

spotlight europe

2012/01 — January 2012

The New EU. The Consequences of the Polish EU Presidency

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A new member state is usually confronted with an anxious question when it takes over the EU Presidency for the first time. “Are they up to the job?” At the end of the Polish Presidency one can heave a sigh of relief and say that they are certainly up to the job. And, more to the point, it is something they like doing. The new Poland is strong in economic terms, politically stable and pro-European.

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The Presidency meets the challenges

How could a non-euro country steer the European Union through the most serious crisis that the latter has ever had to face? That was the crucial question being asked at the start of the Polish Presidency. In retrospect it is clear that the Poles made a virtue of necessity by adopting the role of mediator between eurozone countries and non-eurozone countries. The fact that the “Six-pack,” which is one of the accords that is supposed to bring about greater fiscal discipline and economic coordination, became a joint EU decision and not merely an agreement restricted to the eurozone states is

no doubt due to the perseverance of the Polish mediators. This was one of the reasons why the young Polish administration was seen in a positive light. A new member state is usually confronted with an anxious question when it takes over the EU Presidency for the first time. “Are they up to the job?” The Poles were certainly up to the job, and, more to the point, it was something they liked doing. It meant more to them than policymaking and bureaucracy. The parliamentary elections in the middle of the Presidency returned the governing coalition to power and showed that Poland was internally stable and a pro-European country.

Croatia, Belarus and Ukraine loomed large in the area of foreign policy. Thus the EU and Croatia have brought the accession process to a successful conclusion. On the other hand,

there has been little or no progress with regard to the Eastern Partnership, which means a lot to the Poles. The situation in Belarus continues to be difficult, and it is unclear what the outcome will be. The same is true of Ukraine. The negotiations on a new association agreement have been completed, but it has not as yet been initialled. Everything depends on the political development in the country.

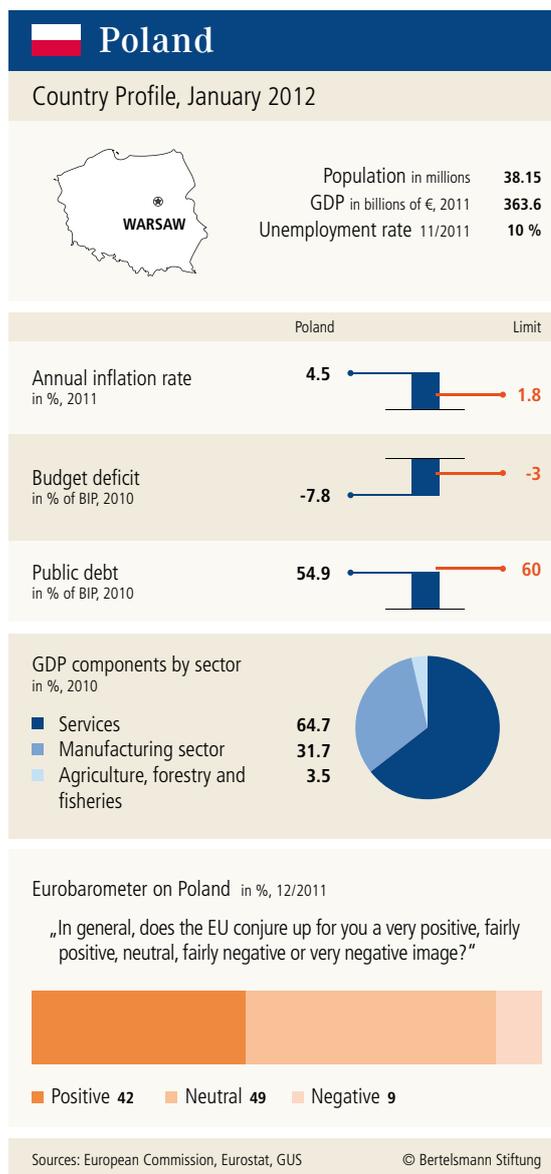
The decision to establish a European foundation for the support of democracy, the European Endowment for Democracy, which was taken at the final meeting of the EU Council, certainly came as a positive surprise.

