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10 YEARS OF MEMBERSHIP IN THE EUROPEAN UNION – POLAND IN COMPARISON WITH THE VISEGRAD GROUP COUNTRIES

Abstract

The accession of the Visegrad Group (V4) countries into the European Union was a significant impulse for further changes in those countries; these changes had already been initiated at the beginning of the 1990s, whereas the first years of the membership allowed for the creation of relatively solid and stable foundations for their further development. This paper is an attempt to compare Poland’s change of economic situation and that of the other three V4 countries in the post-accession period and to define the most important factors which determine these economic situations. A hypothesis has been made that Poland is among those V4 countries where the effects of the membership have been most diversified. Because of the limitations of the size of the publication, the analysis has been based on the most important indicators characterising the economic situation of the examined countries in 2004-2014. The most important conclusions resulting from this analysis are presented in the conclusions of this paper.

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Introduction

Within the ten years since accession to the European Union, the new member states had both a number of successes and failures. The accession was an impulse for further
changes in those countries; these changes had already been initiated at the begin-
ning of the 1990s whereas the first years of the membership allowed for the creation of relatively solid and stable foundations for their further development. Recent years (after the world economic crisis in particular) show that apart from unquestionable successes, there have been also failures. The alleviation of these failures and their outcomes will require some further structural changes.

The four countries of the Visegrad Group (V4) in the initial stage of their transforma-
tion faced the necessity to solve almost identical problems. Yet, coming across the same obstacles, these countries undertook largely diversified methods in dealing with them. The opportunities to modernise the economy and speed up development, resulting from the accession to the European Union, were also used differently. It seems that a 10 year membership in the EU is long enough to make appropriate comparisons and to evaluate the effectiveness of the adopted solutions.

This article is an attempt to compare the changes in the economic situation in Poland and in the other V4 member states as well as the factors which determine these situations in the post-accession period. A hypothesis has been made that Poland is among those V4 countries, where the effects of the membership have been most diversified. The analysis refers to the most significant indicators characterising the economic situation in the studied countries in 2004-2014, such as: GDP growth rate, inflation, unemployment, public finances balance, the relationship between foreign trade turnover and GDP.

The dynamics of economic growth

After the painful process of economic transformation initiated at the beginning of the 1990s, the Visegrad Group countries constructed efficient market economies in a relatively fast way. The market was liberalised and opened up to world competition, companies were privatised and economic policy became stable and balanced. The core institutions of the capital market were created and the banking sector went through a process of thorough change, adapting it to the needs of the new, contemporary economies. Workforce productivity and international competitiveness increased and exports also grew significantly. Countries in this region were receiving a vast inflow of investments. All these processes were crowned with accession to the European Union and EU membership solidified and accelerated these changes (Molendowski, 2009, pp. 151-152).

These positive changes found their confirmation in data concerning the rate of GDP growth, which are the most comprehensive indicators of the economic situation of the examined countries. This is illustrated in Fig. 1.

The integration and the liberalisation of trade with EU countries resulted, among others, in a fast increase in exports to EU countries. This had a positive influence on growth rate of gross national income. As it can be seen from the data presented in Fig. 1, Poland, in the entire period from 2004 to 2014, had a significantly higher rate
of GDP growth than the average rate for the EU-15 countries. The relatively highest indicators were observed in 2006-2007 and 2010-2011 as well as in 2014. As for the remaining countries of the Visegrad group, these tendencies, however, were significantly diversified. During the first 2-3 years of membership in the EU, this rate in all the countries of the Visegrad Group was slightly higher than in Poland; yet in Hungary this was the case only in 2004-2005, in the Czech Republic in 2004-2006 whilst in Slovakia, this tendency persisted slightly longer – from 2004 till 2008. After that period these indicators were significantly higher for Poland.

![Graph showing GDP growth rates](image-url)

**Figure 1.** The GDP growth rate in V4 countries (in comparison with the EU-15) in 2004-2014 (the previous year = 100%)

Source: the author’s own work on the basis of Eurostat (2015a).

As a result, during the first five years of membership (2004-2008), Poland had one of the highest GDP growth rates in the V4 (in 2008 it was 29.2% higher than in 2003). Only in Slovakia was the GDP growth rate higher at that time (43.3%). In the Czech Republic, the growth rate was slightly lower than in Poland (27.6%). Hungary, in turn, was the country which experienced the lowest GDP growth in the V4 group (by 14.6%). To compare, in the EU-15 countries, this growth amounted to 16.2%. It is worthwhile to stress that the GDP growth in Hungary was also lower than the average growth in the group of the fifteen old EU member states (17.3%). This is illustrated in the data presented in Figure 2.
In 2009, when the GDP growth rate in the EU-15 and V4 states significantly dropped as a result of the world economic crisis, growth was still positive in Poland. As a result, in the period immediately following the crisis (2009-2014), Poland's GDP grew by 19.4%. The positive rate of GDP growth was also observed in Slovakia (7.5%). In fact GDP in Hungary and in the Czech Republic in the period directly after the crisis did not increase at all (its value was even slightly lower in 2014 than in 2008).

