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Although we may move to direct political issues for your questions, I would like to talk first about the social economic development which is my public responsibility. I would especially like to emphasize the role of the national development program as something that in my mind is a very good example of strategic thought in Poland. I would like to explain why it's so important, and what I think we could gain from this type of thinking and these types of programs and actions in the future.

But let me start with an overall description of the social economic situation in Poland. I think that in the year 2004 we had a very good year, keeping in mind all the economic indicators: high growth, high manufacturing production, and increasing exports. All these features of economic performance are extremely good. I would like to also say that Poland is regaining its investment attractiveness. Last year, the flow of foreign direct investment was at the level of seven billion US dollars, and we expect up to 10 billion dollars this year. Investors from all over the world are approaching Poland and searching for good opportunities. It's very difficult to say in a simple thesis why we have economic success now. I wouldn't want to overemphasize all of the economic policy, and the role of the government, the role of my office, but I think that the good results of the Polish economy show exactly the line of thinking in which we place first entrepreneurship and the question of growth and productivity, plus fiscal consolidation programs. This, plus efficient participation and membership in the European Union, is a good mixture of factors, creating good conditions for economic performance. From a certain point of view, especially when I debate in Poland, it doesn't make sense to say who should be proud of this. *We* should be proud of this. If somebody would like to say that it happened as the result of government activities, it means that we didn't stop entrepreneurship activity and that's enough for market oriented government. This is the sufficient factor of our good behavior.

The second thing that I would like to state is the thesis that EU membership is adding to the economic development process in Poland. We are approaching the first year of our membership and it's obvious that we are doing well. We were able to overcome all the problems regarding our accession: harmonization of law and all the logistic problems regarding various activities including trade, public aid, and so on. We are not accused of any infringements of the existing regulations. I think that we are also doing well regarding the real economic process of integration. Poland has had good results in exports, and we have positive balance of trade in comparison to countries such as Germany, Great Britain, and Sweden. We have good record regarding foreign investors. So from this point of view, everything seems to be going quite well with good prospects.

So the question is: what is the reason, having relatively good situations, to discuss the national development program? Do we really need such discussion? What kind of instrument are we talking about? I think there are two possible approaches or

perspectives from which to discuss the national development program formally for the period of 2007 to 2013. The period is starting at the same time as the new budget of the European Union. The current EU budgetary arrangements will be accomplished by the end of 2006 and will last for the next 7 years. One possible approach is to say, we need a plan because we are going to spend 70 billion Euros, granted by the European Union, plus our national co-payment, which creates a huge amount of money – 110 billion Euros. Being in a position to spend such a huge amount of money, anybody would have to create a plan. What do you do with such an amount?

But I think that another perspective, another approach is more important. We are living in a world which is not only a global world, but it's a world of the global change. Change is the particular feature of our existence and activity. Change is unavoidable, restructuring is another side of the coin. Change means that we have to adjust, we have to restructure. There is no end to our restructuring activity; we are still able to compete, we are still able to adjust. So the problem is not equilibrium, but is development because change/adjustment means how to program our development, how to create the possibility that we will adjust in a deliberate way, using our thoughts, using our imagination, and controlling to a certain degree of change, which can be controlled fully but we may create a direction of change and intensify change in a certain way.

So the basic notion is development and the second notion is how to use and generate our potential – potential for change, potential for development, potential for adjustment. I think this is much more proper perspective. We are implementing the national development plan, which is an obligatory instrument for member countries for the period 2004-2006. It's the last period of the current EU budget. And of course, we didn't have any other possibility as the first one to build an instrument of the absorbment of the EU funds. So our recent NDP is an instrument, a plan: how to spend money, how to absorb money, and how to develop our country. This time we have enough time. We started in advance in 2004 and now are in discussion about how to use money, how to absorb the funds and how to develop our country, how to prepare for global and European competition, how to use our potential, how to create capacity for the further adjustment and restructuring. We are in such a stage of our debate that at our government, prepared the first draft of plan, and now there is an all country debate on the plan. We will summarize the debate in May, and leave the final acceptance of the national development plan for the next government, but we are doing everything in the process of programming.

We have proposed three strategic objectives of our development for this period: First is maintaining of high economic growth. From the Polish perspective, high economic growth means growth over 5% of GDP annually. High economic growth is absolutely needed if we would like to solve all the structural, social and economic problems. Without high economic growth, we will never solve our structural deficiency.

The second strategic objective is competitiveness – strengthening our competitiveness through spreading entrepreneurship and through high employment. The employment rate in Poland is the lowest in the EU zone. The Lisbon strategy indicates that the employment rate should be at 70%. In Poland, the employment rate is at the level of 52%.

