NOTE

ON POLAND'S POLITICAL AND ECONOMIC SITUATION

AND ITS RELATIONS WITH THE EUROPEAN UNION

WITH A VIEW TO ACCESSION
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For further information, please contact:
Anton LENSEN, International and Constitutional Affairs Division, DG IV,
European Parliament, Luxembourg,

Tel. (352) 4300 23707 / Fax: (352) 4300 27724 / e-mail: alensen@europarl.eu.int

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This note was drawn up after the publication of the official results of the presidential elections on 8 October 2000.

* * *

SUMMARY

Poland is the largest and most populous (38.8 m inhabitants) of the applicant countries. It submitted its membership application on 5 April 1994.

As far as the Copenhagen criteria are concerned, Poland fulfils the criteria of a democratic state. Minority and human rights are respected, and the institutions of the rule of law are in place. Poland must still however make certain efforts to implement necessary economic, administrative and institutional reforms. Trade between the Member States and Poland continues to grow, albeit unfavourably for Poland, thus raising genuine fears about its trade deficit.

The opening of accession negotiations on 30 March 1998 was a milestone in the history of Poland, which had been forced to keep its distance as Community and Euro-Atlantic structures were formed and developed. Although only 11 (out of 31) chapters of the accession negotiations have been closed, the Polish government openly displays its impatience for the setting of an early accession date. The 1 January 2003 date it originally set itself is considered very ambitious, given that reforms of the Union's institutions and their functioning also have to be implemented. The main problem, however, stems from the scale of the task of bringing Polish legislation into line with the *acquis communautaire* and its implementation in practice, which poses a huge challenge and will be very expensive. Aid from the Community is indispensable but insufficient, despite having been increased as from 1 January 2000 as part of an enhanced pre-accession strategy. The new financial resources are substantial, but needs are even greater, especially in agriculture, where, according to the Polish authorities, mechanisms should be transposed in Poland unmodified so as to significantly assist with restructuring.

In its most recent report (COM(99) 509 of 13 October 1999), the Commission, which the Council has given the task of making an annual assessment of progress made in the light of the Copenhagen criteria and the Accession Partnership, reports that Poland fell significantly behind schedule last year. Transposition of the *acquis communautaire* is proceeding especially slowly in the areas of certification, standards and State aid. More restructuring must take place in the iron and steel and coal sectors, and more investment is needed in environmental measures. The Commission takes the view that significant shortcomings also exist as regards the administrative and legal structures which are essential for effective implementation of Community law. The priorities set out in the *Accession Partnership* were revised in December 1999 (cf. Decision 99/851/CE of 6 December 1999).
The financial crisis in Russia has not affected Poland's trade as much as some people predicted, as the market for Polish exports has shifted towards EU Member States over the last ten years. Nevertheless, GDP growth has slowed, from 5.8% to 4.1%. The trade deficit does not look like improving. The substantial amounts of foreign direct investment (of which Poland attracts more than any other country in Central Europe) are helping to finance the current account deficit.

In order to ensure an early accession date for Poland, the Europe Agreement has introduced a standard institutional framework which addresses political and technical matters but also attempts to clear up misunderstandings that arise as in the case of the recent increase in customs duties on certain agricultural produce. Political dialogue is still continuing, as evidenced by the visit by Prime Minister Buzek to Brussels in early April 2000. Mr Buzek announced that procedures for making up for the delays in bringing Polish legislation into line with the acquis communautaire would be strengthened and speeded up. The appointment of a new chairman of the office of the Government's Committee for European Integration (Mr Jacek Saryusz-Wolski (former chief negotiator for the Europe Agreement)) after this post had been vacant for almost a year should have positive effects.
I. POLITICAL SITUATION

The transition to democracy, initiated after the Round Table negotiations in 1989 and the elections of June the same year, has continued steadily over the last ten or so years, which has done much to foster the view that Poland fulfils the political criteria laid down at Copenhagen and that its institutions are functioning properly. The new constitution, which has been in force since October 1997, has created greater transparency as regards the functioning of the State, the division of power between State bodies and the rights and obligations of its citizens.

A) The centre-right coalition produced by the September 1997 general election

The last general election, held in September 1997, gave victory to and a return to power for the movements that have emerged from Solidarity. The Freedom Union (UW) and Electoral Action Solidarity (AWS), a coalition of various small parties, won 261 of the 460 seats in the Sejm and 59 of the 100 seats in the Senate, and then joined forces to form a coalition government led by Jerzy Buzek. During the previous four years, power had been held by a left-of-centre coalition made up of the Democratic Left Alliance (SLD) and the Polish Peasant Party (PSL), which saw its representation fall sharply (from 132 to 30 MPs). The government was formed despite the fact that Aleksander Kwasniewski, who was elected President of the Republic by universal suffrage two years earlier, is from the opposition, social-democratic camp.

The change in government has not had an adverse impact on Poland's foreign policy; quite the contrary, accession to the European Union and NATO are still the two main priorities, despite a number of differences within the AWS as regards the approach to accession.

Looking ahead to accession, and with the aim of modernising State structures and flanking economic development, the governing coalition has embarked upon a very ambitious series of reforms, the most important of which concern the reorganisation of the health and old-age pensions systems, education, the iron and steel and metalworking sectors, and decentralisation.

