2003.

The above table shows that Polish farmers will get aid in the terms of direct payments but only those who has either 3.5 hectare or above. The dilemma with this is that there are 56.4 percent of farms in Poland which area ranges from 1 to 5 hectare. It is believed that only 67 percent of the Poland farmers will get the direct subsidy, rest are very small to qualify for the subsidy.¹⁹ Here again the question of the transition economy surfaced, as how Poland will swallow the load of huge amount? This means that Polish farmers shall not be covered under the direct subsidy of the CAP, it will only happen in 2013 or in

¹⁸ Enlargement and Agriculture: Successfully integrating the new member States into the CAP. Issues Paper. (Brussels: Commission of the European Communities) 30.1.2002, SEC (2002) 95 final.

¹⁹ Dariusz Styczek, op.cit.p 10.

2007- if Poland will pay for it. By that time Polish farmers have to operate in worse economic conditions where competition from the common market will remain on its zenith. On the other hand, they have to compete with the farmers who are getting the complete benefits of the Common Agricultural Policy, making the contest more complicated for the Polish ones.

Fourthly, farmers of Poland will face problems due to their traditional style of farming and by the product standard of the European Union. There is low level of specialization in the Polish farm, in relation to the European Union.²⁰ This was precisely because small Polish farmers are not in the position to take risk, since the failure of one crop will turn them bankrupt. After accession this pattern has to be changed or it will cost heavily to the farmers, but how the farmers of the small holdings will cope up, is a disturbing matter. In the same vein, the agro-product standard of the EU is very high and matching with it is not an easy job. Poland dairy and meat industries are under the maximum pressure.

Implementing the EU standards in the dairy do not involves modernization and construction and or modernization of environment protection facilities. Modernization also required in the milk-purchase and transportation. However, the most difficult and the costly part of the undertaking is the modernization of dairy cattle breeding. This is a particularly complicated task, mainly due to the huge number of small suppliers of milk who breed only few cows. Observance of the EU standard requires investment which is unprofitable for the small producers. Despite all the efforts only 186 plants succeeded in the introduction of the EU standards.²¹ The position of meat producers of the Poland is also vulnerable, for whom it is obligatory to renovate the entire firm on the technological and transportation lines, as well as technical infrastructure. According, to a rough estimate approximately, 1400 plants, including over 400 plants of industrial capacities have to liquidate with the accession, as they will not able to comply with the European Union standards. The wind up of lot of local meat plants, mostly small slaughterhouses,

²⁰ Stereotypes in the European Union Concerning Polish Agriculture, Agriculture Assistance Programmes Foundation, (Warsaw: November, 200), also visit. www.ambpl-weh.org.hu

²¹ R.Urban et al. Identification of Losses and Benefits Resulting from the Shift in Time of Adjustment Process in Dairy Meat and Poultry Sector. Expertise N0.3, For Ministry of Agriculture and Rural Development, *Institute of Agriculture and Food Economy*, (Warsaw: June 2002)

which do not meet the EU standards, means a loss of job. These are not serious numbers from the point of view of a municipality or a country, although in a small locality each job is important and in a situation when economy is not in its best times.²² Along with this the small slaughterhouses run on the supply from the small suppliers of few or dozen pigs etc, once they are closed the big houses were not show interest in the insignificant numbers. The additional income of the small farmers in this respect will condense further.

These are some of the prominent problems which the Polish farmers will face as the member of the European Union. The nature of these problems is of short term till Poland agricultural fully adjusts itself to the EU norms, still these are painful.

4) Infrastructure:

Infrastructure plays a special role as a development factor for international economic relations and, at the same a development factor for socio-economic mega space which is the geography space developed by the man across the territories of the several countries. In the simple words infrastructure is an idea of gradual scaling down of what is referred to as economic and social distances, which separates individual economies and societies.²³ Protections of environment, waste management and water treatment, as well as construction of a transport infrastructure, are all very important issues in the EU.²⁴

There are four basic sources of financing infrastructural development programmes.²⁵

1) Budgetary Means.

2) National Private Capital.

²² Janusz Rowiński, op.cit. p.128.

²³ Marek Ratajczak, "Infrastructure Condition of Poland's Integration with the European Union", *The Poznan University Economic Review*, Volume 1, No. 1, 2001. p.92.

²⁴ Maja Kozminiska and Roman Rosiak, "Accession to the EU", *Benefits International*, January/February 2003.

²⁵ D. Biehl, *The Contribution of Infrastructure to Regional Development*, (Luxembourg: European Commission, 1996)

3) Foreign Private Capital.

4) International Institutions.

The possibility of investment from the national private player in development of infrastructure is less, simply because of scarcity of the capital and also due the long term nature of such projects. Foreign investors will rarely take interest in developing infrastructure inside a nation, as it is a risk related premium. International institutes finances for development, but not for all. Hence, the role of the budgetary sector is the most significant in the development of the infrastructure, but here comes the problem for the Poland which is a transition economy. Financing the sumptuous amount for the developing infrastructure is not possible for the Poland, although its long term returns cannot be rejected. Infrastructure becomes an important issue for any nation which is in the EU, because it will determine the pace of the economic activities.