If, for example, Poland had the employment rate of Czech Republic or Hungary, we would not have our budgetary deficit at all, because additional employment would create additional revenues and additional demand, which would allow us to close the budget deficit gap.

The third is social economic and territorial cohesion in the country. Growth through competitiveness, entrepreneurship and high employment will lead us to bigger discrepancies, social and territorial. We shouldn't increase the disintegration of society, territory and economy.

I would like to talk about the EU dimension, the country dimension, the regional dimension, and the cross border dimensions of the idea of development written in this document. Let me start with the EU dimension. I think the problem here is how to change the position of Poland in the EU, as an EU member, from a demanding client to a strong partner. Now we are in the position of a customer and client. To be in the position of a partner, we have to change our position, so we should say "here's an idea for the development of my country. Here's an idea on how Poland should build its position to compete and to cooperate." And we would like to see from the EU side, developments by the European Union and policies of the European Union which create the best conditions for our development and will facilitate our development. In return, we will contribute to the development of the European Union because we are a partner, we are a big country, we are going to be a dynamic economy.

Let me say what it means in practice. Recently in the EU there has been a general discussion on the Lisbon Strategy. As you remember in 2000 the EU decided to build and to define its strategy to be the most competitive economic group all over the world by the end of this decade. Now after 5 years in midterm review, assessments say that we need to re-start the Lisbon Strategy. The strategy has not been implemented at all. The EU has wasted 5 years. Now the idea is less priorities and more focus on particular issues. The proposed issues are internal market, employment and innovation. The Polish government is reacting from the perspective of our development plan by saying; "Because we would like to see Poland's development in this way, we would like to see EU development according to such principles: firstly, we need a single market – especially a single market of services. Without a single market of services, there is no single market at all in the modern economy. And if somebody is against the services directive, than he's against the Lisbon strategy. Of course there are some countries like France and Germany that have concerns. President Chirac is openly against the services directive and he's attacking Polish commissioner and president Barroso for supporting it. What does this mean in practical terms? I am openly saying to my colleagues at the Ministry of Economy that there are two possibilities to discuss regarding services: 1) Proposal of the services directorate. We decide to open the single market for services with particular exclusions. There are some issues for example, health care and public services which may be excluded. What you are suggesting is quite the opposite. You are for inclusion to the existing single market of some services but against the single market of services. In practical terms what you are proposing to Poland and other new EU members means financial services – yes liberalization, cargo rail transport – yes liberalization, energy

distribution – liberalization, but construction services, handicraft services, manufacturing services – no. So the position of your country is when we have comparative advantage we are for liberalization, when we do not have comparative advantage we are against liberalization. Please forget about it. Poland is in the European Union now. We will never agree to this approach.

Another problem is so called “better regulation”. Better regulation means that we should make an assessment of the existing regulation and Poland is saying no. We wouldn’t like to discuss about the existing regulation and how to modify, how to amend it. We would like to discuss about new logic of regulation. So far, the regulation is regulation on limitations and bureaucratic restrictions. We are not going to discuss more on restrictions. We are very cautious regarding the reach of the directive of chemicals because we are afraid that this directive will create a bigger burden on entrepreneurs, and especially on small and medium size entrepreneurs. We would like to see regulations that will create positive incentives, and which will create the space for entrepreneurial activities. This type of regulation is needed.

Another issue, which I represent on behalf of the Polish government and according to our program, is the free movement of workers. French leaders have now discovered a new notion: delocalization. Delocalization means that they are against the movement of jobs from France to Poland. If somebody is saying delocalization in the pejorative sense, it means he’s against the free movement of capital. So they are against the free movement of capital, but why capital is moving? Because the capital is searching for a better labor force. They do not allow our labor force to immigrate, and they would like to stop the emigration of their capital. It’s against the fundamentals of the European Union so we are openly saying “If you are closing your labor market, you are pushing your investors to come to us.” And nobody can stop it.

The last element I would like to discuss is the question of the innovation of cultural potential and the use of the potential of new countries, not only the old countries. They would like to locate all activities in *their* universities. They would like to keep all intellectual property in their universities. So our position is that we should develop the scientific and innovative potential of all, not only the old EU countries. The second element here is the procedural question. Recently there was a discussion about bigger national responsibility and accountability and we agreed on this – more responsibility and accountability should be taken by the national governments regarding the implementation of the Lisbon strategy. But it also means that we should be allowed to implement instruments according to our own choice. If that is so, what does it mean when the French and German governments accuse the Polish government of diminishment of taxation? We are accused of so called “tax damping”. The VAT tax is lower in Germany than in Poland, but everybody is listening to me saying to my colleagues that our basic VAT tax is too high. We will not be able to compete. We should diminish our VAT tax. Of course, it means that some privileges that are granted within the VAT tax would be eliminated or at least limited in order to diminish the basic bracket.

