

*Renata Stawarska\**

## **Selected Effects of Poland's Membership in the European Union in a Micro and Macroeconomic Perspective**

### **I. Macroeconomic perspective**

Poland's membership in the European Union bears far-reaching consequences, both micro and macroeconomic, in the sphere of economic policy as well as the internal and international powers of the government.

Membership status in the European Union entails a transfer of competencies in many areas to the Community level – this concerns e.g. the common trade policy, as a result of which common regulations and instruments are being applied in trade with third countries, negotiated on the GATT/WTO forum on behalf of the whole Union. The EU agreed on a common external tariff, and income from tariffs constitutes a source of income for the common budget, and not the national budgets. Poland's membership is going to change the situation in this matter as compared with the association period, which consists in creating a free trade area with the European Communities. Membership status will entail a change of Poland's status in the global game, because – as a member of a regional organisation – it will be represented on the WTO forum by the EU Trade Commissioner. This will bear consequences for Polish enterprises, particularly in trade with third countries (outside of the Union).<sup>1</sup> The level of Most Favored Nation Clause (MFN) tariffs after Poland's adoption of the EU

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<sup>1</sup> During the GATT Uruguay Round (1986 – 1994) Poland adhered to the principle that the convention tariffs should not be lower than the EU common external tariff, so as to avoid adaptation problems in the future. If the import duties for some goods were lower than those in the European Union, they would have to be increased after Poland's EU accession. This would bear consequences both for the internal market and for third countries, the latter ones might demand compensation from the Union for worse conditions of market access. See: E.Kawecka-Wyrzykowska, *Polska w drodze do Unii Europejskiej (Poland on the Road to the European Union)*, PWE Publishing, Warsaw 1999, pp.212-215.

common external tariff will decrease on average for industrial goods from 6,2% to 2,6%, consequences for some groups of goods or goods could be more dramatic. Poland will be obliged to introduce – in a much wider scope than before – the Generalised System of Preferences (GSP) as well as preferences for the signatory states of the Lomé Convention.<sup>2</sup> A further growth in trade turnover with the Union should be foreseen – the trade creation effect has already occurred partially after the Europe Agreement entered into force. Further turnover growth will be the outcome of adaptation of the export and import structure, as well as the complete removal of tariff and non-tariff barriers and lowering the transport costs resulting from lay days on the border and border controls. This will be essential for small and medium enterprises, for which the costs of customs clearance are – in proportion with their turnover – a bigger burden.

In case of Poland's accession to the Economic and Monetary Union changes will occur in shaping the macroeconomic policy, as a result of transferring the competencies for conducting the monetary policy to the level of the European Central Bank and the European System of Central Banks. Simultaneously, there will be limitations on carrying out the fiscal policy.<sup>3</sup> Benefits for enterprises will consist in providing access to the deep capital market, the reduction of exchange risk and transaction costs, as well as stable conditions for investment in an environment of reduced inflation.<sup>4</sup> In publications most authors emphasise that the main benefits from EU membership will stem from the improvement of investment conditions.<sup>5</sup> This indicates the reduction of risk for investors and an inflow of investments, not only from the Union, but also from third countries motivated by gaining access to the market of the whole organisation. EU membership is connected with an increased borrowed credibility of both the state and its enterprises.<sup>6</sup> A possibility of companies changing their location can be foreseen. In case of abolition of restrictions (borders, right for establishing a company) a decisive localisation factor would be the price of the means

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<sup>2</sup> *ibidem*, pp.216-218.

<sup>3</sup> This will be the result of implementing the convergence criteria of the Treaty on the European Union, the subsequent application of the Stability and Growth Pact, and the necessity to harmonize the tax legislation as a condition for participation in the Single European Market.

<sup>4</sup> See: R.Stawarska, *On Some Consequences of the Eastern Enlargement of the European Union*, in: *EU Adjustment to Eastern Enlargement, Polish and European Perspective*, A.Zielińska-Głębocka, A.Stepniak (eds), Gdańsk 1998.

<sup>5</sup> See: Baldwin R., Francois J., Portes R., *The Costs and Benefits of Eastern Enlargement: The Impact on the EU and Central Europe*, Economic Policy no 24, April 1997.

<sup>6</sup> In Poland's case borrowed credibility was increased after it signed agreements with the London and Paris Clubs and it became a member of the OECD and NATO. In May 2000 the rating agency Standard & Poor's raised Poland's foreign currency rating to BBB+ and the local currency rating to A+ (data from the Internet).

of production, mainly the workforce, which will favour the localisation of labour-intensive industries in Poland.

As a member state Poland will gain the right to participate in the EU decision process and to shape its legislation – it does not have such powers now – as merely an associated country.<sup>7</sup> Membership will allow for co-decision on the shape of future sector policies and for utilising them. Membership will also entail the acceptance of the whole range of obligations i.e. the dynamically developing *acquis communautaire*.

An overview of the consequences of EU membership for Poland and its – undergoing transformation – economy is given in the chart created with the application of the SWOT method. The analysis consists of separating the strengths (S), weaknesses (W), opportunities (O) and threats (T) connected with a given undertaking, in its micro and macroeconomic dimensions.

**Table 1. Poland's membership in the European Union – a SWOT analysis**

S (strengths)	W (weaknesses)
<ul style="list-style-type: none"> <li>– highly dynamic GDP growth</li> <li>– „emerging“ market (profits)</li> <li>– stable political situation</li> <li>– strong democracy</li> <li>– sound public finances</li> <li>– stable currency</li> <li>– high EU share in foreign trade turnover</li> <li>– low costs of qualified workforce (wage)</li> </ul>	<ul style="list-style-type: none"> <li>– necessary restructuring in industries (steel, mining)</li> <li>– necessary adjustments in agriculture</li> <li>– underdevelopment of transport infrastructure</li> <li>– weakness of Ministry of the Interior and justice</li> <li>– fiscalism connected with structural adaptations (budget costs)</li> <li>– high (non-wage) costs of employment</li> </ul>
O (opportunities)	T (threats)
<ul style="list-style-type: none"> <li>– privatisation and restructuring (improvement of economic efficiency)</li> <li>– inflow of direct foreign investments – growth of investment rate, inflow of new technologies as well as organisation and management methods</li> <li>– restructuring of agriculture (inflow of funds from the CAP)</li> <li>– effects of scale (Single European Market)</li> <li>– transfers from structural funds</li> </ul>	<ul style="list-style-type: none"> <li>– inflation</li> <li>– unemployment</li> <li>– bankruptcies</li> <li>– growth of balance of payments deficit</li> <li>– competition of the unequal (?) too rapid implementation of the <i>acquis communautaire</i> (social legislation, environment protection) could increase costs and outweigh the comparative advantage of Polish enterprises (excessive regulation)</li> </ul>

<sup>7</sup> See: *Układ Europejski ustanawiający stowarzyszenie między Rzeczpospolitą Polską z jednej strony a Wspólnotami Europejskimi i ich państwami członkowskimi z drugiej strony (Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Poland, of the other part)*, Dziennik Ustaw (Journal of Laws), app. to no 11 on 27<sup>th</sup> January 1994.

Source: compiled by the author

Threats pointed out in the SWOT analysis are confirmed in the econometric research, which serves as a basis for building scenarios on the development of Polish economy in two versions: membership and non-membership up to 2010. According to these forecasts membership should contribute to a more dynamic GDP growth in Poland than in the basic scenario, and subsequently to its higher level in the target year, as well as a more dynamic export and import growth. This could be the result of both an increased inflow of foreign direct investment and transfers from the EU structural funds.<sup>8,8</sup> This would greatly contribute to the increase in the activities of enterprises capable of coping with competitive pressure after Poland's accession to the European Union. It is estimated that starting from the moment of Polish membership the average annual transfers – as stated in the Agenda 2000 – will amount to circa €7 billion. This is equal to 3,5% of GDP, which will allow for an increase of the investment rate due to supplying the value of domestic savings with foreign savings, as a result this should ensure a highly dynamic economic growth.

One of the beneficial effects will be the access to common undertakings on industrial policy and to initiatives supporting technological progress, entrepreneurial skills and enterprise co-operation within the legal framework of competition. This will mainly relate to small and medium enterprises, as well as enterprises from the advanced technologies sector.

Increased competition and continuation of transformation processes in the shape of structural adaptations (described in the SWOT matrix) will lead to an increase of work productivity – due to application of new technologies. The price of these adaptations will be the increase of unemployment (absolute and relative as an unemployment rate) in the medium-term perspective. Increased unemployment will be not only the result of technological adjustments, but also of bankruptcies of enterprises unable to cope with increased competitive pressure after Poland's accession to the European Union.