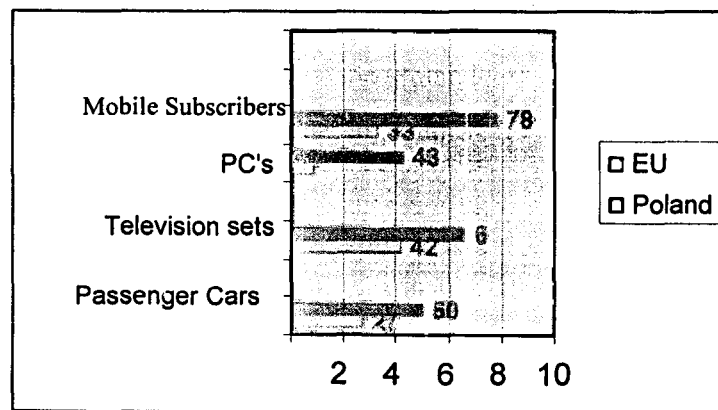
Transport is one such major problem in the Poland. Transport system formally well developed, are outdated, weakly connected and are getting obsolete more quickly than in neighbouring new members. Nearly all main roads in Poland require repairing and modernizing as a matter of some urgency.²⁶ According to a report, total amount to extend the road network in the nation on the directives of the European Union itself requires 7.1 billion Euros. For realization of further development and modernization project in the transport sector- the modernizing of railway network, expanding infrastructure of airports and seaports, combined transport terminal etc. requires the amount of 4-5 billion Euros. European Union is financing various such projects in the Poland, but finances are not upto the requirement. As the member of the EU, Poland will receive funds from Cohesion Fund and the European Regional Development Fund (ERBD). The volume is hard to evaluate at the moment. It can be estimated that in the year of 2007-13, Poland could receive 7.5-8.5 billion Euro from the Cohesion Fund, and about 3.5 billion Euros from

²⁶ *Unity, Solidarity, Diversity for Europe, its People and its territory*, Second Report on Economic and Social Cohesion (Brussels: European Commission ,2001). P.51.

the structural funds (primarily ERBD).²⁷ The difference between the anticipated amount for the development of the transport facilities in the Poland, and what it will get from various funds shows the burden on the Polish economy. Problems for construction of roads in the Poland are coupled with the association of social issue. There is a need of expropriation of around 100 thousand farms in order to implement the plan motorway constructions in Poland.²⁸ Farmers of the Poland are already under pressure by the accession; under these conditions persuading them will be a tough job.

As for the development of the telecommunication network, there is a considerable gap between Poland and the developed countries despite the great progress made in the few years. This is a hurdle for the economic activities, and will not suit at all in the current scenario when Polish economy is interlinked with one of the most sophisticated economy of the world. Figure 1 will provide the details of the Polish telecommunication sector in comparison to the EU.

**Figure 1: Infrastructure Development in Poland.
(On per 100 people)**



Source: Economist Intelligence Unit, World Development Indicators, 2002.

Until Poland will come close to the level of the EU, the real returns of the accession is not possible.

²⁷ Andrzej S. Grzelakowski, "Costs and Benefits of the Poland's Accession with Regard to Transport", Research Paper of Centrum Europejskie Natolin: 2003, p.184.

²⁸ Marek Ratajczak, op.cit. p.101.

The human resource of the Poland is also not upto the European mark. Education is considered the more and more (if not the most) important indicator of the equality of human resources that determines the development opportunities of states and regions, while the modernity indicators adopted most frequently in university education and not-as it was not so long ago-secondary education.²⁹ From this point of view, Poland with 12 percent ratio is no worse than the Czech Republic, Portugal or Italy but remains far behind Finland, Sweden, Great Britain and Estonia. Another disquieting phenomenon is also the high ratio of functional illiteracy in Poland. Another disadvantageous phenomenon is the inadequate adaptation of education to the need of the domestic economy, which has an influence on the increase in the unemployment, among the other things, among university graduates.³⁰

European Union gives much of stretch on the environment, and is quite clear on the implementation of the environment acquis. The EU environmental legislation contains over 240 directives, which will be applied in all the new member state's legal system. The harmonization does not mean simply imply transposition of EU environmental regulation. It require guarantee that the standard will be established and properly enforced. As the debate on the costs for Poland is continued, one of the major issues has always been the adaptation of environment acquis. The issue is basically referred to as a major undertaking which will require several years and a billion of Euros. Negotiation under the "Environment" chapter for Poland with the EU was opened on 7 December 1999 and closed on 26 October 2001. This chapter is the most difficult to negotiate both in the terms of harmonizing Poland's legislation with the *acquis communautaire*, and in implementing the norms set forth in the numerous directives and other community legal acts. Keeping the high expenditure adopting the environment regulations Poland has

²⁹ *Unity, Solidarity, Diversity for Europe, its People and its territory*, op.cit, p.56