So why do we need the national development plan? In the beginning of the transformation we started with a huge program of institutional change. But after 15 years, it seems obvious that we need a new wave of institutional change. There were certain barriers created during our development – certain structural deficiencies. So we need institutional change. I proposed various initiatives but many of them were rejected by the parliament because of the political mood of resistance. So the problem is, with internal politics and political myopia, how do you create institutional change that is needed to develop the country according to principles of the knowledge based economy and information civilization. The answer is that we need a program to create an alliance for the development of social forces which are the careers of information society. What are those forces? Entrepreneurs, non-governmental organizations, academia, media, education of people and culture – all those are real careers of information, knowledge, culture, competence, intellectual property and so on. So a program is also needed to build such an alliance for development and to overweigh short term, political myopia with much longer perspective. I'm very often asked, why we are doing this since the next government will come and build its own document, but I'm saying that doesn't make any sense. If we are discussing long-run development, we have to agree that over the next 10-15 years we will have several elections and several governments. It's obvious that one government is going to start something and another will modify but continue it, and the next government will summarize and will make something new on the basis of what the last government did. If everything is viewed in four years terms, nothing serious will happen. We will never be able to overcome our structural deficiencies.

The most important thing for us is the question of regional dimension. I think the most important thing for Poland is the decentralization of the state and the creation of strong regional and local governments. This is the possibility that the state and federalism will strengthen your economic activity, your role as citizen, and civil mobilization. Poland is a relatively big country and I think that the regional question, the question of federalism, not autonomy but decentralization, is a crucial. We are emphasizing the program of the decentralization of state and public finance, from the civil mobilization aspect. This is also the way we would like to create partnerships. We can't build partnerships in a centralized state. If we have everything dominated by the government, we'll never build a real partnership. Partnership requires decentralization, but decentralization will not be accountable without partnership. What kind of partnership? Public-Private partnership, which is badly needed to overcome the problem of infrastructural deficiency in Poland. Everybody who's going to invest in Poland knows that this is a major problem. How do we build high ways, how do we build good roads without public-private partnership?

We also need another partner – non-governmental organizations, civil society and civil mobilization. A public – social partnership. There are a lot of problems like social exclusion and poverty, that neither the private sector nor the public sector is able to solve. So public-private partnership is needed, but also public-social partnership – the social responsibility of businesses, and elements of economic activity that are not open to the usual competitiveness. We need this activity also because if we are putting strength into our competitiveness, then of course polarization can result – regional polarization is the result of such types of growth. How do you avoid polarization? We need polarization and

diffusion. Diffusion will come from the activity of local communities, regional activities and the type of partnerships I have mentioned.

The last dimension that I would like to talk about is the cross-border dimension. Let me start with the eastern dimension. Poland has a historical divide between the western and eastern parts of the country. This is called: Poland A and Poland B. The eastern wall is a real wall. Historically, when it was built in medieval times, the western part was much better than the eastern part and it survived for a long time. Now we are a member of the EU but with the wall, there will be no chance for development in the eastern part of Poland, in regions on the eastern side. So for us, the cross border dimension of our development means openness of this region, as well as openness of Poland, towards Russia and Ukraine and how to create cooperation. First, there is a question of Kaliningrad, the question of our roads between Poland and Ukraine, the problem of university cooperation and also the problem of small and medium size enterprises. Let me also talk about the Baltic dimension of our development. This is another question. The northern part of Poland has the seashore. Here we have particular problems with our ports, -- ecological problems. There's no possibility to solve these problems without participating in Baltic link cooperation. A lot of problems are around – energy distribution, transportation, and communication. So we need this dimension of our development and good cooperation with Baltic states, the Scandinavian countries, and even Germany. Thousand dimensions of our development. So far, according to EU principles, trans-European networks are mainly built from west to east. From our point of view, it's very important that the transport corridors come also from north to south. Not only from east to west. The strategic development of Poland depends very much on an equilibrium between the northern, southern, western and eastern dimensions.

What I have said is a very strong argument for the sovereign strategic thought of the modern era, which is the global and open type of thinking, not protectionist. If we have an opportunity to spend 110 billion Euros, it's of course a problem. But if we have an opportunity to build our sovereign strategic development program, it's a great opportunity and a great challenge. I would like to see for the first time that we are thinking in advance, that we are not only responsive. Instead of sovereign strategic thought is the dependent operational responsiveness-position of a client, not the position of a partner. Thank you very much for your attention.