The reform of local government started in January 1999 reduced the number of regions (voivodships) from 49 to 16. The changes have resulted in the reorganisation and decentralisation both of public authorities and public finances, as the regions are now responsible for their own development and for implementing regional economic policies, which will help them become more effective after accession. The regions therefore now have an elected council (sejmik), presided by a Marshal, and a representative of central government, the voivod, who is responsible for ensuring that State services operate properly. The sejmik is responsible for regional economic development, universities and colleges, specialised hospitals, key cultural facilities (museums, theatres, etc.), and regional roads. The voivod, a sort of governor with a deliberately political profile, is responsible for ensuring the legality of local authority acts.
The reform also instituted an additional tier of government between the region and the municipality (gmina), namely the district (powiat), which is administratively equivalent to the German Kreis, and is responsible for secondary schools, hospitals, action to combat unemployment, inter-urban roads, etc.

The municipalities, instituted in the early 1990s, have had their powers confirmed with regard to public registers, roads, cemeteries and public transport. Since 1 January they have been responsible for financing and supervising local medical dispensaries and primary schools. Aid from the State budget is provided to cover these new costs.

These devolution and decentralisation measures are to provide scope for greater local initiative and more balanced and more appropriate economic development. Political cohabitation is very often the order of the day, because the local government elections in September 1999 left the opposition in control of about half of all regional councils, and the AWS has appointed from amongst its local leaders almost all of the voivods.

One of the three important social reforms is the restructuring of the health system, for the previous system, which provided a poor standard of care and was expensive to run, had to be completely replaced. The reform, which is essentially liberal and based on the German model (with regional health insurance schemes), introduces the principle of patient choice of doctor and health centre (choice was possible previously only in the private sector which is very little developed) and the concept of the family doctor. Tax revenue to the general budget will now be collected and redistributed by the newly created regional health insurance schemes, with which doctors and hospitals must conclude agreements. An administrative council will be appointed by the elected regional authorities (not by the State). The proportion of income tax to be devoted to health has been set at 7.5%.

There was remarkable political consensus in favour of the restructuring of the retirement pension system, which was prepared by the previous social-democratic coalition. The amount of pension will depend on the total contributions an individual has made during his working life. As for as the rules governing its implementation, the system is based on three pillars: the first is the general social security system (ZUS), the second being the 11 pension funds that have been created, and the third the retirement pension funds established by the insurance companies.

The reform of the educational system is also very ambitious because it is designed to change the whole system completely by tailoring it more closely to the needs of the market. The aim is to gradually raise educational standards of most of the school population, particularly in rural areas, which are not covered at present (less than 13% of children in rural areas go on to post-primary education). Government policy is for vocational schools, where training has been
highly specialised and poorly suited to actual requirements, will be replaced as from 2001 with schools providing general education, with the possibility of subsequent retraining.

Lastly, administrative reform will make it possible to reorganise financial remits.

The tasks that lie ahead are considerable, not only in budgetary terms but also - and this fact should not be underestimated - with regard to the social context, which is still marked by tensions and protest. Opinion polls show that the present government's popularity has fallen, and it is not certain that will continue with its current policies after the elections in 2002. Poorer prospects for growth are reducing the government's room for manoeuvre. For instance, the restructuring of the mining industry is going to mean the loss of 105,000 jobs, at a total cost of ZL 7 bn over a period of five years. The problem posed by the restructuring of agriculture is also particularly complex and difficult.

But the difficulties that have arisen are also political, and many of the differences between the coalition parties are aired more or less in public: the AWS's demands for a greater say on issues pertaining to Europe, where the UW currently dominates the scene; attempts by the AWS to take back control of the audiovisual sector, allegedly controlled by the SLD and PSL (in particular public-sector television and radio stations), clashes of personality and disputes concerning the filling of posts when the remits of ministries and government agencies were redefined.

B) Position of the political parties and public opinion on the European Union

The AWS does not have united approach to the accession process owing to its structure and the fact that it is a coalition of various movements, though it nevertheless presents itself as patriotic, having protectionist tendencies and placing emphasis on national traditions (fearing the risk of uniformisation by western culture). The Freedom Union (UW) takes a much more pro-European line and displays a strong political will to achieve EU membership quickly. After Bronislaw Geremek, it is another of this party's leading figures, Wladislaw Bartoszewski, who has been holding the reins of Polish diplomacy since July 2000.

The opposition parties' support for accession varies: the Democratic Left Alliance (SLD) is, in spite of its past, reputed to be pro-Western and determined to work for Poland's rapid integration into Euro-Atlantic and Community structures. By contrast, the Polish Peasant Party (PSL) is less enthusiastic. The other parties, such as the Movement for the Reconstruction of Poland (ROP), generally want to see the European Union provide Poland with substantial financial aid to enable it to prepare for accession. Parties totally opposed to EU membership are very small.
At the beginning of September 1999, the government reported to parliament on the progress made with negotiations with the European Union, provoking fierce criticism from the opposition, especially the SLD, which emphasised the lack of detailed information on the problems of integration. The opposition was disappointed at the creation of the National Council for European Integration (promised by Prime Minister Buzek) as a consultative and public-awareness raising body (while the SLD had hoped for more). The PSL considers that the government is not doing enough to defend Polish interests in negotiations with the European Union. One of the recent political debates that started in March 2000 concerned the slowness with which the government was putting bills before the Sejm and the resulting slowdown in parliamentary activity. One of the points on which the opposition agrees (except for the anti-membership parties) is the timetable: Poland continues to press the European Union and its Member States to set a date for its accession. During the preparations for accession, the Polish government has suggested the following dates: end of negotiations in early 2001, ratification in late 2002 and accession on 1 January 2003. The grounds for its insistence, which has been displayed regularly at official meetings, are social factors. On 10 July 2000 a tri-partite agreement was concluded between the Marshall of the Sejm of the Republic of Poland, the Marshall of the Senate of the Republic of Poland and the Prime Minister. The agreement is aimed at an acceleration of the process of harmonisation of Polish legislation with the “acquis Communautaire”, as well as an improved cooperation between Government and Parliament in this respect. In addition to that, in summer 2000 both chambers of Parliament decided to create a special committee aimed at accelerating the legislative procedure (“fast track”) for draft laws in the framework of legislative alignment to EU law.