³⁰ G.Gorzelałak , "Regional and Local Potential for Transformation in Poland", *European Institute for Regional and Local Development*, (Warsaw: 1998) pp.77-80.

asked for the transition period of nine years, which is given to it by the European Union.³¹

According to analysis provided by the World Bank, Poland will need to spend 22-43 billion Euros to comply with the EU's environment standards. Poland is now the member of the EU and it will have to spend 1.64 percent- 3.17 percent of GDP, which exceeds the actual expenditure carried out in Poland over past years. For Example, environment expenditure in 1996 as well as in 1997 accounted approximately for 2 percent of the GDP (Statistical Yearbook of the Republic of Poland). The 2 percent of GDP devoted to the environment protection also correspond to the average expenditure in the developed world, and thus is often treated as a threshold above which the burden on the economy is dangerously high.³² There are other costs involved like administrative and institutional costs. Poland has already many EU directives into the national legal system, but investment is needed in establishing institutions capable of implementing the legislations. Poland also needs to continue the process of decentralization of its decision-making structure for the proper execution of the environment standards. For Example, local and regional authorities should carry out the primary responsibilities and issuing permits and enforcing compliances with the permit system.

The development of the infrastructure is overall in the benefit of the Poland in the long run; similar, is the case of environment. The only trouble is in the present circumstance are the amounts that have to be spent, and the cost which the Poles will have to tolerate.

SOCIO-POLITICAL QUESTION

The accession of Poland to the European Union remained a smooth affair which got overwhelming support from the Polish public. The public approval to the joining of the

³¹ Poland in the European Union, *Economic and Business News from Poland*, Embassy of Republic of Poland in India, (New Delhi: 2003) p. 57.

³² Dominika Anna Dziegielewska, "How Much Does it Cost to Join the European Union and Who is Going to Pay for it? Costs Estimate for the Czech Republic, Hungary, Poland Slovenia, Complying with the EU Environmental Standards, Interim Report, *International Institute for Applied Systems Analysis* (Austria: January, 2000), p.18.

European Union is given in the referendum carried out on the subject. Despite the profound support for the membership, there are people and organizations which are opposed to the accession. The prominent among them are the conservative Catholics. There is an apprehension that the religiosity of Poles might decline when the country joined a Europe that was secular and materialistic, embraced liberal views on many core issues of Catholic doctrine (abortion, euthanasia, and homosexuality), separate Church and state so categorically, and was dominated by the Protestant countries.³³ This attitude is limited in a section of clergy and the pragmatic Church leadership is willing to accept one Europe concept. Pope John Paul II is one of the Church leaders who have expressed a favourable opinion on the matter, openly declaring to Sejm that, "The Holy See has from the very beginning supported Poland's integration with the EU".³⁴

Some political parties are also anti-EU and in past tried their best to persuade the people to vote against the accession. They failed in their efforts but are consistent in their criticism of the European Union. Self-Defense of Polish Republic Party of Andrzej Lepper, is the most vocal critic of the European Union. Self-Defense of Polish Republic Party is popular among the peasants. According to Lepper joining EU is like "To transform Poland into an outlet for the West's Surplus production".³⁵ In past it organized series of radical protests, including occupation of town halls, a march on Parliament in 1993, a national demonstration on Warsaw in 1998, and a blocked of border crossing in the same year. These protests are widely aimed at government policies that promoted trade with the EU while disadvantaging Polish farmers (for example, import of agricultural products). The electoral effort of the Self-Defense of Polish Republic Party remained murky till the 2001 parliamentary elections, but in 2001 elections it won 10.2 percent of the vote and occupied 53 seats in the Sejm.³⁶ This is the indication of the growing popularity of the Self Defense of Polish Republic Party, which is directly proportional to the prevailing insecurity (discussed above) in the minds of the Polish

³³ Ray Taras, "Poland's Accession to the European Union: Parties, Policies and Paradoxes", *The Polish Review*, Vol XL VIII, No. 1, 2003, p9.

³⁴ Polish Society's Acceptance of Poland's European Policy, Ministry of Foreign Affairs, Poland, www.gov.pl also see "Poland: Will the Roman Catholic Church Split?" *Radio Free Europe/Radio Liberty*, vol. 4, no. 35 (17 September 2002)

³⁵ *ibid.*

³⁶ Elections in Poland, www.cspp.strath.ac.uk/CQflyer.htm

peasants due to the European Union. The other Euroskeptic political outfit which remained opposed to the membership is Liga Polskich Rodzin (LPR- League of Polish Families). LPR is bounded by a rigid nationalist and Catholic ideology; it contested for the first time in 2001, won 8 percent of the vote and occupies 38 seats in the Sejm. LPR is more anti-European than the Self- Defense of Polish Republic Party. LPR spread that with the accession European culture will come in the Poland destroying Polish family values and culture of the Poland.³⁷ The spokesman of the LPR, Antoni Macierewicz has said in a radio telecast that EU is a communist plot "The way to Moscow in through Brussels".³⁸ Another of its leader Maciej Giertych, believed that the idea of a unfinished Europe originated in German freemasonic thought not in the Christian Democratic ideals. "It is Germanophiles and sympathizers of freemasonry who are pulling up forcibly into this Eurokolchoz".³⁹ The LRP, give the solution that Poland must closely ally with the United States of America, rather than European Union.