The results of econometric research allowing for making prognoses for different scenarios, taking into account the criterion of Poland's integration with the European Union, are presented in the table presented below.

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<sup>8</sup> Such a tendency is indicated in numerous studies analyzing the impact of enlargement on the inflow of direct foreign investments and the size of transfers from the European Union (on the example of Greece, Portugal and Spain). Those changes have a considerable impact on the shape of the balance of payments (deepened trade deficit) and the level of currency rate (appreciation) in the medium-term. See: W.M.Orłowski, *Droga do Europy. Makroekonomia wstępowania do Unii Europejskiej (Road to Europe. Macroeconomics of European Union Accession)*, Instytut Europejski w Łodzi (European Institute in Łódź), 1998, pp.83-87.

**Table 2. Impact of Poland's membership in the European Union on the basic macroeconomic categories in 2001-2010 (average growth rate %)**

Specification	Scenario			
	without EU membership up to 2010		assuming EU accession in circa 2001	
	2001-2005	2006-2010	2001-2005	2006-2010
– Gross Domestic Product (GDP)	4,7	4,0	6,1	4,7
– individual consumption	3,0	3,1	4,9	3,4
– gross investments	7,9	4,6	9,9	4,6
– domestic final demand	4,7	3,7	6,5	3,8
– export of goods and services	7,4	5,9	9,1	7,9
– import of goods and services	6,7	5,0	8,9	5,9
– unemployed <sup>a</sup>	1,21	0,97	1,54	1,59
– unemployment rate <sup>b</sup>	6,3	4,9	8,0	8,2
– inflation (deflator of individual consumption)	8,9	7,8	6,6	4,4
– currency rate zł/USD	3,9	3,8	2,0	2,0
– DP <sup>c</sup>	13,8	19,1	14,8	21,3

<sup>a</sup> number of people in millions in the last year of the five-year period

<sup>b</sup> in percentage terms in the last year of the five-year period

<sup>c</sup> in thousands of USD per one inhabitant in the last year of the five-year period, in current prices applying the purchasing power parity.

Source: W.Welfe, A.Welfe, W.Florczak, *Alternatywy długookresowego wzrostu gospodarki polskiej*, Instytut Rozwoju i Studiów Strategicznych (*Alternatives for Long-term Growth of the Polish Economy*, Institute for Development and Strategic Studies), Warsaw 1997, p.29.

The above analysis could be compared with the “*Cost of Non Europe*” report (so called Cecchini Report) prepared in the eighties. It pointed out the consequences of removal of barriers to access markets of respective countries as well as the benefits of creation of the Single European Market. In Poland's case an additional cost in the macro and microeconomic scale is the transformation cost (necessary structural adjustments).

The forecasts of Poland's situation up to 2010 require the creation of an appropriate diagnosis for the base year. The application of taxonomic methods for this purpose permits to take into consideration during research both the measurable features (their level and dynamics) and the immeasurable ones

(assessment of condition, process and effectiveness). Research conducted by T.Michalski lead to the creation of a comparative analysis (similarity measures) and an attempt to rate the economies of EU member states and Poland.<sup>9</sup> Such an application is presented below taking into account the criterion of distance “d” – from the “exemplary” condition – for measurable features.

**Table 3. Rating taking into account the distance to the exemplary condition – measure  $d_{i0}$ . Measurable features**

Country	measure $d_{i0}$
1. Germany	0,618
2. France	0,664
3. Sweden	0,714
4. Belgium / Luxembourg	0,727
5. Austria	0,741
6. England	0,745
7. Netherlands	0,745
8. Denmark	0,765
9. Spain	0,784
10. Italy	0,785
11. Finland	0,786
12. Ireland	0,810
13. Portugal	0,850
14. Greece	0,864
15. Poland	0,895

Source: T.Michalski, *Polska w drodze do Unii Europejskiej (Poland on the Road to the European Union)*, Diffin Publishing, Warsaw 2000, p.127.

<sup>9</sup> In the course of research a database was created for EU countries and Poland on the basis of information from “*The World Competitiveness Report 1994*”. The author separated two subsets: measurable features (indicators) and immeasurable features (experts’ opinions) for eight groups of data important in the economic competitiveness assessment. These groups comprise: the state of domestic economy, internationalisation of economy, administration, finance, economic infrastructure, organisation and management of science and technology, human capital – all in all 327 diagnostic features were taken into account. See: Por.: T.Michalski, *Polska w drodze do Unii Europejskiej (Poland on the Road to the European Union)*, Diffin Publishing, Warsaw 2000.

The aforementioned data presents some distance from the exemplary pattern, in Poland's case it is close to the value estimated for Greece and Portugal. Those countries could become a reference point for Poland in its adaptation efforts to future membership.

Within the European Union itself uniform rules have been established in many areas, which have their basis in the *acquis communautaire*. They describe the "boundary conditions" for freedom of action of governments, parliaments and enterprises. Within the framework of the existing "freedom levels" the respective countries and their economy sectors gain a specific competitive ability (understood dynamically) and a competitive position (understood statically).<sup>10</sup>

Apart from abundance of resources (raw materials, capital, infrastructure, legislation) the other factors of economic competitiveness are: the socio-economic system, the economic policy of the government, the quality of institutions and their stability. These factors will play a decisive role in assessing Poland's competitive position in the integration organisation.<sup>11</sup>

Within the competitiveness context, the approach of K. Esser et al<sup>12</sup> describing the determiners of systemic competitiveness (Figure 1) seems very interesting in considering the chances and threats of EU membership. The analysis separates four levels of systemic competitiveness – from meta-, through macro-, mezzo- to microeconomic.

The competitiveness elements on the metaeconomic level are of universal character, relating to the system of values, ethics and the socio-cultural factors. The subsequent competitiveness factors on the metaeconomic level could be

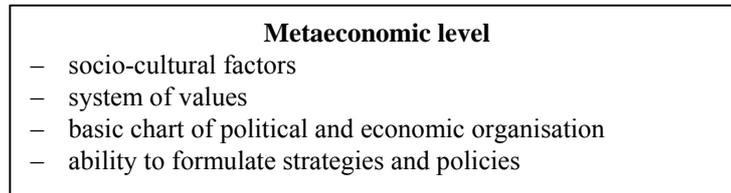
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<sup>10</sup> Publications cite numerous definitions of competitiveness, competitive ability or competitive position. According to W. Bieńkowski "the competitive ability in a macro dimension is expressed by the growth ability in the conditions of an open economy, allowing for positive accumulation, the effect of which would be an economy and export structure that "keeps up" with the relevant changes in the global economy and export." See: W. Bieńkowski, *Konkurencyjność gospodarki polskiej w przededniu wejścia do Unii Europejskiej (Competitiveness of Polish Economy on the Threshold EU Accession)*, in: *Unia Europejska wobec procesów integracyjnych. Wyzwania dla Polski (The European Union and the Integration Process. Challenges for Poland)*, WSHiFM Publishing, Warsaw 2000, pp.94-116

<sup>11</sup> According to the *World Competitiveness Report 1999*, Lausanne in the general rating Poland occupies the 44<sup>th</sup> position from 47 countries (measure based on 300 indicators). In detailed analyses Poland occupies a higher position – general economic development – 37, state of finances – 37.