As a result, in the entire post-accession period (2004-2014) Poland could be characterised as having the highest GDP growth in the V4 group. Its level in 2014 was 54.2% higher than in 2003. Similar growth (54.1%) was observed in Slovakia. At that time the GDP growth in the Czech Republic was 27.4%. The situation was the worst in Hungary, where the GDP growth rate (14.0%) was not only lower than in other V4 countries, but also lower than the rate for the entire EU-15 (17.3%).

One of the most important tasks faced by the countries in transformation, in particular those within the Visegrad Group, was to decrease their lag behind the EU-15. The catching up process comprised many fields, including the GDP per capita level calculated according to purchasing power parity (PPP), as the absolute value, and also in relation to the mean value gained by those countries. As a result of the above described rate of Poland’s economic growth, which was faster than in the entire EU-15 and V-4 throughout the period following accession, the GDP per capita level in Poland was making ground on that of the EU-15. It is worthwhile stressing that Poland (and Slovakia) were the most successful countries in this respect.
As can be seen from the calculations made on the basis of the Eurostat data (Eurostat, 2015b), illustrated in Figure 3, in the first year of EU membership Poland had the lowest level of GDP per capita as per PPP in the entire V4 group (43.3% of the EU-15 average), occupying the last position on the list. In 2014 this level in Poland was 62.4% and 19.1 p.p. higher than in 2004. During that period, only Slovakia made better progress (increasing by 20.5 p.p.). The slowest progress was observed in the Czech Republic (7.5 p.p.) and Hungary (7.7 p.p.). It must be mentioned that in 2004 the GDP level per capita in Poland was only 10.9 thousand EUR; whilst in 2014 it reached the level of 18.6 thousand EUR (with the EU-15 mean value amounting to 25.4 and 29.8 EUR respectively).

![Figure 3. GDP per capita as per PPP in Poland in comparison with the V4 countries in 2004-2014 (EU-15=100)](source: the author's own work on the basis of Eurostat (2015b)).

It must also be stressed that since accession into the European Union, the Polish economic situation within the group has significantly improved. Poland's share in the aggregate GDP of all the countries currently belonging to the EU, calculated as per PPP, increased from 3.6% as of 2004 to 4.1% in 2007 and 5.1% in 2014. (Matkowski, Rapacki & Próchniak, 2015, p.19).

This success of Poland was the result of a positive and relatively high GDP growth rate throughout the entire analysed process (including also the years immediately following the world economic crisis). Slovakia’s success can be attributed to a relatively short period of GDP decrease during the crisis and membership in the Euro zone. The situation in the Czech Republic, in turn, was greatly influenced by a period of long recession and a high baseline level in 2004. (Gawlikowska-Huecel & Zielińska-
Glębocka, 2015, pp. 146-147). The Hungarian situation resulted from a relatively low GDP growth rate in 2006-2013 (hence, almost the entire period in question). This must be connected in particular with mistakes in the economic policy of consecutive groups in power (see more in Czekaj, 2014).

The situation of the public finance sector

The accession treaties imposed on the new member states an obligation to carry out the reform of public finances in accordance with the requirements of the Stability and Growth Pact and the excessive deficit procedure, as the guarantee of financial stability was regarded as a significant foundation of sustainable economic growth.

The key indicators used in the analysis of financial stability comprise the level of public debt and the budget deficit balance in relation to GDP. The incompatibility of public expenditure to generated income, existing since the beginning of the process of transformation in all of the analysed countries, was still present after the accession to the European Union. This must be considered an adverse phenomenon, as in the long run it poses a serious threat to the perspectives of stable economic growth (see more in Michalski, 2014, p. 51-67; Michalski, 2015, pp. 54-76).

The calculations made on the basis of the Eurostat data (Eurostat 2015c), the results of which are presented in Figure 3, suggest that Poland (apart from Hungary) belongs to those V4 countries which had the highest state budget deficit level over the entire studied period. In the case of Poland, the reference value (-3.0 % GDP) was exceeded each year with the exception for 2007 and in the case of Hungary – for 2012-2014. Yet in the entire period 2004-2014 the average annual state budget deficit in Hungary was 5.0%, whilst in Poland – 4.5%.

Given these criteria, the situation was the best in the Czech Republic and Slovakia, where the reference value was exceeded only 3 (the Czech Republic) and 2 times (Slovakia). It is worth adding that both countries were characterised by a deficit that was lower than 3.0% in 2004-2008. This level was exceeded only in 2009 after the onset of the world economic crisis.