Public support for joining the European Union has varied greatly in the past: the enormous enthusiasm or widespread acceptance (not always entirely well-informed) of the early 1990s and the period after Poland submitted its membership application has given way to more circumspect backing for the idea. According to an opinion poll conducted in October 1999 by the ISP (Public Affairs Institute), only 46 % of Poles were in favour of EU membership - the lowest level of support yet recorded (the previous ISP polls put support at 64 % in February 1998 and 58 % in June 1998. The percentage of 'don't knows' increased, from 14 % in February 1998 to 27 % in October 1999). A recent opinion poll issued by CBOS (Centre d'Etudes de l'Opinion Publique) in May 2000 showed a 59% support for EU accession.

The strongest supporters of EU membership are the small élite of high earners, people with university-level education, managers, the intelligentsia and private-sector businesses.

By contrast, varying degrees of hostility to EU membership, or its rapid pace, is displayed by sections of society with lower levels of education, especially farmers. Their worries are justified: at present, they account for 27% of the population but only 5-6% of GDP. Experts forecast that, if they are to be able to make an adequate living and farm profitably, their numbers would have to fall to nearly 5% of the active population in ten years.
B) The last presidential elections

These were held on 8 October 2000. Aleksander Kwasnievski, the outgoing president, was reelected with 53.9% of votes over the other 11 opposition candidates.

His two closest competitors were Andrezej Olechowski, independent economist, and Marian Krzaklewski, head of the Right Wing Catholic Alliance, ADWS, who obtained 17.3% of the votes. We should point out that Lech Walesa, the founder of Solidarity, received only 1.3% of the votes. Turnout was 61.6%.

Mr Kwasnievski was thus able to achieve a resounding victory despite the efforts of certain opponents to discredit him because of his Communist past and his atheism. This victory seems to show that the Poles have accepted the painful transition towards a free market economy. In the opinion of certain analysts, the defeat of the Right is due above all to internal divisions and might precipitate a split in the AWS bloc.

The President has confirmed that the main challenge of his second five-year term will be to ensure Poland's accession to the European Union.

II. ECONOMIC SITUATION AND OUTLOOK

A) Macroeconomic data

a) GDP growth
Whilst Poland's GDP grew by 6.3% annually between 1994 and 1997, the growth rate slowed to 4.1% in 1999. Moreover, growth is no longer founded on investment, as it was in 1998, but on consumption fuelled by a rapid increase in salaries in real terms (up 3-4% during the first six months) and, despite the economic difficulties, consumer confidence appears to be astonishingly stable. Forecasts for 2000 and beyond are brighter, but what happens will depend on economic growth in the European Union and the situation in the recently crisis-ridden markets in the East. If GDP growth were to continue at its present rate, Poland would reach the EU average in 2020 (per capita GDP is still half what it is in Greece and Portugal).

According to some up-to-date estimates, taking into account the results of the first months of this year, GDP might increase from 6.3% to 7% in 2000.

b) Budget
It is expected that the government will fail to meet its central budget deficit target of 2.15% of estimated GDP in 1999, as the budget is based on macroeconomic assumptions that are no longer realistic, such as real GDP growth of 5.1%. The deteriorating position of public finances indicates the impact of the economic slowdown, which served to reduce tax revenue. However,
it also reflects the exceptional costs associated with major reforms in local government, healthcare and the pension system. The budget deficit is expected to decline only slightly in 2000. At the end of September 1999, the cabinet approved a draft budget for 2000, which provided for a cut in the public sector deficit to 2.4% of gross domestic product.

The 2001 draft budget will be presented to parliament on 15 November 2000. In September 2000, parliament rejected increases in VAT. This new draft budget will have to take into account, according to the Minister of Finance, an increase in the rate of inflation in 2000 which was greater than expected, but with no increase in the budget deficit.

c) Monetary policy
Given the difficult international conditions and the fall in growth, the zloty has lost around 14% of its value against the dollar and 8% against the euro since the beginning of 1999, although the decline has not been uniform. However, the currency could be subject to conflicting pressures over the next year. Although lower nominal interest rates and concerns over the size of the current-account deficit will weaken investor sentiment towards the currency, the zloty could be boosted by strong privatisation, EU aid inflows, and by the decision of the ratings agency Standard & Poor to raise Poland's credit rating in June. Inflation, which is falling steadily, still reached 11.8% in 1999.

The first half of the year 2000 revealed an 11% increase between August 1999 and August 2000, in other words greater growth than expected. The inflation rate should be approximately 6.8% at the end of 2000. This situation, which is worrying the government, led the Polish Central Bank to raise the official interest rate on 30 August 2000.

d) Trade
The European Union accounts for a very substantial share of Poland's foreign trade: 70% of all Polish exports in 1994 and 1995, 64% in 1997. As far as Polish imports are concerned, the European Union's share has remained relatively stable in recent years, at around 64%.