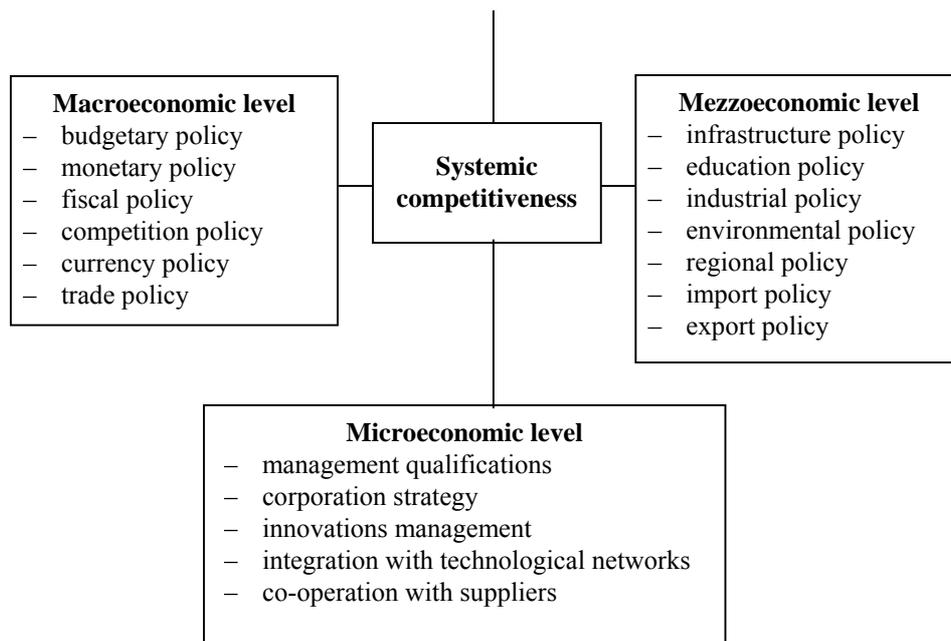
<sup>12</sup> See K. Esser, W. Hillebrand, D. Messner, J. Meyer-Stamer, *Systemic Competitiveness, New Governance Patterns for Industrial Development*, GDI Book Series, Frank Case, London 1998.

compared with the so called “Copenhagen” criteria formulated for candidate countries the European Council summit in



Copenhagen in June 1993.<sup>13</sup>

**Figure 1. Determinants of systemic competitiveness**



Source: K.Esser, W.Hillebrand, D.Messer, J.Meyer-Stamer, *Systemic Competitiveness. New Governance Patterns for Industrial Development*, GDI Book Series,

<sup>13</sup> They regard the general requirements towards the candidates: democratic system, functioning market economy, observance of human rights and rights of national minorities, and the ability to cope with competitive pressure and market forces within the Union.

London 1995, p.28. After: M.Gorynia, *Zachowania przedsiębiorstw w okresie transformacji. Mikroekonomia przejścia (Behaviour of Enterprises in the Transformation Period. Microeconomy of Transition)*, Wydawnictwo Akademii Ekonomicznej (University of Economics Publishing), Poznań 1998, p.104.

The elements of competitiveness on the macroeconomic level in the approach by Esser et al. in the integration context contain the so called Maastricht convergence criteria, defined in the Treaty on European Union, and they are connected with sound public finances in the candidate countries for the Economic and Monetary Union.<sup>14</sup> They also included some requirements of the Single European Act and the White Paper (1985) on the creation of the Single European Market (competition policy, elimination of barriers for full implementation of the so called four freedoms).

The mezzoeconomic level contains competitiveness factors, which, within the context of the integration process, could be connected with the requirements of the *acquis communautaire*. These are elements of community law, which have to be incorporated by a candidate country to national legislation (directives) as well as those, which do not have a direct binding force. On these subjects Poland has prepared its negotiating positions for accession negotiations.<sup>15</sup>

The microeconomic level and the basic elements of systemic competitiveness, which make an impact on the balance of chances and threats connected with membership will undergo an analysis in the next part of this article.

## II. Microeconomic perspective

Poland's membership in the European Union will entail for enterprises – in the first place – that enterprises will be obliged to adapt to the requirements of the Single European Market.<sup>16</sup> The fulfilment of this task created problems within the Union itself. Full incorporation of Single European Market legislation

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<sup>14</sup> They enumerate the boundary inflation levels, long-term interest rate, exchange rate stability, budget deficit and public debt.

<sup>15</sup> See: *Stanowiska Polski w ramach negocjacji o członkostwo Rzeczypospolitej Polskiej w Unii Europejskiej (Poland's Position Papers for the Accession Negotiations with the European Union)*, Kancelaria Prezesa Rady Ministrów (Chancellery of the Prime Minister), Warsaw 2000. Negotiation positions comprise 29 negotiation chapters.

<sup>16</sup> In order to facilitate the adaptations to the candidate countries a White Paper comprising all necessary Single European Market directives was presented at the Cannes summit in June 1995. See: *Biała Księga. Przygotowanie krajów stowarzyszonych Europy Środkowej i Wschodniej do integracji z rynkiem wewnętrznym Unii Europejskiej (White Paper on the Integration of the Associated Countries of Central and Eastern Europe with the Internal Market of the European Union)*, Przedstawicielstwo Komisji Europejskiej w Polsce (Delegation of the European Commission in Poland), Warsaw 1995.

was completed a few years after the symbolic 1992.<sup>17</sup> Participation in the Single European Market will impose conditions of tougher competition, although it will be a competition on a relatively isolated market from the external surroundings i.e. the global market.<sup>18</sup>

Membership in the European Union lays an obligation of considerable transparency of the rules and size of public assistance for sectors and companies, which influences their competitive position. This will be a different situation from the present one, where it is difficult to define precisely the scope and character of public assistance for branches of economy and enterprises.<sup>19</sup>

There will be also changes in the level of protection of the respective branches of economy by the effective tariff protection (taxes, tax exemptions, import tax up to 1996). Increased competition from EU enterprises will have to be faced by branches under a relatively higher present level of protection, e.g. agriculture – animal production (55,1%), food industry – plant products (32,44%), clothing industry (19,03%), food industry – animal products (16,52%), transport industry (10,36%), leather industry (8,81%).<sup>20</sup>

Opportunities and threats for Polish enterprises are connected with the elimination of barriers for free movement of goods, services, work and capital between Poland and the European Union. According to the statements of the White Paper on the Single Market – apart from the so called four freedoms, the Single European Market legislation comprises also: the freedom of establishment and the free movement of payments – as a complement to the free movement of capital.<sup>21</sup>

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<sup>17</sup> In 1997 about 70% of legislative norms pertaining to the internal market had been completely transposed to the national legislation. In order to improve the situation an Action Plan for the Single Market was adopted at the Amsterdam summit (June 1997). See: E.Synowiec, *Jednolity rynek wewnętrzny we Wspólnotach Europejskich (Single Internal Market in the European Communities)*, in: K.Gawlikowska-Hueckel, *Polska – Unia Europejska, Problemy prawne i ekonomiczne (Poland – European Union, Legal and Economic Problems)*, Fundacja Rozwoju UG (Foundation for Development Gdańsk University), Gdańsk – Sopot, 1998.

<sup>18</sup> The creation of the Single European Market did not have a significant impact on the costs of market protection from the competition of import from third countries, the costs are still about: 10-15% of added value in agriculture. See: *Europe's burden, The Economist*, May 22, 1999.

<sup>19</sup> See: A.Fornalczyk (ed), *Pomoc publiczna dla przedsiębiorstw w Unii Europejskiej i w Polsce (Public Assistance for Enterprises in the European Union and in Poland)*, UKIE (Office of the Committee for European Integration), Warsaw 1998.

<sup>20</sup> See: K.Marczewski, *Efektywna protekcja celna w latach 1997-1998 (Effective Tariff Protection)*, in: *Zagraniczna polityka gospodarcza Polski w latach 1997-1998 (Poland's Economic Foreign Policy in 1997-1998)*, IKiCHZ Publishing, Warsaw 1998.

<sup>21</sup> See: *White Paper, Completing the Internal Market*, European Commission, COM (85) 310 final, 14. 06. 1985 Brussels. It is worth noticing that the White Paper on the Single European Market for candidate countries focuses mainly on legislation pertaining to the free movement of goods. The free movement of persons, which is often a prerequisite for securing the freedom to

Poland's accession to the Single European Market will require the elimination of three kinds of barriers:

1. administrative barriers (elimination of passport control among the countries of the Schengen group, customs clearance in the so called clearance offices beyond border crossing points, veterinary and phytosanitary controls in places of loading and destination, community transit procedure, exemption from filling in the Single Administrative Document (SAD),<sup>22</sup> which is in force only in trade with third countries,
2. technical barriers (national standards and technical norms; "new approach" regulations,<sup>23</sup> public procurement market, monopolistic practices),
3. fiscal barriers (differentiation of the VAT rate and the excise duty).

The elimination of the aforementioned barriers and complete adaptation of the *acquis* entail numerous threats and costs for Polish enterprises:

#### ***Technical norms and standards***

On the basis of the Council's decision on May 1995 a so-called new approach to solving the standardisation problems was applied. It was accepted that the directives constitute the main legislative act of harmonisation, as they define basic requirements only regarding safety, health, and environment protection. New approach directives are in force i.e. they have to be transposed to the national legislative systems of the member states. The obligation to prove that the product fulfils the basic requirements rests upon the producer.<sup>24</sup>

The EU conformity assessment procedures and quality systems comprise two subsystems: an obligatory and a voluntary one.<sup>25</sup> Products meeting the demands are recognised by a CE marking.