The highest representatives of the EU and of the Presidency cooperated rather smoothly. The van Rompuy/Tusk tandem and the Ashton/Sikorski duo did not give rise to a great deal of speculation, which may have been due to the absence of friction and/or to a high level of professionalism.

Critics have pointed out that it proved impossible to extend the Schengen Area to cover Bulgaria and Romania. Here the EU Presidency clearly reached its limits. Whilst it would be true to say that the new EU member states have made a great deal of progress with regard to the security of the EU's external borders, the internal states still do not have a great deal of confidence in them, and this mistrust is frequently exacerbated by right-wing populists.

The Euro crisis and its consequences

Within the enlarged EU the Polish Presidency has accelerated the convergence process. The erstwhile division between the old west and the new east no longer reflects the realities of the European Union. This was already apparent in 2008–9 during the economic crisis. The new EU member states in general and the Baltic republics in particular, which were hit hard by the financial crisis in 2008–9, have managed to weather the storm and a double-digit plunge in the economy, and have returned to the path of growth.



Poland is the only country which has come out of the recent economic and financial crisis with positive levels of growth. However, this state of affairs has led to a situation in which there is no longer a great desire to join the eurozone. In the current crisis many experts perceive the advantages of flexible exchange rates. When it comes to the new EU member states (and if we exclude Cyprus and Malta), only Slovenia, Slovakia and Estonia have joined the eurozone. All the others are waiting for the stabilization of the euro and the implementation of the internal EU reforms. Although Poland has not yet said when it will join the eurozone, leading Polish politicians have made it clear that it intends to adopt the common currency. The coming months will show what kind of role Poland

can play in the new EU that will be dominated by the fiscal union.

II

Poland's Future Role

The prestige that accrued in the course of the Polish Presidency should be utilized in the negotiations on the new intergovernmental treaty and the forthcoming EU budget. Moreover, the Danish Presidency (Denmark is not an a eurozone country) will show how and to what extent the difficult relationship between the eurozone countries and the rest of the EU can be dealt with in the reforms that lie ahead. And during the Danish Presidency the reforms that were given the go-ahead at the last EU summit in December 2011 will have to be incorporated into some kind of legal framework. This provides Poland with an excellent opportunity to demonstrate that it is a politically stable and prosperous country that inserted a debt brake (which caps public debt at 55% of GDP) into its constitution a decade ago. One of the main reasons why Polish voters re-elected the Tusk government at the parliamentary elections in October 2011 was its pro-European stance. After the confusion of the Kaczynski period, Tusk has convinced the EU that Poland is now making a positive contribution. Electoral surveys show that many Poles would like to see their country playing the same kind of role as Germany and France. In order to attain this goal Poland will have to emphasize its determination to join the eurozone as soon as the new EU and a stable euro have materialized. And this would demonstrate that it is indeed capable of playing a leadership role.

Can the Weimar Triangle become the new EU engine?

Since Britain has deliberately chosen to retreat to the sidelines in the new EU, a strategic question arises. Can Poland team up with the Franco-German duo, and can Poland assume a leadership role within the EU? This option seems feasible on account of Poland's

economic strength and political stability, the pro-European stance of the electorate, and the growing competitiveness of the Polish economy. At the beginning of 2011 Polish President Komorowski attempted to breathe new life into the Weimar Triangle by inviting Chancellor Merkel and President Sarkozy to a summit meeting in Warsaw.

In 2011 celebrations marked the twentieth anniversary of the Weimar Triangle. However, it has not played a pivotal role in the ongoing efforts to reform the EU. At a joint meeting on 21st June 2011 the German and Polish governments decided to deepen German-Polish cooperation in the area of European policymaking and to integrate the Weimar Triangle into this process. Yet a triangle clearly has three sides, and hitherto the French reactions have been lukewarm at best. However, in recent years there have been several foreign policy initiatives, including those launched by the three foreign ministers and their counterparts from Ukraine and Russia. In the course of the Polish Presidency the Franco-Polish relationship began to deteriorate on account of the fact that Sarkozy's plans for saving the euro extended only to the 17 members of the eurozone, and excluded the other EU states. In contrast to Germany, France has never been very keen about greater Polish involvement in the leadership of the EU. Furthermore, the attempts to overcome the euro crisis have shown that the Franco-German engine is strong enough when it comes to working out viable compromises. However, if there is growing pressure within the EU, the "Merkozy" duo will have to find a new European supporter. But when all is said and done, Paris will not make its position clear before the presidential elections in the summer of 2012.