Germany is Poland's biggest trading partner by far, accounting for 51% of Polish imports from the EU and 42% of Polish exports to the EU in 1997. Italy comes next, with 10% of imports and 13% of exports. In 1997, all the Member States had a positive balance of trade with Poland.

Poland's central statistical office reports that while the dollar value of exports fell in the first five months of 1999 by 7.3%, year-on-year, sales to Russia declined by 71.3% and sales to East-Central Europe by 38%. Russia slipped from being Poland's second or third trading partner to twelfth. Close inspection of the current account also highlights the impact of the Russian recession on informal cross-border trade: in the first half of 1999, net earnings on this trade amounted to only $1.6 billion, as compared to $2.9 billion in the same 1998 period. Trading conditions in Poland's western markets were also subdued over this period.
Privatisation
Despite the policy uncertainties that lie ahead, the privatisation programme continues to arouse investor interest and 1999 looks set to be exceptionally successful in terms of privatisation revenues raised. Restructuring in the arms sector, the coal and steel industries and the banking sector is particularly well advanced. The disposal of a 52% stake in Bank Pekao in early summer 1999 did much in this regard, generating just over $1 billion in revenue. In early August 1999, the ministry invited interest in the purchase of a 25-35% tranche in the monopoly Telekomunikacja Polska (TPSA), which is estimated to be worth $4-5 billion. The Treasury also disposed of a 10% stake in LOT Polish Airlines before the end of 1999. These asset sales alone will renew investor interest in Poland, helping to drive up the zloty. They seem likely, by the same token, to constrain monetary policy committee action on interest rates.

On 14 September 2000, the government announced the sale of the Gdanska oil refinery.

B) Economic outlook according to the Economist Intelligence Unit

a) Composite overview of forecasts (EIU)

(Unless stated otherwise, annual variation in %)

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<tr>
<th></th>
<th>1997(a)</th>
<th>1998(a)</th>
<th>1999(b)</th>
<th>2000(b)</th>
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<td>4.4</td>
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<tr>
<td>Consumer price inflation</td>
<td></td>
<td></td>
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<td>Average</td>
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<td>9.8</td>
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<td></td>
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<td>30.1</td>
<td>26.4</td>
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</tr>
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<td>Trade balance (c) ($US bn)</td>
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<td>-13.7</td>
<td>-14.5</td>
<td>-15.1</td>
<td>-14.9</td>
</tr>
<tr>
<td>Current-account balance (c) (% of GDP)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>-3.2</td>
<td>-4.3</td>
<td>-7.5</td>
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<td>-6.5</td>
</tr>
<tr>
<td>Total external debt (d) ($US bn)</td>
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<td></td>
<td></td>
<td></td>
</tr>
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<td>39.9</td>
<td>57.2c</td>
<td>58.6c</td>
<td>64.6</td>
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</table>

(a) Actual (b) EIU forecasts (c) EIU estimates

b) Future strategy
The Minister of Finance has drawn up a ‘strategy for public finance and economic development – Poland 2000 – 2010’. The document contains three hypotheses: ‘active’ growth (annual GDP growth rate of 7 – 8 % over the period 2000 – 2010), ‘passive’ growth (annual rate of 4 – 5%) and a ‘warning’ scenario (3 – 4%). The report takes the view that the ‘active growth’ scenario would enable Poland to double the level of GDP over the next decade. Three million jobs would be created and the unemployment rate would be brought down to 7% by 2010. To reach these objectives it is suggested that the rate of privatisation should be speeded up, so that the private sector would reach 90% of GDP by 2005 (at present it is 65%). Moreover, government expenditure should be reduced from 45% of GDP to 33 – 35%. It would also be necessary to balance the budget deficit in 2002 or 2003, while business tax and personal income tax would be gradually reduced (the rate of business tax will fall from 34% to 28% in 2001). Current forecasts take account of a public deficit of 2.7% of GDP, i.e. a level comparable with 1998. The total public debt is set to stabilise at around 48% of GDP, and the external public debt ($33m, i.e. 22% of GDP) is not a problem to fund and is gradually falling.

III. RELATIONS WITH THE EUROPEAN UNION

Introduction

The basis for current political and economic relations between Poland and the European Union is the Europe Agreement, which was signed in December 1991 and came into force, after a transitional period of two years, on 1 February 1994. The Europe Agreement improves the conditions for effective economic and political reform and provides the institutional framework and legal basis for relations between Poland and the EU. It covers all areas of common interest: political dialogue, trade in industrial and agricultural products, the right of establishment and freedom of movement of workers, services and movement of capital, alignment of legislation, economic, cultural and financial cooperation, etc. Ultimately, the Agreement is aimed at bringing Poland closer to EU membership.

In order that cooperation may proceed in a continuous and regular manner, an institutional framework has been created providing for a discussion forum, an assessment body and also a decision-making body. The first of these, the decision-making body, is the Association Council, which meets once a year to examine the problems inherent in bringing Polish legislation into line with Community legislation. Members of parliament (12 from the European Parliament and 12 from the Sejm/Senate) meet twice a year in the Joint Parliamentary Committee.

