





Experiences of Poland's & other Central European Countries' economic transformation – a success story?

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Two stages of eastward enlargement of the EU:

1 May 2004 – 10 new Members (8 of Central and Eastern Europe + Cyprus and Malta)

1 January 2007 – Bulgaria and Romania

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CEE and the EU: From Discrimination Membership- a brief history

1. *Autumn of 1989* – end of discrimination of CEE by the EEC and support for democratic changes in Poland, Hungary and Czechoslovakia in form of suspension of QRs, Phare aid, GSP;
2. *December 1990-1991* – negotiations on the Europe Agreements with those 3 countries;
3. *1 March 1992* - entering into force of the commercial parts of the Europe Agreements.

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EU Accession has been increasingly and positively impacting Poland's economy

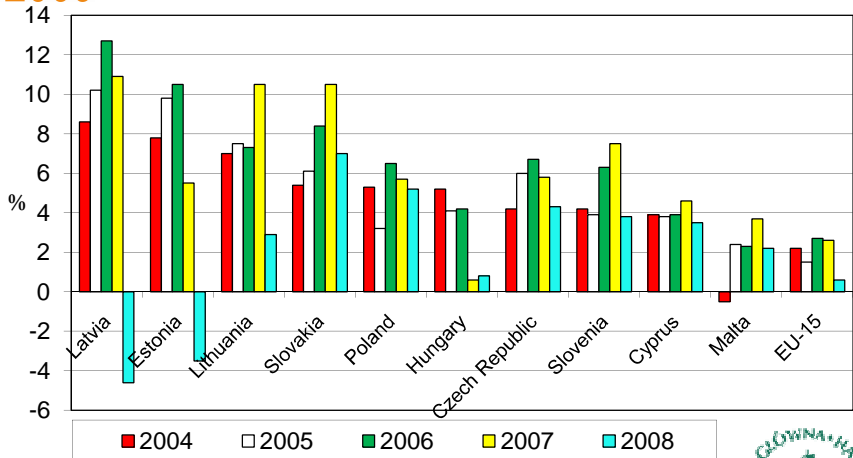
Tangible effects:

- acceleration of foreign trade growth (result of earlier restructuring, adoption of EU laws and norms, good quality, boom in world economy, competition mechanism)
- fast GDP growth,
- outflow of workers and reduction of unemployment (positive or negative results?),
- increased incomes of farmers,
- increasing injection of EU structural funds.

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Changes in GDP growth in new EU Member States:



Country	2004	2005	2006	2007	2008
Latvia	8.5	10.0	12.5	11.0	-4.5
Estonia	7.5	9.5	10.5	5.5	-4.5
Lithuania	7.0	7.5	7.0	10.5	3.0
Slovakia	5.5	6.0	8.5	10.5	6.5
Poland	5.0	5.5	6.5	5.5	5.0
Hungary	5.0	4.0	4.0	1.0	1.0
Czech Republic	4.0	6.0	6.5	5.5	4.0
Slovenia	4.0	4.0	6.0	7.5	4.0
Cyprus	3.5	3.5	3.5	4.5	3.5
Malta	-0.5	2.5	2.5	3.5	2.5
EU-15	2.0	2.5	2.5	2.5	1.0

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Table 1. Real GDP growth rate – percentage change on previous year

Country	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EU-27	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0 ^e
Czech Rep.	70.5 ^e	69.5	68.5	70.2	70.4	73.4	75.1	75.8	77.4	80.2 ^f	81.3 ^f
Hungary	52.7 ^e	53.5	56.0	58.7	61.3	63.2	63.1	63.1	63.5	62.7	62.6 ^f
Poland	47.8 ^e	48.6	48.2	47.6	48.3	48.9	50.6	51.3	52.3	53.7	56.1 ^f
SLovakia	52.1	50.5	50.1	52.4	54.1	55.5	57.1	60.2	63.5	67.0	70.7 ^f


^e – estimate; ^f – forecast
Source: <http://epp.eurostat.ec.europa.eu>

Table 2. GDP per capita in PPS (Purchasing Power Standard; EU-27=100)

Country	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EU-27	3.0	3.9	2.0	1.2	1.3	2.5	2.0	3.1	2.9	0.9	-4.0 ^e	-0.1 ^f
Czech Rep.	1.3	3.6	2.5	1.9	3.6	4.5	6.3	6.8	6.0	3.2	-2.7 ^f	0.3 ^f
Hungary	4.2	5.2	4.1	4.4	4.3	4.7	3.9	4.0	1.2	0.5	-6.3 ^f	-0.3 ^f
Poland	4.5	4.3	1.2	1.4	3.9	5.3	3.6	6.2	6.6	5.0	-1.4 ^f	0.8 ^f
SLovakia	0.0	1.4	3.4	4.8	4.7	5.2	6.5	8.5	10.4	6.4 ^e	-2.6 ^f	0.7 ^f