There are also couples of things which Poles are not taken well, particularly the issue of migration and of selling the lands to the foreigners. A restriction on the Polish immigration into EU nations is contemplated, lasting two to seven years. The formula for Poland's EU accession involves a maximum seven years transitional period broken down into 2+3+2, although in these years they will get priority over the citizen of the third nation. Poland has secured assurance from the Britain, France, Sweden and Spain that they would impose no such restrictions on the free, and cross -border of movement of Polish labour. Still Poles are not very supportive of the idea, and majority regards it as the second grade membership⁴⁰, especially when the nationals of the EU are not restricted for working in the Poland. Coming to the question of land, "To the Polish patriots, land is not so much a good heritage never to be betrayed".⁴¹ Over 80 percent of the Poles are opposed to the free purchase of real estate by foreigner, though other did not rank the

³⁷ Elections in Poland , www.electionworld.org

³⁸ Antoni Macierewicz, quoted in "Poles and the Catholic Church: Preaching for the European Union", *The Economist*, March 16-22. 2002. P.54.

³⁹ *ibid.*

⁴⁰ Malgorzata Kaczorowska, "A Bitter Pill," *The Polish Voice*, no. 27, p. 20.

⁴¹ "Polish land: A most Emotional Issue", *The Economist*, March 23-29, 2002, p.48

issue highly compared to the questions like the overall future of Polish agriculture.⁴² In this LPR is also opposing the transfer of Polish property to the foreigners. There are the apprehensions that German in particular will be buying the land in the Poland, due to root of their ancestral to that country. Poland has given a transition period on buying land, twelve years for the companies, three years for the private farmers in the East Poland, and seven years for the private farmers in the western and northern Poland.

These are socio-political issues which cannot be taken for granted. The rising popularity of the anti-Europe parties (LPR and Self Defense of the Polish Republic) indicate that if the right or the expected results will not come, antagonism within the Poland for the membership will increase. Poland wants time to get fully prepared for the membership, it has taken transition period in many areas, and all depends on how Poland sorts out the glaring problems in those areas. People can compromise with the toughness of life in the hope of better future, but if that remain aloof than the support can take the form of protest. In the discussion it is already become clear that lot of difficulty is there, especially for the lower middle class (small farmers, businessmen etc). Polish government supposed to take some measures in the social sector so this section will feel less pain.

CONCLUSION

If there are anticipations than at the same time there is uneasiness, and both prevails in the contemporary Poland. The concerns and problems are definitely of shorter phase, but its intensity is well being felt by the people. The problems ranges from the small farms of a country side to the, small firms in the urban area. At present making any social scheme to reduce the problems is also only a remote possibility for the Polish government, which has to contribute a large sum as the fee of membership. Even in the isolation case these problems are unavoidable, and would have created greater agony in the society. Nothing in the world is dealt on speculations, and the truth is that Poland is now the member of

⁴² Richard J. Hunter and Leo V. Rayan, "Poland and the EU: The Final Chapter Before Accession" *The Sarmatian Review*, April 2003, www.ruf.rice.edu/sarmatia/403.

the EU and all the pains of the society will be associated with it. The silver lining is that Poland is now in the rich man's club, and if it will continued on its path of reform as it had done in the past than Poland's future is with full of prosperity.

CHAPTER- 5

POLAND AND THE EU: AN ASSESSMENT

"Today's ceremony is particularly special one because of the enlargement of the Union, 1st May, 2004 will be remembered as an important date in the construction of the European Union, as a historical, political, social and economic watershed".¹

-Juan Manuel Fabra Velle

On May 1, 2004 European Union entered into its fifth enlargement, the biggest and the most significant one. It is the biggest enlargement because ten countries, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia, got the membership. The fifth or the Eastward Enlargement is significant in the terms that except Cyprus and Malta, all the new member states are located in Central Europe, and remained the satellite states of the Soviet Union during the cold war. European Union, encouraged by the success of previous expansions, opened itself for the ten states but taken almost a decade to do so. This amount of time is taken by the EU to entirely adjust its functional structures for accommodating ten new members. Meanwhile, EU kept a watchful eye on all the candidate countries to see that whether they are sincerely fulfilling the criteria (set at the Copenhagen in 1993) for the membership or not. Finally, on 1 May, 2004, all the ten candidate countries were given the membership. The fall of Berlin Wall in 1989, was marked as the day of European unification- end of age old divide etc, but in genuine sense it becomes true only on 1 May, 2004, when a common rules become applicable from West to East of Europe.

¹ Juan Manuel Fabra Velle, President of the European Court of Auditors on the occasion of the swearing-in-ceremony for nine new members of the Court, www.europa.eu.int/speeches.