The European system of voluntary certification is based upon norms of the EN series – regulating the rules of procedure of the certifying bodies, the research laboratories and their accreditation, as well as upon the norms of the EN

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provide services is still treated by the Union and its member states during accession negotiations as a task to be completed in a long-term perspective.

<sup>22</sup> See: *The elimination of frontier controls*, Internal Market 1994, nr 2.

<sup>23</sup> Article 74 of the Europe Agreement stipulates: "Cooperation shall aim in particular to reduce differences in standardization and conformity assessment, ... [it] shall seek to encourage Poland's participation in the work of specialized organizations (CEN, Cenelec, ETSI, EOTS).

<sup>24</sup> See: L. Wasilewski, *Europejski kontekst zarządzania jakością (European Context of Quality Management)*, Orgmasz Publishing, Warsaw 1998

<sup>25</sup> The aim of the obligatory system is to guarantee that only products meeting the health, safety and environmental requirements are entered into circulation. With the lack of European standards only the rule of mutual recognition is applicable in compliance with the judgement of the European Court of Justice in the *Cassis de Dijon* case. There is a growing significance of the Environment Quality Standards (EQS).

ISO 9000 series describing the rules of procedure for the quality systems.<sup>26</sup> The easiest conformity assessment of the product with the standard can be carried out by the manufacturer, which is the most popular certification system in a market economy.

Poland does not have regulations that entitle it to affix a CE marking, which is an acknowledgement that the product has been manufactured in compliance with the procedures. Polish enterprises that want their products to be recognised by a CE marking can obtain it only after their goods undergo tests conducted by a body designated by the European Union or a domestic laboratory accredited to such a body. These procedures are time-consuming and expensive.<sup>27</sup>

According to the opinion of the European Commission included in its reports on the candidate countries, the Polish timetable for the adaptation process enumerates only some of the new approach directives. There are delays in substituting the trade norms with the voluntary norms. The level of harmonisation of the Polish norms with the European and international ones is not high and amounts to 25%.<sup>28</sup>

In the European Union the biggest problems in the mutual recognition of standards occur in sectors, in which the European standards were not introduced. A key problem is gaining the trust of the importers' partners and convincing them that the products meet the requirements of health protection and environment, that they underwent extensive testing and are equipped with reliable certificates.<sup>29</sup>

### ***Environment protection norms***

The adaptations to the *acquis communautaire* require changes both in the legal regulations and in the pro-ecological investments. The total costs of adaptations are estimated to be €30-35 billion in 10-13 years (estimations of the

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<sup>26</sup> Poland's EU accession will require an institutional change, the Polish Centre for Testing and Certification will appoint the Polish Centre for Accreditation, which will be the only body with accreditation rights towards all the certifying bodies within the framework of the so called voluntary area. Poland has to adopt 21 new approach directives, the list of which will certainly be expanded in the moment of accession.

<sup>27</sup> See: E.Kawecka-Wyrzykowska, *Polska w drodze do Unii Europejskiej (Poland on the Road to the European Union)*, PWE Publishing, 1999, p.241. Poland created its own system of marking and quality assurance with regard to safety, the "B" mark is affixed by laboratories accredited to the Polish Centre for Testing and Certification, the European Union recognised the obligatory system of obtaining a "B" certificate by the importers as an obstacle to trade exchange.

<sup>28</sup> In Poland the Polish Chamber of Commerce provides the enterprises with information on the obligatory requirements for the products. See: *Obawy i nadzieje przedsiębiorców (Manufacturers' Fears and Hopes)*, Nowe Życie Gospodarcze (New Economic Life), 28<sup>th</sup> May 2000.

<sup>29</sup> The problem of such potential barriers to export in some areas is pointed out in the *Panorama of EU Industry*, Brussels, 1997.

World Bank). Currently Poland invests circa 9.5 billion zlotys annually, the majority of this sum comes from the companies' own assets. The improvement in the state of environment protection in Poland can be currently ascribed to the expenses of big enterprises. The huge extent of indispensable expenses requires both a definition of the sequence of their implementation as well as applying for transition periods in accession negotiations.<sup>30</sup> Expenses on pro-ecological investments will constitute an important cost element in the adaptation process of enterprises, this will be a particularly heavy burden for small and medium-sized enterprises.

#### ***Adaptations of the Polish tax system***

Changes of the tax rates, the tax collection system, transfer of assets require adaptations, introduction of new software, and a quality change in reporting. These adaptations are more difficult for small and medium-sized enterprises.<sup>31</sup>

#### ***Adaptations to the euro introduction***

When the euro is introduced as an invoicing and payment currency by EU enterprises, Polish companies connected with the EU, involved in subdelivery, franchising, or being branches of international companies, will have to adapt their accounting and payment systems to the euro. This will actually take place before Poland's accession to the Economic and Monetary Union.<sup>32</sup>

#### ***Liberalisation of the public procurement market***

Increased competition for Polish enterprises as a result of unconditional access of EU companies to tenders in Poland. This could limit the market share of Polish enterprises. This problem is still very complex in the European Union

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<sup>30</sup> See: *Stanowiska Polski w sprawach negocjacji... (Poland's Position Papers for the Accession Negotiations)*, op cit., *Środowisko (Environment)*, pp.309-353. It is worth noticing that the European Union pays considerable attention to the so-called product norms, guaranteeing safety of the final product for the consumer. In case of the so-called process norms (quality of water, air, sewage works) this pressure is smaller.

See also: J.Kąkol, *Polityka Unii Europejskiej w zakresie ochrony środowiska – dostosowania Polski (The Environmental Policy of the European Union – Poland's Adaptations)*, in: U.Płowiec (ed), *Polski i Unia Europejska. Stan obecny i wyzwania na przyszłość (Poland and the European Union. Present State and Future Challenges)*, Warsaw 2000.

<sup>31</sup> See: A.Dębiec (ed), *Prawo podatkowe – opracowanie analityczne (Tax Law – an Analytical Approach)*, UKIE (Office of the Committee for European Integration), Warsaw 1998.

<sup>32</sup> See on this subject: P.Żukowski, *Euro 1999. Wspólny pieniądź europejski (Euro 1999. Common European Currency)*, Warsaw 1999.

itself, where, after the introduction of the Single European Market, the domestic enterprises still dominate on the public procurement markets.<sup>33</sup>

***Transparency of rules of public assistance and limiting its scope***

It could have a considerable impact on branches and development perspectives of many enterprises, particularly during structural adjustments and changes in ownership.

***Liberalisation of the service market***

The adaptation costs could be high as a result of a relatively lower level of services development in Poland, as well as the protection of the service sector up to the present times and the necessity to face competition on the EU internal market. Adaptations to social regulations, rules for establishment of enterprises (branches), technical norms and standards as well as environment protection could lead to the reduction of the comparative advantage or losing it altogether in areas, where it currently exists (e.g. transport).<sup>34</sup>

***Increasing competition within the Single European Market***

Complete turnover liberalisation and the requirement for full implementation of the *acquis* on the membership stage will lead to toughening the competition conditions on the goods and services market. At present the added value of export from Poland is circa 8% GDP. EU accession will mean that high requirements regarding quality, prices, on-time deliveries and the level of post-sale services, which had to be met by exporters so far, will concern the producers of the remaining 92% of GDP.<sup>35</sup> In the macroeconomic scale in the medium-term perspective it could lead to deepening of the current account deficit. In the microeconomic perspective it could lead to bankruptcies of

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<sup>33</sup> It is estimated that within the framework of the Single European Market in the end of the nineties only 2% of supplies within the framework of public procurement comes from foreign suppliers. Information on tenders can be found on the internet – TED – *Tenders Electronic Daily*.

<sup>34</sup> Foreign transport companies are currently liable to pay a road tax in Poland (5000 zlotys annually or 40 zlotys for every ride of a lorry weighing over 12 tons). After EU accession, according to the non-discrimination rule, domestic companies would also have to pay that tax. See: J.Kundera, E.Ostrowska, *Wymiana towarów i inwestycji między Polską a krajami Unii Europejskiej (Exchange of Goods and Investments between Poland and the European Union Countries)*, Uniwersytet Wrocławski (Wrocław University), Wrocław 1998.