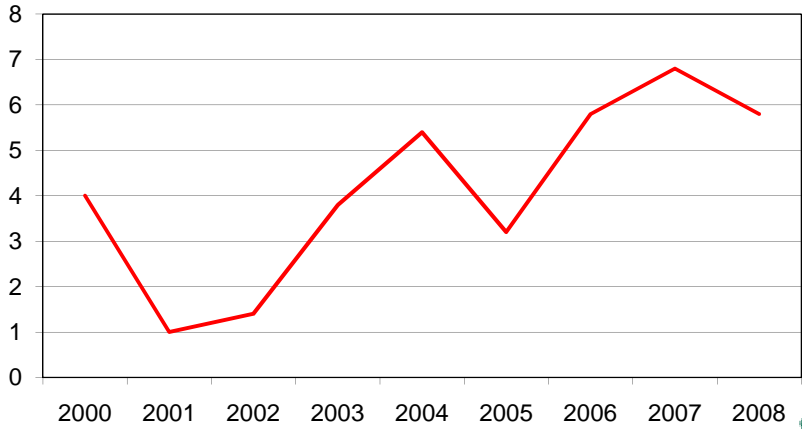
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GDP Changes in Poland in 1997-2008 (%):



Year	GDP Change (%)
2000	4.0
2001	1.0
2002	1.5
2003	4.0
2004	5.5
2005	3.5
2006	6.0
2007	7.0
2008	6.0

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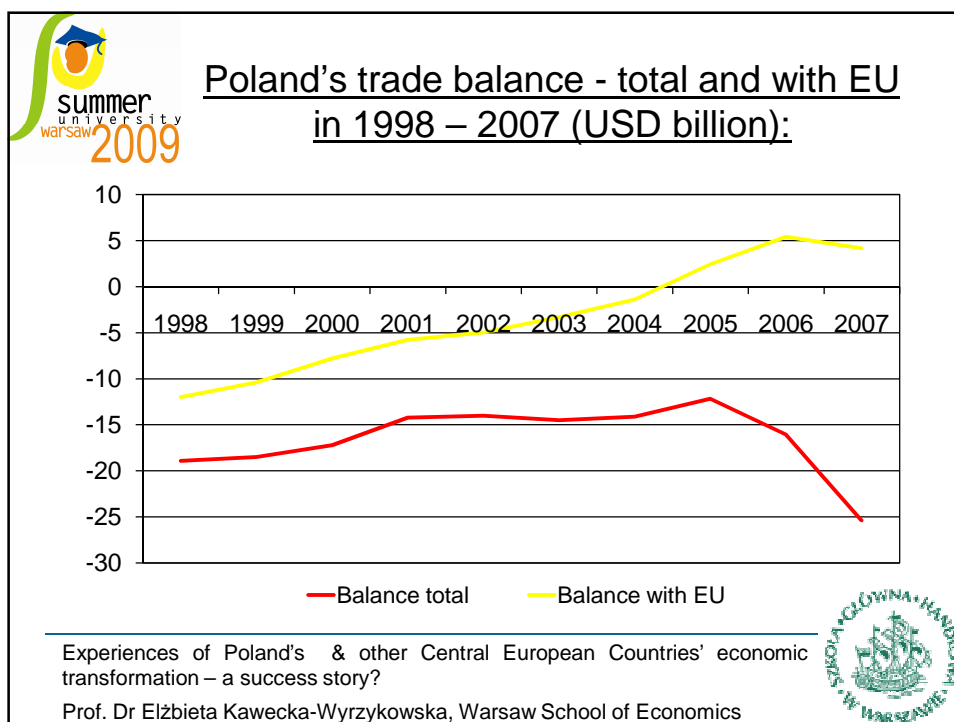
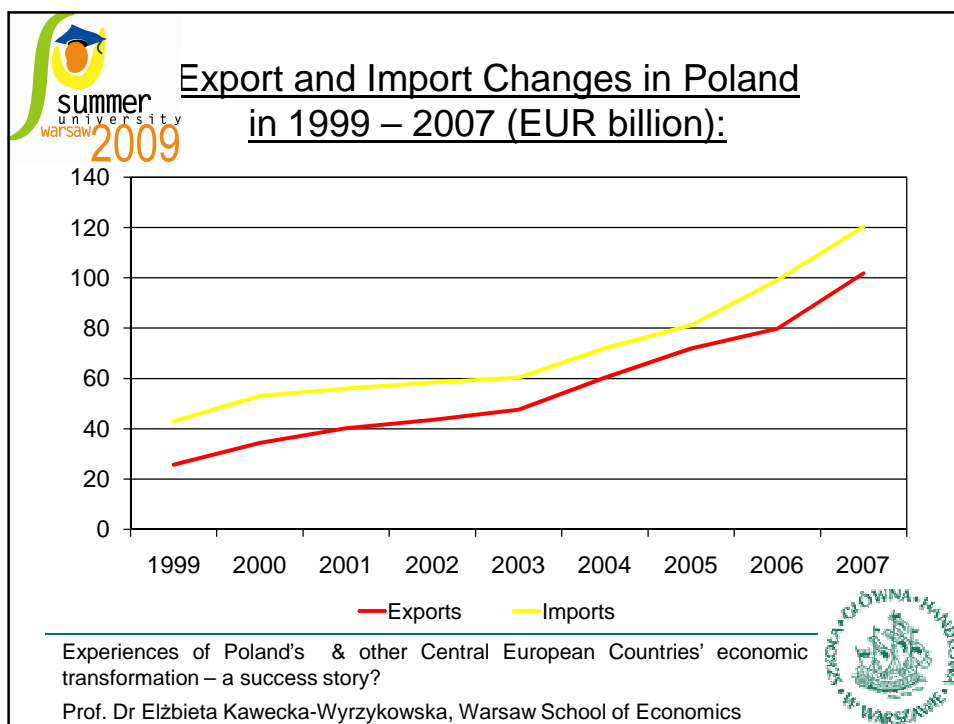