The eastward enlargement of the EU, generated a debate that who is going to be most benefited, the EU-15 or the countries of the Central and East Europe? Making a comparison will not be fair as one followed the market economy and the other planned economy for almost half a century. If on one side prosperity multiplied, miseries became the fate of other after a remarkable story of success in the initial days. The returns for the both the side is sure, what can differ is only the quantity. The share of profit in economic terms goes in favour of Central and East European countries but in political vocabulary EU has now acquired the status of the most formidable organization, which can influence the course of world politics.

Among the ten new member states Poland is the biggest country in geographical as well as in demographic sense. Poland is also significant because amongst the various circumstances which weakened the communist grip in the East Europe, 'Solidarity' Movement of 1979, was the one. "In the year 1980-81 Poland as the largest Central European state with the population of 38 million people, played a leading role in reshaping of Europe. Born with a free trade union, and rapidly growing into the nationwide resistance organization, 'Solidarity' gave the final blow to communism as an alternative to the free market- economy and to one-party rule. No doubt the importance of the role in the dismemberment of the Soviet-influence played by the Solidarity's leader, Lech Walesa, and many other combined with the cautions, but determined supportive role of a Polish-born Pope, John Paul II, in the Vatican. A few year later Polish communist leaders attended an 'Round-Table Conference' with the opposition forces in order to hand over power. Shortly thereafter a democratic system of government was established".² It was unprecedented in the satellite state of the Soviet Union that resistance succeeded, on earlier two occasion's i.e. in Czechoslovakia and in Hungary; dissent was crushed with the iron hand. "The Czechoslovak offence against Soviet authorities was less provocative than that of

² Bert Wiskie, "Poland's Long Desired to Return to Europe", *Year Book of European Studies*, Vol. 11, 1999. p. 137.

reformers of Hungary in 1956, and their fate was less bloody. But the Soviet method of reasserting control, with tank columns and purges, were unchanged".³

Poland- the cradle of transformation in East Europe submitted the application for the membership in 1994 and the accession negotiation commenced on 31, March 1998. For one complete decade Poland engaged itself in the process of meeting the criteria. Today Poland is a liberal democracy, a market economy in the formulation, and a society of optimistic people looking eagerly for the bounties from the EU. The sign of coming richness is visible, the stable economy with a satisfied growth rate, the impending FDI, controlled inflation etc, speaks for themselves. The murky situation which prevailed in Poland in the early 90's is now a forgotten bitter truth of tomorrow. In 1990, the GDP of the Poland was -11.6 percent, within the period of five years (1995) GDP touches the 7 percent mark, which is the language of economics is an astonishing growth rate. Similarly, Consumer Price Index of the Poland was high upto 585 percent in the 1990, which came down to the 1.9 percent in the 2002. The stable economy also brought FDI in the ascending order and it reached from 89 million US \$ in 1990 to 4,119 million US \$ in 2002, moreover, the export revenue of the Poland is also increasing i.e. from 17,024 million US \$ in 1994 to 32,152 million US \$ in 2002. On the political side the status of Poland is now of an important sovereign nation of the world. The membership of the European Union provided opportunity to the Poland to play a dominating role in Union's Eastern Policy especially towards Russia and Ukraine- two big nation of the region. Poland got 27 votes in the EU Council which is 8 percent of the total votes, hence, a vital say in the decision making of the European Union.

There is French saying "*Omelets are not made without breaking egg*", which conveys that there is something which cannot be done without drastic or violent action, or without sacrificing something. The membership of the European Union is like making omelet which needs the sacrifice of egg. Poland had adopted rules and regulations of the EU, which in the terms of pages runs is 1, 20,000 pages. Following

³ Martin Walker, *The Cold War and Making of the Modern World*, (London: Vintage, 1994) p. 186.

numerous laws, ensuring its application simply means, changing the entire nation on the lines of the EU. Poland has done it and that too quite successfully, but it has a price tag which is to be paid. In the case of Poland there are intricacies in different sectors, but in agriculture, for small firms, opposition from the conservative etc. is prominent.

The small farmers of the Poland are not going to get returns of the accession as big ones will get. It is believed that only 67 percent of the Poland farmers will get the direct subsidy, rests are very small to qualify for the subsidy. There are possibilities that they even loose their occupation. According to one estimate, an additional 600,000 will loose the job in the agricultural sector, by Poland's accession to the European Union. The ongoing industrialization of Poland is sufficient to accommodate them; still it is less attractive for those who are engaged in farming from the long time. The farmers of Poland will face more problems also due to the quota system of the EU's agricultural policy. Among them the dairy quota is the most worrying. Poland had asked for the 11,845,000 tons of milk quota but after a long deliberation it got only 8,964,000 tons- which is 2881000 ton less than the demand. The difficulty in the dairy sector doubled because of the fact that most of Polish dairies are either small or failed to meet the standard of the EU. A rough account estimate state that only 186 dairies of Poland achieved to meet the EU standard, hence, only they will stay in the market. The same reason will lead to the closure of 1400 meat plants including 400 of industrial capacities.