<sup>35</sup> See: J.Świerkocki, *Czy polska gospodarka sprosta konkurencji rynku wewnętrznego Unii Europejskiej? (Is the Polish Economy Capable of Facing the Competition of the Internal Market of the European Union?)* in: *Warunki uczestnictwa Polski w Unii Europejskiej (Requirements for Polish Accession to the European Union)*, Łódzkie Towarzystwo Naukowe (Łódź Scientific Society), Łódź 1999, pp.210-222.

enterprises due to lack of investments and insufficient capability to secure for an enterprises/trade an adequate competitive position and a place on the EU internal market.<sup>36</sup>

The need for investments in new technologies is indicated by data describing the decapitalisation rate of fixed assets. The amortization quota of industrial machines and appliances in 1996 was 67,3%. In the beginning of the nineties around 20% of machines and appliances had been produced before 1970, and 60% in the seventies. According to the same research the average period of rotation of machines and appliances in the whole Polish economy was 11.4 years, and for industry it was 12.9 years. In EU member states the exchange period is twice as short and it amounts to 6.5 years.<sup>37</sup>

The technological gap could be measured by the indicators of the share of advanced technology products in the national export and import. For Poland these data in 1996 were 8,2% import (4,0% in 1990) and 2,6% export (3,4% in 1990). For comparison these data (1996) for the Union are 10% share in export and import, for Japan 9,6% import and 12,8% export, and for the United States 12,2% import and 16,7% export.

The aforementioned situation can be changed by increased R&D financing, both from the central budget and from enterprises.<sup>38</sup> Due to the difficult budgetary situation, these expenses are not viewed as a priority. On the other hand, enterprises have a limited expenditure, and the major problem lies both in the lack of capital, and the consciousness of the need for imperative changes in small and medium-sized enterprises.

The next table, being the result of an analysis of the situation of Polish enterprises in 1994-1996 supports this argument. The difficulties faced by enterprises are a result of both the macroeconomic situation in the enterprise environment (availability and price of credit, demand level), and the lack of basis for development in enterprises, insufficient access to information on new technologies, lack of possibility of co-operation with other enterprises, insufficient information on legislation. This void is particularly painful for small

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<sup>36</sup> J. Kundera's research indicate – on the basis of the Gubel-Lloyd index – a relatively low level of index of intraindustry specialisation, situating Poland on the level of Portugal and Greece in the exchange of manufactured goods. According to the author the chemical industry belongs to the areas deeply endangered on the Single European Market. See: J. Kundera... op cit. pp.78-79.

<sup>37</sup> See: J.Kotowicz-Jawor, *Determinanty wewnętrzne dynamiki i struktury handlu zagranicznego (Internal Determiners of the Dynamics and Structure of Foreign Trade)*, Ekonomista (The Economist) no 1-2/ 99, Warsaw 1999.

<sup>38</sup> The limited role and development of the R&D sector in Poland is a result both of the low financing level, and of the changes in the initial transformation period, which resulted in closing down many R&D centres and scientists' emigration. The entrance of the foreign capital meant in most cases that the new owners made use of the services of their own (foreign) R&D centres.

and medium-sized enterprises.<sup>39</sup> All these factors have an impact on the companies' innovative capability.

**Table 4. Barriers in introducing innovations acknowledged by enterprises as fundamental – in accordance with the size of enterprises**

Specification	Lack of financial means	Too high interest on credit	High level of sales uncertainty	Lack of development basis	Lack of information technologies	Lack of market needs recognition	Lack of possibility of co-operation with other institutions	Legal acts, norms, regulations
	percentage of surveyed enterprises							
<b>GENERAL</b>	56	56	36	36	13	14	11	14
public sector	65	60	33	36	10	13	9	11
private sector	51	54	37	36	14	15	12	16
<b>Small enterprises</b>	60	56	39	39	13	11	13	18
public sector	61	54	24	40	7	6	10	15
private sector	60	57	44	39	15	13	14	19
<b>Medium enterprises</b>	56	56	36	38	13	15	12	14
public sector	67	59	33	39	10	14	9	10
private sector	51	55	37	37	14	13	13	15
<b>Big enterprises</b>	54	58	35	28	10	13	7	12
Public sector	61	62	35	31	10	13	8	12
Private sector	37	47	33	21	11	14	6	13

<sup>39</sup> See: G.Niedbalska, W.Wiszniewski, *Działalność innowacyjna przedsiębiorstw przemysłowych w latach 1994-1996* (Innovative Activities of Industrial Enterprises in 1994-1996. Statistical Studies and Analyses), GUS (Central Statistical Office), Warsaw 1998.

This phenomenon is also described by: P.G.Dickinson, *Transforming economies of Eastern Europe: an evolution of the role and contribution of the small scale private sector (with specific reference to Poland)*, w: *European Business Review*, Vol.12, N° 2, 2000, pp.84-92.

Large enterprises	55	55	24	18	5	11	3	7
Public sector	59	59	26	19	4	10	3	8
private sector	42	42	19	16	6	13	0	3

Source: G.Niedbalska, W.Wiszniewski: *Działalność innowacyjna przedsiębiorstw przemysłowych w latach 1994-1996. Studia i Analizy Statystyczne (Innovative Activities of Industrial Enterprises in 1994-1996. Statistical Studies and Analyses)*, GUS (Central Statistical Office), Warsaw 1998.

### ***Protection of intellectual property and industrial property***

After Poland's accession, the EU law on the protection of intellectual and industrial property will be completely incorporated into the Polish legislation.<sup>40</sup> To avoid sanctions enterprises will be obliged to observe that law and act in accordance with it.

The protection of author's copyright and generally the intellectual property in the European Union is based on international conventions signed on Paris, Munich and Berne. The trademark protection is possible on the Community level due to the creation of the European Trademark Office in Alicante, Spain in 1996. The protection of property law is based on the Council's directive from 1993 and on directives concerning:

- copyrights of the authors of computer programs (1993),
- rental right and lending right and certain rights related to copyright (1994),
- satellite broadcasting and cable retransmissions (1995),
- restrictions on trade with counterfeited and pirate goods (1994)<sup>41</sup>

<sup>40</sup> Poland is obliged to introduce to its legislation the solutions being in force in the European Union, resulting from the TRIPs and WIPO. TRIPs stands for Trade Related Aspects of Intellectual Property Rights. Poland is a signatory of conventions signed under the auspices of WIPO (World Intellectual Property Organisation), the WIPO conventions are harmonised with TRIPs regulations. In Poland the 1994 law on author's copyright and related rights in force, which is compatible with Community legislation. See: *Analiza ekonomiczna i prawna „Road Maps” Komisji Europejskiej w odniesieniu do Polski, Estonii, Słowenii, Węgier i Czech (Economic and Legal Analysis. The Commission's Road Maps for Poland, Estonia, Slovenia, Hungary and the Czech Republic)*, Kolegium Europejskie Natolin (College of Europe Natolin), Warsaw 1999.

<sup>41</sup> See: J.Barta, R.Markiewicz, *Prawo autorskie (Author's Rights)*, UKIE (Office of the Committee for European Integration), Warsaw 1998. See also: J.Nowaczek, *Zasady rynku*

The industrial property law comprises the patent law, the trademark law, protection of industrial designs and protection of the topography of integrated circuits.<sup>42</sup>

### **Consumer protection**

Consumer protection under the European legislation is much more extensive than under the Polish one. The incorporation of the *acquis* in this area entails a much bigger responsibility of enterprises than at present. Protection covers:

- the economic interests of consumers in credit relations,
- protection of consumers' safety and health,
- responsibility by virtue of warranty and guarantee in sales agreements,
- responsibility of enterprises providing services,
- selling by mail order,
- protection of consumers' safety in computer networks.

Consumers' protection embraces also questions connected with the comparative advertisement and the misleading advertisement.<sup>43</sup>

The aforementioned regulations entail costs for enterprises connected with exercising author's copyrights, trademarks, patents, and designs. However, they simultaneously create opportunities, e.g. covering with patent protection all new solutions in all signatory countries of the Munich Convention.

It could be interesting to compare the potential costs and threats presented above that stem from the future accession of Polish enterprises to the Single European Market with the opinions of present members of this market on the costs and problems of the deepened integration.

### **Table 5. Costs and problems connected with the Single European Market introduction in the opinion of the entrepreneurs in the European**

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*wewnętrznego (Rules of the Internal Market)*, in: K.Gawlikowska-Hueckel, *Polska – Unia (Poland – Union)*, op. cit., p.75-83.

<sup>42</sup> Patent law is regulated by: the Munich Convention on the Grant of European Patents (1973), Community Patent Convention (so called Luxembourg Convention (1971) and Luxembourg Agreement (1989)). Obtaining a European patent gives protection in accordance with the internal law of a given country. The rules on protection of industrial design are included in the agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) and the Paris Convention for the Protection of Industrial Property. See: *Analiza ekonomiczna i prawna... (Economic and Legal Analysis...)* op. cit., pp 42-44. The EU directive on the protection of models and patterns, currently under preparation, foresees a possibility of registration in the Models and Patterns Office in Spain for a period of 5 or 25 years.