A) THE COMMUNITY INSTITUTIONS’ APPROACHES TO THE POLISH ACCESSION PROCESS
Poland has embarked upon a process of radical economic, social and administrative reform and decided to go beyond the new form of relations, as far-reaching and extensive as they are, for which the Association Agreement provided. Poland's application for membership of the European Union was submitted on 5 April 1994, thus opening a new page in history, in line with Poland's stated wish to form, along with France and Germany, the hard core of European integration (the Weimar Triangle).

a) The Commission's position

In keeping with the Treaty, Poland's membership application has been subjected to an assessment and decision-making procedure involving the Member States and all the Community institutions. The Commission, which has an important role in this procedure, delivered its opinion on Poland's application and the applications submitted by the other countries seeking accession in a key document published in July 1997 on the development of the European Union and the conditions governing the accession of new Member States. Agenda 2000, as the document is known, was followed by a special report on the each applicant country, focusing on its ability to meet the 1993 Copenhagen criteria. The Commission's report confirms that Poland displays the characteristics of a democracy with stable institutions guaranteeing the rule of law, respect for human rights and respect for, and the protection of, minorities. In the medium term full participation by Poland in the internal market will be possible, provided that extra efforts are made to meet the criteria of the acquis in the areas of agriculture, the environment and transport.

The Commission therefore recommended that accession negotiations be opened with Poland, and undertook to report regularly on the progress made. The most recent of these reports was published on 13 October 1999 and presented to the Helsinki European Council. It also takes account of information gathered by the European Parliament.

The Commission's assessment has been made in the light of political and economic criteria and other obligations associated with accession (EMU and CFSP objectives) and in particular the country's judicial and administrative capacity, sector-by-sector, to apply the acquis communautaire, the relevant short-term priorities being set in the Accession Partnership.

The Commission noted that the first Copenhagen criterion (political) had been met in its entirety, though it expressed concern about judicial structures and the limited development of the judiciary's administrative capacity. According to the Commission, the difficulty of making 'urgently required improvements in the provision of the due process of law permits a continuation of procedural and professional constraints which hamper the civil, political and economic development of Poland'. In general, the independence of the judiciary is respected, but the Commission considers that very substantial efforts must be made to fight corruption.
The existence of a functioning market economy has already been noted and confirmed on numerous occasions. However, economic restructuring (especially privatisation of big State-owned enterprises) and trade liberalisation must be continued, though it is also necessary to improve the current account and balance of trade deficits. It should be pointed out that SMEs are already well-developed, accounting for 45% of GDP and 60% of all employees. The Commission has emphasised the need for improvement in communications, energy and transport infrastructure: roads, which are vitally important for development and trade, are in a particularly bad condition.

As regards the third condition, namely the transposition and implementation of the acquis, the results are very mixed and backlogs are not inconsiderable. The Commission points out that Poland has achieved the short-term priorities set out in the Accession Partnership only to a limited extent; shortcomings exist in particular in the field of certification, data protection and standards (of which only 20% have been aligned). Capacities must be strengthened in the fields of intellectual property rights, agricultural and regional policies, social policy, customs, justice and home affairs. Barriers that exist in the broadcasting, telecommunications and insurance sectors must be removed. What is very urgent, however, is the need to create a transparent legal and institutional framework for State aid. The report also highlights human resources as a field where a new form of vocational training is needed to broaden employment prospects and bring them more into line with the economic environment.

Progress has been limited as far as industrial policy is concerned; there is no clear strategy for restructuring the steel industry and the automobile sector. Poland has not yet launched the transformation which is needed, in terms of policy, the acquis and structures, in the agriculture sector.

In conclusion, the Commission notes that Poland has not progressed significantly in aligning its legislation and in adapting and strengthening the required structures.

c) Parliament's position

The European Parliament has on numerous occasions expressed its opinion on the unfavourable conditions for enlargement, i.e. the unsuitability of the current institutional framework for dealing with an increase in the number of Member States. In its resolution of 4 December 1997 on Agenda 2000, Parliament noted that enlargement of the Union to include the countries seeking accession represented a further advance towards constructing a unified and free Europe. But there is first a fundamental need to avoid the risk of reducing the European Union to one huge common market owing to the absence of institutional reforms, which will need to be implemented as quickly as possible so as not to cause delays to accession, which Poland in particular is keen to avoid. The resolution also notes that Poland is by far the most important candidate for accession and that the enormous progress recorded since 1989 merits recognition.
An EP resolution (rapporteur: Mrs Hoff) on the Commission report on Poland’s progress towards accession was adopted on 15 April 1999. A further resolution (rapporteur: Mr Gawronski) on the progress towards accession by Poland was adopted by the European Parliament on 4 October 2000. It stresses the importance of Poland’s joining the EU as soon as possible and urges the Member States in particular to determine as soon as possible detailed negotiating positions enabling rapid progress to be made especially with the negotiations on the agricultural chapter. The European Parliament welcomes the progress made by Warsaw in implementing the *acquis communautaire* and calls on the Polish authorities to continue their work on improving the institutional conditions for effective implementation of regional development programmes.