In the same vein small firms of Poland either have to comply with the EU standards or they will vanish from the market. Meeting the conditions for most of them is a remote possibility. Modernization required capital and meeting the standards need modernization, how the small firms will manage such hefty amount is a million dollar question. If on one hand these problems persist than on the other hand there are traditionalists who are arguing that membership is like an end to the Polish culture, and Western culture will dominate. Poles are considered to have strong links with the traditions and they are sentimental on the matter. The case of selling the

lands to the foreigners is well seen from this angle. Almost 80 percent of the Poles are not at all supportive to the idea of selling the lands to the foreigners; they have emotional attachment with the land. Poland has acquired some concession on the issue but it is only for a period of seven years. One thing is significant at this point that these purists are getting support from the people, which is evident from the increase in their share of votes in the last general elections. Self Defense of Polish Republic Party and League of Polish Families are two such anti-EU parties in the Poland which got 10.2 percent and 8 percent of the votes respectively in the elections of 2001. These problems can persist in the short span of time and will diminish once the real returns of the EU starts coming to Poland. In case these shortcomings were not addressed than it might create serious trouble in the future.

Poland needs to spend in the social sector in order to overcome from these negative short-term consequences of the membership. The economic condition of Poland is not so strengthen and the burden of paying the fee to EU for the membership made it more difficult for Poland to concentrate on social sector according to the wants. Poland has to pay 1579, 2454, 2519 million Euros respectively in 2004, 2005, which comes to 6552 million Euros. Not only this, Poland has to invest certain amount of money in the projects funded by the EU for its proper utilization. The development works for example building infrastructure also requires assets. Poland has to manage these all around problems in the various economic and social areas for the full returns of the membership so that its benefits will reach to the all and sundry.

Rome is not build in a day, and definitely Poland still require enough time to take hold of the whole situation, meanwhile, the gains will keep on proliferating. Only the gains and its reach to the common man will make critics speechless. There are no doubt that if Poland will continue on its path of reforms as it is evident from its history of last one decade, than it will come in the list of developed nations in the coming future. The biggest thing is this fact that Poland is now in a richest group and every positive activity will be rewarded, even some odd ones can be managed before

it will take the shape of a serious one. The sufferings of olden times will no longer haunt the Poles.

"A few months ago a book was published under the title 'A Question of Honour- the Kosciuszko Squadron'. It dealt with the forgotten heroes of the Second World War, more precisely those legend Polish soldiers who served for the British RAF 303 squadron. Superb airmen, they were more than 10,000 Poles who joined the force with the British to fight for their country. They fight in the confidence that the allied victory over Hitler's Germany, would mean justice for Poland. As we know that the confidence was subsequently betrayed at Yalta and Potsdam. The Poles did not even take part in the victory parade in London in 1946. They stood at the road side where, we are told, they wept. Now on 1st May 2004, in the other words 59 years after the Second World War Yalta and Potsdam finally be laid to rest. It is a great historic moment for us all, we are making a good great debt to Poland and other nations of Central and Eastern Europe which began in Germany".⁴

-Gunter Verheugen

The above speech of the Commissioner of the European Union given on the enlargement reflects that sentiment which is attached with the membership of the Poland. Hopes lies and this time it will not be betrayed.

⁴ www.europa.eu.int/comm/commissioners/verhengen/pdf/04032004en.pdf.

APPENDIX- 1

31 CHAPTERS FOR NEGOTIATION

1) Free Movements of Goods: - This chapter assures one of the four pillars of the European Union Single Market and covers the legal regulations governing the movements of the goods between the member states, including horizontal regulations concerning the conformity assessment system, product safety, and standardization and market supervision, principles of non-discrimination and removal of barriers in trade and public procurements.

EU opened the negotiations on this chapter with Poland on 21st June 1999 and declared closed on 29th March 2001.

2) Free Movements of Persons: - This chapter is concerned with the free movement of the persons, which include mutual recognition of professional qualifications, freedom of movements for workers and safeguarding the supplementary pension rights of moving within the community. Initially, countries like Germany and Austria were objecting on free movement of labour fearing the influx of cheap labour force from CEEC's in their country. On this very objection Poland raised its disapproval and finally EU come up with transitional period formula of 7 years (2+3+2).

This chapter also covers issues related to right of residence and the right to vote. Negotiations for this chapter were started on 26th May and it was temporarily closed on 21st December 2001.

3) Freedom to Provide Services: - The *acquis* under this chapter is base upon the principles of non-discrimination. This means freedom of establishment anywhere in the EU. This chapter also ban on the application of member states of restrictions in the cross border provision of services.

Negotiations for this chapter were opened on 21st November 1999 and declared closed for Poland on 14th November 2000.

4) Free Movement of Capital: - This provides for free movement of capital among the member states and a ban on establishing new barriers to capital flows with the third countries after 31st December 1993. This chapter also includes freedom on real estate investment. Moreover, this chapter has provisions covering issues pertaining to electronic payments and the prevention of money laundering.