<sup>43</sup> For more information on this subject see: E.Traple, M.du Vall, *Ochrona konsumenta (Consumer Protection)*, UKIE (Office of the Committee for European Integration), Warsaw 1998.

**Union**

	Exporters	Non-exporting enterprises	Average
Increased competition	35%	25%	27%
Bigger number of legal regulations	25%	15%	17%
Cost of euro introduction	8%	7%	7%
Increase of production costs	8%	6%	6%
No ill effects	40%	55%	52%
No opinion	2%	4%	4%

Source: *The European Observatory for SMES, Sixth report*, European Commission, Brussels 2000, p.365.

Opinions from table 5 indicate that the adaptation costs to the Single European Market have a stronger impact on the parameters of economic calculation of exporting enterprises. However, simultaneously most adaptations concern companies acting on a local scale – because of a European dimension of undertakings connected with the introduction of the EU internal market. This supports the earlier argument, that the lack of export does not protect a company from necessary adaptations, costs and increased competition. A high percentage of respondents declares that no ill effects occurred, which gives evidence of earlier adaptations in the process of building the company strategy.

The presentation of opportunities and benefits for Polish companies connected with EU accession and the participation of Polish enterprises in the Single European Market will be preceded by an analysis describing the benefits from the presence on the Single European Market in the opinion of EU entrepreneurs.

**Table 6. Benefits from participation in the Single European Market for EU enterprises**

	Exporting enterprises	Non-exporting enterprises	Average
Bigger sales market	40%	13%	17%
Simplified international co-operation	28%	12%	14%
Euro introduction	26%	11%	13%
Bigger supply market	19%	12%	13%
Lower transaction costs	23%	8%	10%

Bigger labour market	10%	5%	5%
Lower transport costs	12%	4%	5%
Lower production costs	7%	4%	4%
No benefits	25%	62%	56%
No opinion	1%	3%	3%

Source: *The European Observatory... op. cit.*, p.365.

Benefits from the introduction of the Single European Market in the European Union were also analysed from the point of view of sales dynamics (including export) in respective areas of manufacturing, which is illustrated by the compilation below.

**Table 7. Opinions on benefits from the Single European Market in 1997-1998**

Categories of enterprises from the point of view of growth of sales dynamics	Opinion on benefits from the SEM (% of responses)		
	More benefits	No changes	More costs
Fast growth	51%	42%	7%
Growth	45%	49%	6%
Stable	32%	56%	12%
Decrease	26%	59%	15%
Fast decrease	32%	52%	16%

Source: *ENSR Enterprise Survey*, Brussels 1999.

It might be interesting to supplement the above tables with information on the development of international contacts.

**Table 8. Increase in the number of international contacts in the last 5 years, in accordance with the size of enterprises**

Size of enterprise	Share of enterprises, whose international contacts have increased
0 employees	19%
1-9 employees	29%
10-49 employees	41%
50-249 employees	57%
Average	25%

Source: *ENSR Enterprise Survey*, Brussels 1999.

The opinions of EU enterprises give basis for an isolating potential benefits for Polish companies in the target scenario and for defining the main groups of beneficiaries. This should be accompanied by an assumption that the relevant adaptation process should be completed earlier, which entails bearing the costs described in the part devoted to the conventions of EU accession analysed from the point of view of potential threats and costs.

### ***Bigger sales market***

This is an opportunity for exporters fulfilling the requirements of the *acquis communautaire*, mainly from medium and big enterprises, (which does not exclude the SMEs – particularly when assisted by community programmes). Companies from sectors, where demand is characterised by a considerable growth dynamics have a bigger chance for deriving benefits. Participation in the Single European Market of companies already representing a member state will increase their assets with an intrinsic value, namely the increased credibility of an enterprise being part of the common economic area.<sup>44</sup>

### ***Simplified international co-operation***

Entering as equal partners a market without frontiers, where the so called four freedoms were implemented, would simplify procedures and improve the competitive position of companies, who had built and implemented their development strategy beforehand having in mind the perspective of EU membership. The market without frontiers will enable enterprises to derive benefits described in the Cecchini Report, which are the effect of the abolition of all barriers to free movement of goods, services, law and capital. This will be essential for all enterprises, in particular for those, who have a comparative advantage that they cannot exploit in the conditions of limited access to the EU market, stipulated in the Europe Agreement on association. This could be important for services such as transport or construction and for the opportunity to open branches in the EU and engage employees there.<sup>45</sup> However, it should be taken into account, that in the conditions of increased competitiveness and

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<sup>44</sup> This could be a result, among others, of increased liability to the common institutions in accordance with the European legal system.

<sup>45</sup> It should be remembered that the comparative advantage of e.g. construction companies was mainly a result of lower labour costs in Poland. In order to prevent the so called social dumping a directive 96/71/UE was issued, which stipulates that an employee delegated from a member state shall have a guarantee of similar conditions of work and payment to those applied to employees – citizens of a given state. See: J.Wratny, *Co czeka przedsiębiorcę po przystąpieniu Polski do UE – Prawo Pracy (What Awaits the Employer after Poland's Accession to the European Union – Labour Law)*, Ministerstwo Gospodarki (Ministry of Economy), Warsaw, May 2000.

community regulations, companies having a comparative advantage could lose it – if it was only based on lower labour costs.

### **Lower costs**

Companies will gain access to the trans-European networks, which will enable them to develop their logistic system and to increase access to the EU market. Lowering the costs of transport will be also possible as a result of the elimination of frontiers and limiting lay time.<sup>46</sup> Polish carriers will gain access to cabotage road transport on the EU market.

### **Transfers from Structural Funds**

The financial transfers from the European Union will not be addressed directly to the enterprises, but through projects financed within the framework of the pre-accession programmes, and subsequently the membership programmes, they will trigger investments by Polish companies. For example, the environment protection, which is an important cost element of Poland's adaptations in the macro scale, simultaneously offers an opportunity for Polish enterprises, as a considerable part of expenditure will be focused here. An example in the pre-accession period could be the ISPA programme (Pre-accession instrument for structural policies), which finances projects on environment protection and road infrastructure.<sup>47</sup>

**Table 9. Estimated expenditure from the Structural Funds on enterprises in 1994-1999**

	Expenditure on one SME (euro)*	Percentage of expenditure on one SME	Total expenditure from structural funds on an enterprise (in euros)**
Austria	68	15,0%	3 018
Belgium	26	13,5%	1 434
Denmark	201	51,6%	752
Germany	491	44,5%	2 470
Greece	409	13,0%	24 178
Spain	377	17,3%	12 587

<sup>46</sup> Polish regulations on transport incorporated the EU norms on exhaust emission, noise, and environment. Actions have been currently taken for harmonisation of the Polish system of motor vehicles certification and adaptation to EU legislation.

See: J.Jastrzębska, *Wspólna polityka transportowa Unii Europejskiej – dostosowanie Polski (Common EU Transport Policy – Poland's Adaptations)*, in: U.Płowiec (ed.), *Polska i Unia Europejska (Poland and the European Union)*, Warsaw 2000.

<sup>47</sup> An example of undertakings financed from EU funds in Poland are presented in the: *Raport w sprawie korzyści i kosztów integracji Rzeczypospolitej Polskiej z Unią Europejską (Report on Benefits and Costs of Poland's Integration with the EU)*, Warsaw 26<sup>th</sup> July 2000.

France	235	24,4%	3 937
Finland	45	10,0%	4 502
Ireland	851	11,0%	69 943
Italy	231	21,2%	5 140
Luxembourg	131	30,5%	1 399
Netherlands	166	30,4%	1 794
Portugal	41	4,5%	20 454
Sweden	972	72,3%	1 854
Great Britain	242	34,2%	2 063
European Union	209	18,2%	6 311

\* average expenditure from the Structural Funds on SMEs/ one SME

\*\* total expenditure from the Structural Funds on an enterprise

Source: *European Commission, Thematic Evaluation of Structural Fund Impacts on SMEs, Synthesis Report, Version 4, Brussels, 1999.*

As a result of EU membership the funds will be considerably more accessible for enterprises in general, and particularly for SMEs. This is illustrated in the table 9.