In this context, it is worth pointing out the importance of the meetings between Members of the European Parliament and their colleagues from the Sejm and the Senate in the Joint Parliamentary Committee; the most recent meeting was held in Warsaw on 5/6 June 2000. It addressed the progress made with preparations and meeting the priority objectives that have been set and the problem of the information strategy to be established in the Member States. Community representatives have stressed the need not only to align Polish legislation with the entire *acquis* but also ensure that it is actually implemented, which could appear costly in many cases. Polish MPs continued to call for the pace of negotiations to be stepped up and for the date of accession, which depends on the reforms undertaken by the two sides, to be set. Polish representatives linked the timing issue to the issue of public support for EU membership, which was waning.

c) The Council’s position

The decisions taken by the Council of Minister and the European Council, and the guidelines they issue, play a key role in the enlargement process, for institutional reasons and for specific reasons related to each applicant country and its state of readiness. The Council decided on 12-13 December 1997 in Luxembourg that the accession process would be launched on 30 March 1998 with a meeting of EU Foreign Ministers and the 11 applicant countries. It mandated the Commission to carry out the screening process and conduct the negotiations and to present to it regularly an assessment report on progress towards accession, taking account of short- and medium-term priorities set by the Council in the *Accession Partnership*. The most recent update of this decision, published on 6 December 1999, constitutes for Poland an essential legal component of the enhanced pre-accession strategy.
B) LEGAL AND FINANCIAL FRAMEWORK FOR THE ENHANCED PRE-ACCESSION STRATEGY

Following the publication of Agenda 2000, the Council decided, with Parliament's agreement on the basis of Article 308 (ex. Article 235) of the Treaty, to establish a consolidated framework setting out the priority objectives to be achieved by the applicant countries and the financial resources to be used for that purpose under specified conditions. In keeping with the Union's objectives, the Accession Partnership with Poland constitutes the main axis of the new enhanced pre-accession strategy involving new financial arrangements; ISPA (Instrument for Structural Policies for Pre-Accession) and SAPARD (Special Accession Programme for Agriculture and Rural Development). As for the applicant countries, each of them has been invited to submit a national programme for the adoption of the acquis (NPAA), laying down a timetable for priority measures, and which is revised and updated annually.

a) Accession partnership

The Partnership is thus a Council decision of paramount importance, since its implementation forms the basis for the assessment made by the Commission in its regular reports. The Council drew up an updated version of the short- and medium-term objectives and priorities for the Polish government on 6 December 1999 (following publication of the Commission's assessment).

The short-term objectives include the need to continue with:
- budgetary and macroeconomic stabilisation,
- the restructuring of the steel and coal sectors,
- economic reforms (in particular the speeding-up of privatisation, restructuring of the state sector, privatisation of the banking sector, etc.),
- modernising the customs administration,
- alignment measures relating to the Internal market, including certification, standardisation, alignment of the intellectual property and industrial sectors, capital market liberalisation,
- developing a coherent structural and rural development policy for agriculture, adopting implementation arrangements in the veterinary sector,
- drawing up a strategy for transposing the environmental acquis,
- developing checking procedures in particular on the borders with Belarus and the Ukraine and bringing visa systems into line with the EU,
- reinforcing institutional and administrative capacities, in particular as regards customs, State aids, the judiciary, fiscal monitoring etc.

To conclude, there is still much to be done with regard to adoption and application of the acquis relating to the internal market and in important sectors such as agriculture, fisheries and the environment.
With regard to the **medium-term priorities**, progress will have to be made in the following areas:

- review of national policy aimed at improving the competitiveness of the Polish economy, including market access readiness, SMEs, the existence of a conducive legal and commercial environment and upgrading of skills, in particular in rural and eastern border regions,
- public procurement: abolition of the national preference clause by the end of 2002,
- free movement of services: liberalisation and development of monitoring and regulatory bodies,
- free movement of persons: completion of alignment of mutual recognition of diplomas,
- competition: reinforcement of anti-trust and State aid authorities and procedures; improvement of transparency and flow of data, coordination and training at all levels,
- agriculture: reinforcement of common agricultural policy management mechanisms and administrative structures (monitoring of agricultural markets and implementation of structural and rural development measures, setting-up of bodies and control mechanisms),
- justice and home affairs - further upgrading of law enforcement bodies and the judiciary (staff numbers, training and equipment),
- strengthening of police cooperation mechanisms within Europol in the fight against organised crime (in particular money laundering, drugs trafficking and trafficking in human beings).

Many of the problems set out in this Accession Partnership document are included in the Polish government's *National Programme for the Adoption of the Acquis* (NPAA), drawn up by the Office of the Committee for European Integration, the body responsible for the coordination of measures relating to accession. However, the Commission has noted that this programme, whilst providing a good overview of the measures already implemented, lacks specific detail as regards the progress towards accession, its budgetary impact and the actual institutional framework.

**b) Financial aid**

Under the PHARE Programme Poland has obtained ECU 2 024 million for the period 1990 to 1999. The programme’s funds are not granted unless the projects so identified match up with the priority measures and the technical and institutional conditions laid down by the Commission are met. As a result, in May 1998 the Commission rejected an application from Poland for ECU 34 million in aid on the grounds that the project was poorly prepared and inadequate supporting evidence was provided. This led to a great outcry in Poland.
Poland was granted EUR 213.5 m for 1999, 20% earmarked for institution building (EUR 43.33m) and 80% for investments (EUR 170.067m). A separate funding proposal is to cover the TEMPUS II programmes (EUR 5 m) and Poland’s participation in the Leonardo and Mattheus programmes. A total of EUR 230.5m is to be devoted to Poland under the Phare 1999 programme. A separate financial proposal will be drawn up for European financial aid for ‘cross-border cooperation’.

Since 1998, the Commission has put in place a new instrument, institutional twinning. It is financed by Phare and encourages adoption of the acquis communautaire by providing pre-accession advisers from the Member States’ administrations. These advisers prepare and implement what is required (e.g. training) for adoption of the acquis. The 16 twinning schemes proposed for 1999 represent more than EUR 35.183 m.