The regulations of chapter 4, is covered in Polish Foreign Exchange Law Act 2002. The law on money laundering was made in November 2000. Real estate in Poland is regulated by an act on real estate acquisition by foreigners.

The negotiations for this chapter was started with Poland on 15th July 1999 and it was declared closed on 22nd March 2002.

5) Company Law: - The Company Law chapter comprises five sub chapters. They are company law, company accountancy, and protection of intellectual property (including industrial property rights), the Brussels and Lugano conventions on the jurisdictions and enforcement of judgments in civil and commercial cases and Rome convention on law applicable to contractual obligations. The main objective of this chapter is to lift all restrictions on business operations within the EU through the harmonization of company law of all the member states.

Negotiations on this chapter were started on 19th May 1999 and decided closed on 28th November 2001.

6) Competition Policy: - this chapter comprises two fundamental parts. The first part concerns particularly competition restricting agreements, monopolistic practices and the abuse of dominant market position. The second part concerns with the issues of state aid for undertakings.

Negotiations under the "competition policy" chapter were opened with Poland on 19th May 1999 and finished on 20th November 2002.

7) Agriculture: - The chapter was important for Poland as agriculture is dominating factor in its economy and a large section of population depend on it. The Agriculture negotiation chapters have provisions related to inclusion of the Polish agro-food product market into the European Single Market Area and the coverage of Polish agriculture by the instruments and mechanisms of the Common Agriculture Policy (CAP), both in the field of market and production regulations and in terms of structural development of rural areas. The chapter on agriculture also covers veterinary issues (including food safety) and phytosanitary issues.

Poland had some problems in negotiating this chapter, basically in the areas of setting forth production quotas for milk, sugar and isoglucose, potato starch, dried fodder and tobacco

Despite these problems finally this chapter for Poland was closed on 13th December 2002, the negotiations on which were started on 14th June 2000.

8) Fisheries: - The chapter on the fisheries comprises four sub-chapters. These are management and control of resources, common market organization, state aid and structural actions and international fisheries agreements.

Negotiations on this chapter were opened on 19th May 1999 and closed on 10th June 2002.

9) Transport Policy: - EU transport policy covers air transport, maritime transport, road transport, combined transport, railway transport and inland waterway transport.

Negotiations under the "Transport Policy" chapter was opened on 12th November 1999 and closed on June 2002.

10) Taxation:- This chapter contains issues related to the value added tax, excise duty and direct taxation, state aid of a fiscal nature as well as administrative cooperation and mutual assistance between member states (e.g. Avoiding double taxation).

This chapter is also declared closed for the Poland on 21st March 2002 without much difficulty. This chapter for the Poland was started on 7th December 1999.

11) Economic and Monetary Union: - Accession to the EU imposes the obligation to participate in the coordination of EU economic policy and to adjust policy of the EU standards. This chapter has four main agendas. These are coordination economic, fiscal, monetary and exchanger rate policy and the adoption of euro currency.

This chapter for the Poland was opened on 30th September 1999 and closed on 7th December 2002.

12) Statistics: - This chapter is aimed for the adjustment of the public statistics according to the EU standards. This mean member states have to adopt and implement the intrastat system, which is used to collect data on trade in the single market.

Negotiations under this chapter was opened and closed on 19th April 1999. This happen so because a vast amount of the EU standards of this chapter were implemented in the Poland before the accession negotiation was started.

13 Employment and Social Policy: - This chapter comprises issues pertaining to the labour law, equality of treatment for the men and women, the fight against racism and xenophobic, social dialogue, employment, the European Social Fund, social insurance, exclusion, aged people, disabled people, public health and health and safety at work.

Negotiations under this chapter were opened on 30th September 1999 and closed on 1st June 2001.

14) Energy:- This chapter have rules related to the maintaining of internal gas and electricity market, pricing transparency, condition for gas transit, cooperation in the scope of development of trans-European networks in the energy sector, maintenance of mandatory stocks of liquid fuels, rules of state aid to the coal mining industry, nuclear energy sector and energy efficiency of devices. Poland, adopted this chapter fully except for provision on mandatory stocks of fuel.

The negotiations for the chapter was started on 12th November 1999 and declared closed on 27th July 2001.

15) Industrial Policy: - This chapter does not require implementation into national legislation but contains set of guidelines concerning lines of industrial development. Poland confirmed its readiness to adopt and apply them if they remain in force after Poland's accession to the European Union (these regulations were made during the formation of European Coal and Steel Community (ECSC). The ECSC treaty expired in July 2002).

Due the above mentioned uncertainties negotiations on this chapter were started on 29th October 1998 but declared closed temporarily on 19th May 1999.

16) Small and Medium Sized Undertakings: - In case of small and medium sized undertakings EU give considerable autonomy to the member states. This chapter contains only legal acts that are binding on the member state in particular those concerning supports to small and medium sized undertakings.