Table 1. EU Transfers to NMS (EU-10) in 2004-2005
(EUR mln and EUR per capita)

	Payments from EU budget		Payments to EU budget		Net balance (transfers-payments)			
	EUR mn		EUR mn		EUR mn		EUR per capita	
	2004	2005	2004	2005	2004	2005	2004	2005
Cyprus	147	215	95	150	52	65	69,7	87,0
Czech Rep.	815	1075	565	990	250	85	24,5	8,3
Estonia	202	249	55	100	146	149	108,6	110,6
Lithuania	487	666	119	207	368	459	107,4	133,9
Latvia	267	385	68	130	199	255	86,4	110,6
Malta	78	135	33	50	45	85	112,7	209,9
Poland	2720	4029	1311	2327	1409	1702	36,9	44,6
Slovak Rep.	388	609	220	359	168	250	31,2	46,5
Slovenia	281	366	171	275	111	91	55,5	45,7
Hungary	713	1357	537	833	176	524	17,4	51,9
EU-10	6098	9085	3173	5421	2925	3664	39,5	52,9

Source: Own calculations based on: *Financial Report 2004*, European Communities, Luxembourg 2005, *Financial Report 2005*, European Communities, Luxembourg 2006, *Allocation of the EU expenditure by Member States*, European Commission, 2006;



Role of EU funds:

- They serve 3 broad purposes:
 - income convergence,
 - agricultural support,
 - development of internal market institutions.


Injecting up to 4% of GDP into catching up economies of CEE will have significant macroeconomic effects.

WHY?

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WHY?

- A lot of extra money to spend,
- it is „free” money,
- It has to be spent on investment (basis for longterm economic development) and not for consumption,
- It requires co-financing – actual investment is higher,

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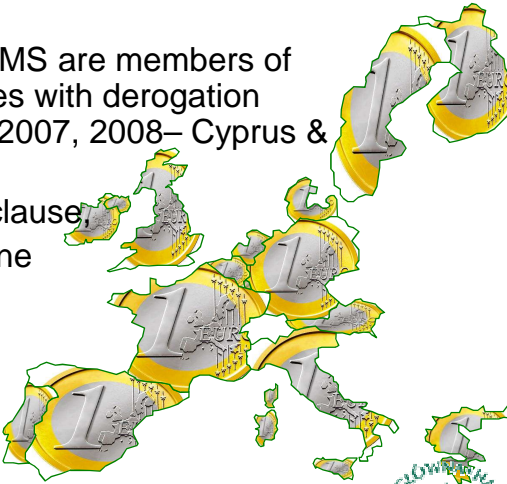


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NMS and the Euro

- Formal requirements: all NMS are members of monetary union as countries with derogation (except for Slovenia since 2007, 2008– Cyprus & Malta, 2009 - Slovakia),
- They do not have opt-out clause,
- In order to join the euro zone they have to meet convergence criteria,

- economic crisis'
- implications



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Thank you for your attention