The enhanced pre-accession strategy adopted by the Council provided for the introduction, as from 2000, of new financial resources intended for specific sectors. The SAPARD programme should help foster the restructuring of agriculture and the pursuit of sustainable rural development. Financial aid worth EUR 168 m is likely to take the form of direct investment or advisory services.

The second of the programmes introduced is ISPA, which is designed to ensure economic and social cohesion, and in particular to promote the development of transport and environmental initiatives. It is worth EUR 370 m.

The total amount of financial assistance for Poland in the years leading up to accession is thus set to increase appreciably (more or less fourfold). To ensure that such large sums of money are not wasted, they will be made available subject to the principle of conditionality and monitoring by the European Court of Auditors.
CONCLUSION

Poland's accession process, which began officially on 30 March 1998 is a reality which has great implications for the Member States and the applicant countries. Major reforms have to be implemented on both sides. As stressed by the European Parliament on numerous occasions, the enlargement process, with all the good political will of the Member States' governments, cannot succeed without internal institutional reforms. The fact that the aims stated at the Turin Intergovernmental Conference have not been achieved is taken badly by the Polish government and the Sejm, which always call on the Community institutions at the regular meetings that are held to set a date for accession as quickly as possible. The Polish government has set itself the date of 1 January 2003. During the last few months representatives of the Polish Government have accused the European Union on several occasions of slowing up enlargement. Much progress still needs to be made, especially as Poland often fails to meets its obligations or respect the priorities that have been set, and only 11 of the 31 chapters of the negotiations have been completed. In the agricultural sector, a particular difficulty was presented by the Polish Government's raising of customs duties on certain agricultural produce (at the end of 1999). After a year and a half of difficult negotiations, on 26 September 2000 the European Commission and Poland reached an agreement mutually to liberalise their trade in farm products. The deal sets out the liberalisation of a substantial part of bilateral trade, thereby including mutually satisfactory solutions for all the products on which Poland had increased import tariffs last year. The political will of the Polish to overcome the problems posed by preparations for accession is still strong and there is consensus on this subject amongst all the political parties represented in parliament, as evidenced by the decision by the Polish Government in June 2000 to launch an information campaign on Poland's accession to the European Union from June 2000 to December 2002 with a budget of EUR 20 million. The campaign will consist of study visits, seminars, conferences and advertisements in the national media of the Member States. It will focus on the countries and sectors which, in the view of the Polish Government, do not really support Poland's accession. The Polish Ambassador to Brussels has quoted Germany and Austria as being amongst these countries.

*     *     *

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Annex 1

President of the Republic            Aleksander KWASNIEWSKI

Composition of the Polish government

Prime Minister                    Jerzy BUZEK (AWS)
Deputy PM and Finance Minister    Leszek BALCEROWICZ (UW)
Deputy PM and Employment Minister Longin KOMOLOWSKI (AWS)
Home Affairs Minister             Marek BIERNACKI (AWS)
Foreign Affairs Minister          Bronislaw GEREMEK (UW)
Defence Minister                  Janusz ONYSZKIEWICZ
Budget Minister                   Emil WASACZ (AWS)
Economic Affairs Minister         Janusz STEINHOFF (AWS)
Justice Minister                  Hanna SUCHOCKA (UW)
Education Minister                Miroslaw HANDKE (AWS)
Culture Minister                  Kazimierz UJAZDOWSKI(UW)
Agriculture Minister              Artur BALAZS (AWS)
Health Minister                   Franciszka CEGIELSKA (AWS)
Transport Minister                Tadeusz SYRYJCZYK (UW)
Environment Minister              Antoni TOKARCZUK (AWS)
Communications Minister           Tomasz SZYSZKO (AWS)
Scientific Research Minister      Andrzej WISZNIEWSKI (AWS)
Ministers without portfolio       Jerzy KROPIWNICKI
                                    (Centre for Strategic Studies)
                                    Janusz PALUBICKI
                                    (Special Unit Coordinator)
Annex 2

Results of the general election (21 September 1997)

(Number of seats in the Sejm)

<table>
<thead>
<tr>
<th>Party</th>
<th>1993</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electoral Action Solidarity (AWS)</td>
<td>0</td>
<td>201</td>
</tr>
<tr>
<td>Democratic Left Alliance (SLD)</td>
<td>171</td>
<td>164</td>
</tr>
<tr>
<td>Democratic Union - Freedom Union (UD/UW)</td>
<td>74</td>
<td>60</td>
</tr>
<tr>
<td>Polish Peasant Party (PSL)</td>
<td>131</td>
<td>27</td>
</tr>
<tr>
<td>Movement for the Reconstruction of Poland (ROP)</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Labour Union (UP)</td>
<td>41</td>
<td>0</td>
</tr>
<tr>
<td>Confederation for an independent Poland (KPN)</td>
<td>21</td>
<td>0</td>
</tr>
<tr>
<td>Non-Party Reform Bloc (BBWR)</td>
<td>16</td>
<td>0</td>
</tr>
<tr>
<td>Others (German minority)</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Independents</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

Total 460 460

Senate

The hundred seats in the Senate are distributed as follows:

<table>
<thead>
<tr>
<th>Party</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>AWS</td>
<td>51</td>
</tr>
<tr>
<td>SLD</td>
<td>28</td>
</tr>
<tr>
<td>UW</td>
<td>8</td>
</tr>
<tr>
<td>ROP</td>
<td>5</td>
</tr>
<tr>
<td>PSL</td>
<td>3</td>
</tr>
<tr>
<td>Independents</td>
<td>5</td>
</tr>
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</table>
Annex 3