Some people believe that these elections will decide the fate of the EU, for they overlap with the establishment of its new EMS safety net. So far the "Merkozy" duo has provided the EU with the requisite leadership, though even a year ago their personal differences seemed irreconcilable. In the EU 28 a Franco-German-Polish trio could do the strategic planning and determine the policy areas, the issues and the agendas of current political life and of crisis management initiatives.

Poland and the economic and financial crisis

Poland's growing influence in Europe is due to its positive economic development and its political stability. There are several reasons for the resilience of the Polish economy in the midst of the crisis, though there are different ways of assessing their relative importance. First, it is a fact that the Polish capital market, unlike the other European markets, remained stable. The reason for this was the conservative lending policies espoused by the Polish banks.

Second, the Polish internal market is quite large, and the catch-up process has not as yet come to an end. For this reason the drop in exports during the 2008–2009 crisis was made up for by domestic demand. And then there was the flexible labour market, which enabled companies to react to the changed situation in a pragmatic manner.

Third, the government's strategy on monetary and currency policy was a success. Moreover, the EU financial transfers came in useful and helped Poland to modernize its outdated infrastructure. However, the fact that the situation has developed in a positive way in the recent past does not mean that this is a state of affairs which will continue indefinitely. The opening of the German labour market in May 2011 did not lead to a noticeable increase in labour migration, and this suggests that the Polish labour market is becoming less flexible. Furthermore, the Tusk government has not as yet introduced important measures such as the stabilization of public finances, or the reform of the pension and health insurance system in the agricultural sector.

Finally, over the next decade Poland will have to meet the challenges of demographic change, which will have a profound effect on the educational sector and the labour market. The baby boom of 1980's was followed in the 1990's by a period with low birth rates, and those who were born at that time are now entering the labour market. This and labour migration mean that Poland in the years ahead will be confronted with a lack of skilled workers.

The modernization drive in Poland is in full swing. It constitutes an opportunity that is not to be missed. The European Football Championship in the summer of 2012, which is being staged jointly with Ukraine, will show in symbolic terms what has been achieved so far.

Virtually all of the stadiums have been completed, but the same cannot be said of the infrastructure. It remains to be seen whether the organizational talent of the Poles and Ukrainians will enable them to make up for the infrastructure deficiencies. Over and above this the success or otherwise of the Polish economy depends on whether or not it manages to become part of the global division of labour. It is also worth mentioning the steady increase in Polish imports and exports within the European internal market. In this context trade between Germany and Poland is especially important. Since Poland became a member of the EU it has become Germany's most important eastern trading partner, and the modernization of the Polish economy is directly linked to the boom in German exports. This shows that the economies of both states are reaping the benefits of Europeanization.

III

Conclusions

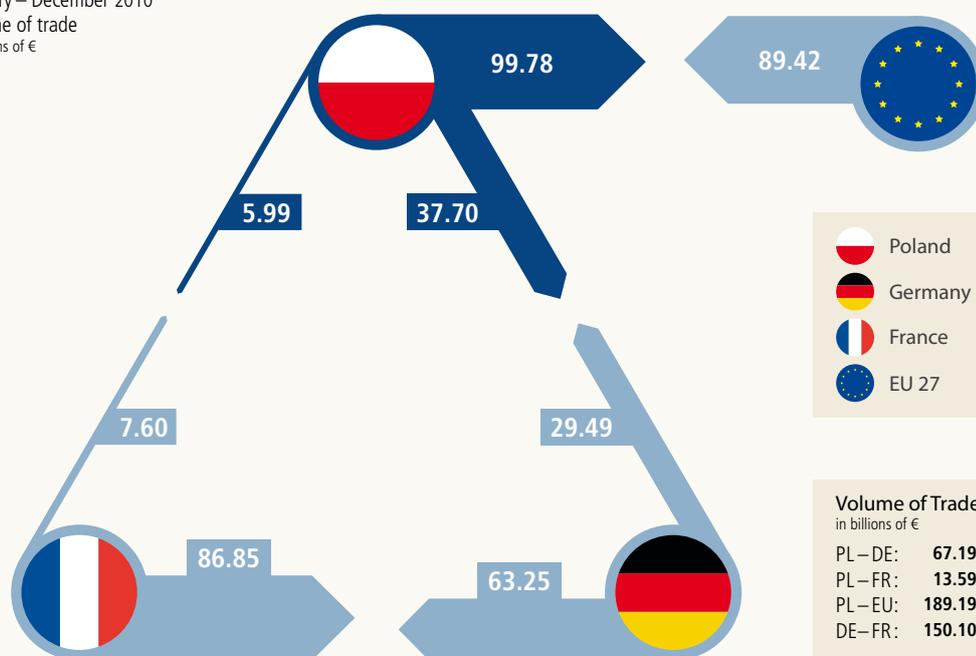
In the course of the past twelve months "Merkozy" have come to understand that they need each other. This is a reflection of the fact that Germany and France have a vested interest in the EU, and this is of far greater importance than the personalities and predilections of their leading politicians.