The size of expenditure is a function of the level of economic development (the first aim of regional policy, when the income *per capita* is less than 75% of the EU average) and the number of enterprises included in programmes. This leads to a high differentiation of expenses. In Scandinavian countries – Sweden, Denmark, over 50% of expenditure is granted to SMEs, whereas in Portugal, Greece and Spain this proportion is much lower, which could be a result of a considerable concentration of funds on infrastructure investments.<sup>48</sup>

When Poland becomes member of the European Union Polish enterprises will be able to benefit from loans given by the European Investment Bank. In 1994-1998 the EIB's loans amounted to €105 million, from which 11% was aimed at adapting loans at very favourable conditions for the SMEs sector. The financing structure of enterprises by the EIB is presented in the table below.

**Table 10. EIB loans in 1994-1998**

Country	Number of SMEs receiving loans for every 100.000 SMEs	Average loan per one SME (in thousands of euro)	SMEs share in given loans	Size of EBI financing for one enterprise
Austria	204	863	23,4%	7 500
Belgium	283	470	27,0%	4 900
Denmark	468	208	5,8%	16 700
Germany	110	500	11,2%	4 900

<sup>48</sup> Information on regional programmes can be found on the website: [www.info regio.ccc.eu.int](http://www.info regio.ccc.eu.int)

Greece	17	1 396	4,3%	5 600
Spain	132	249	5,4%	6 100
France	1 344	71	15,6%	6 100
Finland	41	679	3,9%	7 000
Ireland	638	229	9,0%	16 000
Italy	128	795	18,3%	5 500
Luxembourg	27	750	1,0%	19 300
Netherlands	56	471	6,0%	4 400
Portugal	44	454	2,1%	9 400
Sweden	20	286	0,5%	9 500
Great Britain	133	264	9,4%	3 700
European Union	265	237	11,2%	5 600

Source: *European Commission, 41<sup>st</sup> annual report of the European Investment Bank*, Brussels 1999 and the website: [www.eib.org/loans/](http://www.eib.org/loans/).

Generally it is estimated that for many years transfers from structural funds for Poland will considerably surpass payments made by Poland. It is estimated – depending on the outcome of negotiations and the capability to absorb funds, including the capability of co-financing from the budget – that payments for Poland during the first five years of membership will be from 1.5 to 4 times higher than the Polish contribution to the EU budget.<sup>49</sup>

### *Policy towards small and medium enterprises*

In the European Union the SMEs (independent enterprises – which are not a department or a branch, employing up to 249 people) receive special treatment.

**Table 11. Structure of enterprise size by country, 1998**

Country	No of enterprises in thousands	Average employment	Dominating type of enterprise*	Relative SME productivity**
Austria	285	11	SME	89
Belgium	530	5	BE	132
Denmark	150	8	SME	86
Finland	210	5	BE	71
France	2 325	7	SME (micro)	66
Germany	3 515	8	BE	98
Greece	620	3	micro	79

<sup>49</sup> See: Raport w sprawie korzyści i kosztów integracji... (Report on Benefits and Costs...) op.cit., p.12. See also the report: Rozszerzenie UE na Wschód. Konsekwencje dla dobrobytu i zatrudnienia w Europie (*Enlargement of the European Union to the East. Consequences for Prosperity and Employment in Europe*), Kancelaria Prezesa Rady Ministrów (Chancellery of the Prime Minister), Warsaw, September 2000.

Ireland	85	10	BE	70
Italy	3 940	4	micro	81
Luxembourg	15	13	SME	97
Netherlands	450	12	BE	93
Portugal	690	4	SME	75
Spain	2 510	5	micro	67
Sweden	385	7	BE	82
Great Britain	3 660	5	BE	74
Average EU	19 370	6	BE	75

\* dominating type of enterprises defined by the type of enterprises creating most jobs (micro up to 5 employees, BE – big enterprises over 250 employees)

\*\* SME productivity (average) as a percentage of average productivity per country

Source: *The European Observatory for SMEs, op. cit.*, p.48.

This is due to their capability to adapt flexibly to the changing demands in the market, their capability to create jobs and a dominating share in employment in EU countries. Simultaneously the SMEs do not have – in comparison with big enterprises – enough resources (financial and human capital) to compete effectively on the Single European Market. The importance of SMEs for the economies of respective member states is proved in the table below.

In order to compensate for those differences the European Union developed a policy towards SMEs under the auspices of the European Commission Directorate-General XXIII. This policy is implemented by means of numerous programmes, where the following instruments are utilised:<sup>50</sup>

1. subsidies – 56% of SME assistance,
2. capital investment subsidies – 23% of SME assistance,
3. preferential credits – 13% of SME assistance,
4. other tax subsidies, deferment of tax payments, warranties and credit guarantees.

The most important programmes, supporting SMEs development in 1994-1999 and the level of financing within their framework are shown in the table below.<sup>51</sup>

**Table 12. EU assistance programmes for SMEs**

<sup>50</sup> See: O.Lissowski, *Instrumenty finansowe wspierania małych i średnich przedsiębiorstw w Unii Europejskiej i w Polsce (Financial Instruments for Supporting Small and Medium-sized Enterprises in the European Union and in Poland)*, Poznań 1998.

<sup>51</sup> Apart from programmes addressed to SMEs companies can receive assistance from the Structural Funds, it is estimated that on average in the European Union SMEs receive 15% to 20% of the Structural Funds (see table 9 page 22). Apart from funds from community programmes SMEs receive assistance within the framework of national programmes.

Name of programme	Period	Budget in millions of euro
Multiannual programme for SMEs	1996 – 1999	180
SME Initiative	1994 – 1999	1 000
ADAPT Initiative*	1994 – 1999	1 400
4 <sup>th</sup> RTD Framework Programme**	1995 – 1999	12 300

\* the ADAPT initiative focused on training programmes

\*\* the 4<sup>th</sup> Framework Programme focused on research and innovation

SMEs' co-operation is promoted in the European Union through numerous initiatives such as BC-Net, BRE, Euro-info, information on tenders TED – Tenders Electronic Daily, fairs for co-operation and establishing contacts between the SMEs – Europarteneriat. Technological parks, incubators, investment risk funds (venture capital, start-up capital, seed capital) are created to support technological development.

The EU gives the SMEs numerous derogations from the application of rules of the competition law, e.g. the European Economic Interest Grouping, which foster co-operation between enterprises, universities, laboratories with the aim to promote common interests by means of simplified procedures.

The policy towards SMEs in Poland is considerably less advanced than in the European Union, nevertheless the membership perspective requires the raise of standards. Poland has the right to benefit from funds of the EU budget within the framework of the 2<sup>nd</sup> Multiannual Programme for Small and Medium Enterprises and the 5<sup>th</sup> RTD Framework Programme. Within the framework of programmes financed by PHARE 2000 circa €130 million was allocated for SMEs programmes. The Ministry of Economy, in accordance with prepared documents wants to fulfil aims such as: facilitating entrepreneurs' access to knowledge on company management, creating consultative networks, facilitating entrepreneurs' access to external sources of financing, acquiring information on the EU – its legal regulations, norms, standards, implementing quality systems, and promotion of SMEs on external markets.<sup>52</sup>

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<sup>52</sup> The Ministry of Economy plans to allocate 31 million zlotys on promotion of the SMEs on the external markets, 20 million on undertakings supporting SMEs, consulting costs for SMEs will receive a 60% refund from the Ministry of Economy (budget 14.5 million zlotys).

The mentioned documents are: „Kierunki działań rządu wobec małych i średnich przedsiębiorstw do 2002 roku” („Directions of the Government's Actions Regarding Small and Medium-sized Enterprises up to 2000”) – a government document adopted by the Council of Ministers on 11<sup>th</sup> May 1999; *Programy i fundusze wspierające rozwój małych i średnich przedsiębiorstw (Programmes and Funds Supporting the Development of Small and Medium-sized Enterprises)*, Warsaw May 2000.

Apart from financial means a policy compatible with EU requirements needs legal adaptations.<sup>53</sup> Supporting SMEs is an exception from the general rule prohibiting public assistance in the EU.<sup>54</sup> In the European Union the level of assistance for a small or medium enterprise cannot exceed €100 000 in three consecutive years, it should also fit into adequate proportions of costs being financed from other sources. It should neither exceed 15% of investment costs, nor be higher than 115% of the level of support allocated for a given region. Precise regulations are a *sine qua non* condition for increased inflow of EU funds to the SMEs sector.

***Building the competitiveness potential of Polish enterprises on the Single European Market***

The consequences of EU membership presented above, which create opportunities and threats in the macroeconomic scale, require suitable adaptations in the microeconomic scale – on the enterprise level.