PRINCIPAL STATISTICAL DATA
FOR 1999

Sources:  -  Economist Intelligence Unit – Country Report Poland. 03.02.2000

Jens Dalsgaard. Parliamentary Documentation Centre

Basic data

Area:  312 000 km²
Population:  38.6 million
GDP:  EUR 140.7 bn
GDP per capita:  EUR 3600
GDP growth in 1999: 4.1%
Structure of production –
- agriculture: 5 % of GDP
- industry: 23.2 % of GDP
- construction: 9.7 % of GDP
- services: 36.5% of GDP
- other 25.6 % of GDP
Inflation: 7 %
Unemployment: 11.9 %
Participation rate by sector:
- agriculture: 20%
- industry: 32%
- services: 48%
**External trade**

**Trade of the EU with Poland: 1991-1999**

<table>
<thead>
<tr>
<th>Year</th>
<th>EU-imports (cif)</th>
<th>EU-exports (fob)</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>7,106</td>
<td>8,897</td>
<td>1,791</td>
</tr>
<tr>
<td>1992</td>
<td>7,976</td>
<td>9,219</td>
<td>1,243</td>
</tr>
<tr>
<td>1993</td>
<td>8,458</td>
<td>11,114</td>
<td>2,656</td>
</tr>
<tr>
<td>1994</td>
<td>10,127</td>
<td>12,317</td>
<td>2,190</td>
</tr>
<tr>
<td>1995</td>
<td>12,252</td>
<td>15,297</td>
<td>3,045</td>
</tr>
<tr>
<td>1996</td>
<td>12,252</td>
<td>19,857</td>
<td>7,605</td>
</tr>
<tr>
<td>1997</td>
<td>14,163</td>
<td>25,020</td>
<td>10,857</td>
</tr>
<tr>
<td>1998</td>
<td>16,166</td>
<td>28,149</td>
<td>11,983</td>
</tr>
<tr>
<td>1999</td>
<td>17,505</td>
<td>28,874</td>
<td>11,369</td>
</tr>
</tbody>
</table>

Source: COMEXT database, EUROSTAT

Production: JDa/Parliamentary Documentation Centre/European Parliament

Note: Bold italic and underlined text/figures indicate updated and/or revised data.
**External trade of Poland: 1991-1998**

<table>
<thead>
<tr>
<th></th>
<th>Export</th>
<th>Import</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>of which: EU</td>
</tr>
<tr>
<td></td>
<td>Mio ECU</td>
<td>%</td>
</tr>
<tr>
<td>1991</td>
<td>12,027</td>
<td>7,729</td>
</tr>
<tr>
<td>1992</td>
<td>10,264</td>
<td>6,333</td>
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<tr>
<td>1993</td>
<td>12,078</td>
<td>8,364</td>
</tr>
<tr>
<td>1994</td>
<td>14,493</td>
<td>10,028</td>
</tr>
<tr>
<td>1995</td>
<td>17,503</td>
<td>12,262</td>
</tr>
<tr>
<td>1996</td>
<td>19,248</td>
<td>12,756</td>
</tr>
<tr>
<td>1997</td>
<td>22,707</td>
<td>14,579</td>
</tr>
<tr>
<td>1998</td>
<td><strong>25,180</strong></td>
<td>17,202</td>
</tr>
</tbody>
</table>

Sources: Direction of Trade Statistics, Yearbooks, IMF COMEXT, EUROSTAT

Production: JDa/Parliamentary Documentation Centre/European Parliament

Note: Bold italic and underlined text/figures indicate updated and/or revised data.
### Trade of the EU with Poland by Member States 1999

<table>
<thead>
<tr>
<th></th>
<th>EU-imports (cif)</th>
<th>EU-exports (fob)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1000 €</td>
<td>- % -</td>
<td>1000 €</td>
<td>- % -</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>17.505.391</td>
<td>100,0</td>
<td>28.874.051</td>
<td>100,0</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>1.216.088</td>
<td>6,9</td>
<td>2.707.638</td>
<td>9,4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1.128.781</td>
<td>6,4</td>
<td>2.006.402</td>
<td>6,9</td>
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<tr>
<td>Germany</td>
<td>9.085.159</td>
<td>51,9</td>
<td>12.350.572</td>
<td>42,8</td>
</tr>
<tr>
<td>Italy</td>
<td>1.663.823</td>
<td>9,5</td>
<td>3.455.307</td>
<td>12,0</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1.024.561</td>
<td>5,9</td>
<td>1.774.222</td>
<td>6,1</td>
</tr>
<tr>
<td>Ireland</td>
<td>78.909</td>
<td>0,5</td>
<td>261.313</td>
<td>0,9</td>
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<tr>
<td>Denmark</td>
<td>717.487</td>
<td>4,1</td>
<td>801.677</td>
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<tr>
<td>Greece</td>
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<td>0,5</td>
<td>81.071</td>
<td>0,3</td>
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<tr>
<td>Portugal</td>
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<td>0,2</td>
<td>73.707</td>
<td>0,3</td>
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<tr>
<td>Spain</td>
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<td>798.551</td>
<td>2,8</td>
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<tr>
<td>Belgium</td>
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<td>1.412.712</td>
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<td>717.533</td>
<td>2,5</td>
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<tr>
<td>Austria</td>
<td>520.126</td>
<td>3,0</td>
<td>903.416</td>
<td>3,1</td>
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</table>

Source: COMEXT database, EUROSTAT

Production: JDol/Parliamentary Documentation Centre/European Parliament