Part of this process is the convergence of positions that had previously been stated in a more or less fundamentalist manner. The new creed, which came about partly as a result of massive pressure exerted by the markets, is consolidation AND coordination. In the final analysis what is at issue is the need to overcome the weaknesses of EMU. The upshot of all this is that the convergence process within the EU continues to forge ahead unabated.

The new Weimar Triangle?

Statistics on international trade between Poland, the EU, Germany and France

January – December 2010
Volume of trade
in billions of €



Sources: European Commission, Eurostat, GUS

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Poland and the new EU

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Where does Poland stand with regard to this process? On the one hand the country is doing rather well in economic terms. On the other hand further reforms are necessary in order to ensure that it will have a sustainable future. Today, now that debt relief for Greece is imminent, hardly anyone remembers the fact that twenty years ago debt relief amounting to more than US\$ 20 billion formed the basis for economic reform in Poland. Polish Prime Minister Donald Tusk has a closer relationship with the German Chancellor than with the French President. Moreover, the Polish economy is closer to the German economy than to the French economy. For twenty years Poland has been immersed in an ongoing transformation process. On several occasions in the recent past Poland and Germany have been called upon to demonstrate political and economic solidarity. Over the past ten years France has not implemented the reforms which Germany adopted during Gerhard Schröder's chancellorship. These included a reduction in government expenditure, changes in the health insurance system, and

the introduction of the Hartz IV social security system. The reforms began in earnest only four years ago, when Sarkozy became president. His re-election is not a foregone conclusion. These factors mean that Poland's experiences relating to the introduction of reforms are becoming increasingly important as far as the other EU member states are concerned. And they suggest that it is possible to learn from Poland. After the success of the Polish Presidency and the completion of the EU restructuring process, there is a growing likelihood that in the future Poland will play a more important role in the European Union. The fact that it inserted a debt brake in its constitution ten years ago speaks for itself. Germany and other EU states are hoping to introduce this important economic policy instrument in the near future.

A symbol of Poland's transformation was the speech (see link) given in Berlin by Foreign Minister Radoslaw Sikorski on 28th November 2011. It was noteworthy because he called on Germany to take the lead in Europe and

because he said that Poland feared German power less than German inactivity. This was a remarkable U-turn, for as recently as 2006 Sikorski had compared Russo-German cooperation and the construction of the Baltic pipeline with the Hitler-Stalin Pact. The Polish example shows that when it comes to reforms within the EU and reforms related to the euro, the issue is not in the first instance the question of sovereign debt. It is primarily about trust and solidarity in Europe. And it is about enhancing the competitiveness of the member states.

Solidarity and assistance are a *sine qua non*, but in the final analysis one's own efforts are of decisive importance. The euro crisis is above all a crisis of trust that affects the institutions of the eurozone. The development of Poland over the past twenty years is an outstanding example of how Europe can deal with this kind of problem. Without the EU and European solidarity Poland would not now be a prosperous country, and without a Polish EU Presidency the word "solidarity" would not have quite the same meaning. ■

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