The creation of a competitiveness potential by enterprises has to be a continuous process, which takes into account changes in the surrounding market. Due to limited resources, companies should concentrate their means on key problems, resulting from the strategy for company development. The actions of the state should support competitiveness but they should not distort its character. According to theorists, adaptations of companies on the road of building the optimum competitiveness potential should strive for an ideal pattern, the description of which is presented below.

**Table 13. Description of resources constituting the ideal competitiveness potential of an enterprise**

Sphere	Description of resources
Information	Reliable forecasts of the situation on the market and the directions of its development, precise definition of the actual and future consumers' needs, foreseeing their behaviour, extensive knowledge of the economic potential and strategy of the competition.
R&D	Possession of one's own R&D units supported by co-operation with academic institutions, latest generation equipment, employees with profound knowledge,

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<sup>53</sup> See: G.Druesne, *Prawo materialne i polityki Wspólnot Europejskich i Unii Europejskiej (Material Law of the European Communities and the European Union)*, Fundacja Promocji i Prawa Europejskiego, Wyd. Naukowe Scholar (Foundation for Promotion and European Law, Scholar Scientific Publishers), Warsaw 1996.

<sup>54</sup> Poland is currently preparing a bill “*On the Conditions of Acceptance and Supervising Public Assistance*” („*O warunkach dopuszczalności i nadzorowaniu pomocy publicznej*”), which comprises not only subsidies, but also, similarly to the European Union, such forms of assistance as relinquishment of tax collection or suspension of payments for social insurance. The method of providing public assistance will be supervised by the Office for Competition and Consumer Protection.

	experience and creativity, considerable financial resources allocated for this purpose.
<b>Production</b>	Application of most advanced technologies by utilising high quality machines and equipment, modern computer system supporting the technological preparation of production and production management, highly professional technical staff, prepared for implementing modern systems of production management.
<b>Quality management</b>	Full devotion of the management and the other employees to the realisation of quality guarantee programmes, enterprise in the possession of quality certificates, application of a total quality management system TQM, application of quality guarantee systems and procedures.
<b>Logistics</b>	Optimisation of deliveries, e.g. through the adoption of a just-in-time method or the economical lot, continuous and stable access to resources (raw materials), convenient location in relation to the resources, high quality of staff.
<b>Distribution</b>	Possession of an efficient distribution network at optimum density, covering the whole market, highest quality of staff dealing with distribution and sales, ability to influence distribution channels.
<b>Marketing</b>	Staff of high quality, highest possible financial expenditure, thorough knowledge and an ability to compose marketing-mix instruments, marketing of high standing in the enterprise.
<b>Finance</b>	Low level of total costs, high financial potential, full access to external sources of financing, full utilisation of instruments for managing accounting, highest quality of financing staff, computerisation.
<b>Organisation and management</b>	Managerial staff of highest quality, possession and implementation of operational and strategic plans, motivation system establishing working conditions which promote a good job, management decentralisation, flexibility in taking decisions, simple and clear organisation structure as well as efficient internal communication systems, appropriate organisation form.
<b>Employment</b>	Loyalty of employees, suitable level of education, clear, consciously and consequently implemented human resources policy, employees' propensity to changes and innovation, willingness to raise qualifications and belief in the market success of the organisation.
<b>Invisible resources</b>	Enterprise of high standing, enterprise organisation culture and it being noticed by external partners, ability to establish and possess a lobby favouring the company, ability to foresee the conduct of competitive companies, utilisation of the existing business contacts to expand market shares.

Source: M.J.Stankiewicz, *Budowanie potencjału konkurencyjności przedsiębiorstw: stan i kierunki rozwoju potencjału konkurencyjności polskich przedsiębiorstw w kontekście dostosowań gospodarki do wymagań Unii Europejskiej (Building the Competitiveness Potential of Enterprises: Condition and Directions for Development of the Competitiveness Potential of Polish Enterprises in the Context of Adapting the Economy to the Requirements of the European Union)*. Toruń, TNOIK Publishing, 1999, p.216.

An optimum configuration of the company's resources creates a competitiveness potential. Its utilisation on a competitive market requires an application of appropriate competition instruments.

The results of research are presented below, conducted among Polish companies, its aim was to assess the set of instruments for competition in the scale from -2 to +2.<sup>55</sup>

The above table gives an optimistic picture. It gives evidence both of the good opinion of Polish enterprises' managers on the competition instruments they apply and of their general wellbeing. For 18 instruments enumerated in the survey, 12 were rated as better – more efficient than those of the competitors, one was equally good, some weaknesses were recognised in case of five instruments.

**Table 14. Distance between the instruments for competition applied by Polish enterprises and their main competitors**

No	Instruments for competition	Average
1	Quality of products	0,707
2	Distinctiveness of offered products	0,418
3	Brand of the product	0,400
4	Company image	0,380
5	Flexibility in adapting products to customers' needs	0,333
6	Range of products	0,287
7	Prices of post-sale services	0,242
8	Providing potential clients with open access to products	0,237
9	Quality of post-sale services	0,232
10	Range of post-sale services	0,205
11	Conditions and period of guarantee	0,175
12	Price	0,129
13	Range of pre-sale services	0,000
14	More frequent introduction of new products into the market than the competitors	-0,043
15	Payment conditions	-0,089
16	Advertising	-0,161
17	Generating new needs unknown before (creating needs)	-0,174
18	Sales promotion	-0,202

Source: J.M.Stankiewicz... *op. cit.*

<sup>55</sup> The range <-2,0> signifies that the instrument for competition is weaker, worse than in the main competitors, 0 – the instrument acts similarly to the competitors, the range <0,2> signifies that the instrument is better than that of the competitors.

One should remember that the aforementioned picture is an effect of data aggregation. Going into the level of sectors or trade would have certainly changed it. It is not clear either, whether the surveyed companies were exporters or they only competed on the local market, there is no data on the companies' size. It seems that further research is necessary, which digs "deeper" into the problems and provides a more critical assessment of the situation in narrower areas.

### ***Lobbying***

Membership status will allow Polish enterprises to have an impact on the decision process connected with the Single European Market and the functioning of the European Union by means of pressure groups having their headquarters in Brussels, the number of which is now over 3000 (some estimations cite 5000).<sup>56</sup>

The representation covers groups of employers, particular fields of production, manufacturers (craftsmanship), professionals, towns, and regions. The interests of employers and entrepreneurs are represented by the Union of Industrial and Employers' Confederations of Europe (UNICE), which groups domestic employers' organisations and businessmen associations on the conditions that in their own respective countries they have the status of central organisations. UNICE's task is both to combine the development of EU countries with the development of European industry and to promote entrepreneurship. UNICE takes part in a social dialogue, the aim of which is to combine harmoniously the aspirations of employees with the requirements of participation in taking decisions in a company with the employers' competencies (a problem difficult to settle, as is testified by long-term works on the creation of the status of a European enterprise). UNICE takes part in a dialogue on the realization of the subsidiarity principle and the division of competencies among the community, national and regional levels.

The opportunity to participate in lobbying will create a qualitatively new situation for Polish enterprises, it will give a chance for participation as opposed with the situation of an enterprise from an associated country.<sup>57</sup> The functioning of lobbying enables participation in a bigger number of community projects, which will be increasingly important with the growth in the size of transfers from the structural funds of the European Union.<sup>58</sup>

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<sup>56</sup> See: J.Greenwood, *Representing interests in the European Union*, Macmillan Press, London 1997 oraz J.Richardson (ed.), *Lobbying in the EC*, Oxford University Press, Oxford 1998.

<sup>57</sup> Polish enterprises – with small exceptions comprising some regional representations – are in the position of the "big mute", who cannot influence the decisions.

<sup>58</sup> Ireland could be an example of effectiveness – discreet action – of lobbying and the size and method of utilisation of EU resources by this country.

The lists of sector pressure groups are included in the *Panorama of EU Industry (op. cit.)*, other ones are included in publications on lobbying and on the website: <http://europa.eu.int/business>.

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The above analysis indicates that membership in the European Union opens for Poland new ample opportunities. The adaptation period for membership will involve costs – both from the central budget and from private enterprises – which will allow all members of the organisation to meet the criteria. These costs could be viewed as investments, bringing effects in the medium and long perspective. The chance for membership is of unique character, it will give the opportunity to conduct activities on a single economic area, as well as to benefit from common resources in accordance with the spirit of European solidarity, and to participate in shaping the future of Europe in its economic, political and cultural dimensions.