Poland fully accepted this chapter without requesting any transitional arrangements; hence, this chapter was opened and closed on 29th October 1999.

17) Science and Research: - This chapter contains multi-annual framework programmes aimed at improving the international competitiveness of European

industry, the development of scientific and technological potential and the improvement of living conditions in EU.

Here also Poland accepted the chapter in totality without asking for any concession, so this chapter is also opened and closed on 10th November 1998.

18) Education training and Youth:- This chapter contains legal acts setting forth the lines of European Union policy on education in scope of general education , basic life and life long vocational training, higher education and youth programme. Poland had no objections in accepting this chapter in its entire acquis.

This chapter was opened and closed during the accession conference session on 10th November 1998.

19) Telecommunication and Information Technology:- This chapter covers issues of liberalization, open network principles, universal services, licensing, satellite and mobile telecommunication, recognition of conformity and postal services market and information technologies. In this Poland requested a transitional period with regard to "Postal Directives" which concerns common rules for development of internal postal services market of the community and the improvement of quality of service.

The negotiations on this chapter was opened on 29th October 1998 and closed on 22nd June 1999.

20) Culture and Audio Visual Policy: - This chapter contains two main policies. Firstly, it has European culture policy, including community initiatives. Secondly, it has the policy with respect to television. Poland already has Act on organizing and conducting cultural activity, which was formed keeping the condition of the chapter in mind.

This chapter was opened on 29th October 1998 and closed on 4th December 2001.

21) Regional Policy and Co-Ordination of Structural Instruments: - This chapter covers issues related to the promotion of overall harmonious development, action leading to the strengthening of economic and social cohesion and programmes to

reduce disparities between the levels of developments of various regions and backwardness of least favoured regions, including rural areas. Poland accepted and declared full implementation of the *acquis communautaire*, without requesting any transitional arrangements.

Negotiations under this chapter were opened on 6th April 2000 and closed on 1st October 2002.

22) Environment: - This chapter covers nature protection, including quality of water and air, industrial pollution, waste management, nuclear safety and protection against radiation, chemical and genetically modified organisms. This chapter proved most difficult for the Poland in the entire negotiation process, both in the terms of harmonizing Poland's legislation with the *acquis communautaire* and in implementing norms set forth in numerous directives and other community legal acts. Due to the various perplexities in implementing this chapter Poland is granted nine year of transition period for it.

This chapter was opened on 7th December 1999 and closed on 26th October 2001.

23) Consumer and Health Protection: - This chapter contains simplified procedure for consumer claims, product safety, liability for the defective products and liability caused by dangerous products, as well as consumer information and representation. Poland has accepted this chapter in its full *acquis communautaire*.

Negotiations for this chapter were started on 19th April 1999 and closed on 19th May 1999.

24) Justice and Home Affairs: - This chapter covers issues pertaining to migration, asylum and external borders, the fight against the organized crime, corruption, drugs, terrorism and cooperation between the police, customs services and Judiciary of the member states in criminal and civil matters.

Negotiations under this chapter were opened on 6th May 2000 and closed on 30th July 2002.

25) Custom Union: - the "Custom Union" chapter is concerned with international cooperation and mutual assistance in custom matters, fighting the trade in counterfeit and pirated goods as well as the technical and organizational preparation of the custom services.

Negotiations under this chapter were opened on 21st June 1999 and closed on 29th March 2001.

26) External Relations: - This chapter contains issues related in the field of trade relations with the third countries, agreement on mutual support and protection of investments with third countries, regulations in the scope of the control of trade in dual-use goods and economic agreements with third countries.

Negotiations for this chapter were opened on 10th November 1998 and closed on 6th April 2000.

27) Common Foreign and Security Policy: - This chapter dealt with the cooperation with the third countries and intergovernmental organizations diplomatic and consular immunity; relations with third countries, sanctions and other negative measures of the EU.

Negotiations for this chapter were opened on 10th November 1998 and closed on 6th April 2000.

28) Financial Control: - This particular chapter covers the maintenance of public finance discipline and its oversight. This chapter is basically divided into two sub-chapters relating to the protection of financial interests of the communities and the system of financial oversight used by the member state.

Negotiations for this chapter were started on 6th April 2000 and closed on 14th June 2000.

29) Financial and Budgetary Provisions: - This chapter focuses on the rules for member states for the contribution and use of EU budget.

Negotiations for this chapter commenced on 26th May 2000 and closed on 13th December 2002.

30) Institutions: - The "Institutions" negotiations chapter covers the composition of community institutions, the distributions of votes in community governing bodies, official languages and employment in community institutions. The European Union's common position under this chapter was based on provision of the Nice Treaty.

Negotiations for chapter were opened and closed on 22nd April 2002.

31) Others:- Under the "Other" chapter Poland negotiated the principles for its participations in several EU institutions, the European Central Bank, the European Investment Bank, the European Development Fund, the Research Fund for Coal and Steel as well as safeguards, the mechanism for coordination and information exchange between Poland and EU until accession and use of pre-accession funds by 2006.

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