It is also interesting to compare Poland’s situation with that of the remaining countries within the Visegrad Group. The Czech Republic, in all the years of the period in question (with the exception of 2012), had a public finances deficit lower than Poland; whereas Slovakia, for the majority of the studied period (except for 2009 and 2012) and Hungary, from 2004 till 2008, had deficits higher than Poland; however, since 2009, these deficits were lower than Poland’s. Thanks to the consolidation efforts undertaken by the governments of Hungary, the Czech Republic and Slovakia, in 2013 the level of public debt was lowered, so the excessive deficit procedure was withdrawn in relation to these countries. Only Poland, in 2013, did not meet the convergence criteria (Piotrowski, 2014, p. 36), therefore the excessive deficit procedure towards Poland was withdrawn as late as the first half of 2015.
Maintenance of the high negative deficit of public finance led to the indebtedness of the public finance sector in all V4 countries. This is illustrated by the data presented on Figure 5.

In the case of Poland, the debt amounted to 45.3%, yet in the years to follow, it began to grow (it decreased slightly only in 2007) and since 2010 it has dangerously begun to approximate 60% of GDP (which is one of the two convergence criteria for EU countries) and the prudence threshold of 55%, specified in Polish regulations. In 2014, this adverse tendency stopped.

As far as these criteria are concerned, the situations of the Czech Republic and Slovakia must be regarded as the most advantageous. The Czech Republic, at the beginning of the period in question, already had a relatively low level of public debt (in 2004 it was only 28.5%). This favourable tendency remained until 2008. The world economic crisis and its adverse effects led to a relatively fast increase in this level from 2009 to reach a value of 45.0% in 2013. In 2014 this tendency stopped.

Slovakia was relatively in the best situation, as there, public debt, in relation to GDP in 2004-2008, decreased even year in, year out. This decrease of the debt resulted from the preparations for entry into the Euro zone in 2009 and undergoing efforts to meet the Maastricht criteria. However, despite these actions, since 2009 (similarly to other V4 countries) public debt had begun to grow year by year, stopping eventually in 2014.
The worst situation in this respect could be observed in Hungary. In the case of this country, public debt, in the entire period in question, was the highest among all V4 countries. In 2009-2011 it amounted to as much as around 80% of GDP, falling only in 2012, thanks to, among others, the introduction of significant changes in the system of retirement benefits.

**Inflation**

The struggle against inflation was one of the core elements in the programs of economic stabilisation implemented in the initial stage of the period of transformation. Ten years after their implementation, the inflation rates in the majority of new member states have been reduced to a one-digit level [Molendowski, 212, pp. 67-70; Molendowski, & Stanek, 2015, p. 178]. In the Visegrad Group countries, in the first years of their EU membership (2004-2006), the average annual inflation rate was decreasing year in, year out. In this period, the highest annual inflation rate was the highest in the case of Hungary and Slovakia (the levels oscillated around 4.0-7.5%). Yet, in 2007-2008, these rates grew significantly in both countries, peaking in Hungary (with a value of 7.9%). This is illustrated in Figure 6.
It must be stressed that after the sudden increase in the inflation rate in 2007-2008, the years to follow witnessed a downward shift. In 2014, this level was lower than 0.5% in the studied countries, whilst, in Slovakia, there was even deflation (-0.1%). This was the lowest inflation rate since the beginning of the transformation. This situation could be attributed mostly to a decrease of consumption demand and a period of economic crisis. It must be noted that Poland (together with the Czech Republic) belonged to those countries with the lowest inflation rates during the entire period in question; this highlights the great progress made in comparison with the situation from 1990s.

Labour market and unemployment

The situation in the labour market in the Visegrad Group countries significantly improved in the period following the accession. Poland was the most successful here. During the first year of membership in the EU, Poland had the highest rate of unemployment (19.1%). However, the period until 2008 brought significant progress in this respect – the unemployment rate dropped to 7.1%. Similar success was noted also in the case of Slovakia (a decrease from 18.4% to 9.6%). In the case of the Czech Republic, the situation was less spectacular: these rates were 8.3% and 4.4% respectively. In Hungary, in turn, this situation, during the same period was entirely
different. In 2004, the rate of unemployment was relatively low, i.e. 6.1%, growing in the years to follow, and finally stabilising in 2010-2013, reaching the highest level among the V4 countries: 11.0%. This tendency is illustrated in Figure 7.

The deterioration of the economic situation in the second half of 2008 led to the reversal of the earlier trend in employment. A slow-down in economic growth, a decrease of export and industrial production, led to an increase in unemployment. As a result, the unemployment rate, after a period of decline over several years, grew significantly in the whole region. This situation continued in all analysed countries until 2013. In 2014, a slight fall in the unemployment rate was observed in comparison with the preceding year. Eventually, in 2014, the largest unemployment rate was observed in Slovakia (13.2%), then in Poland (9.0%), Hungary (7.7%) and the Czech Republic (6.1%). It must be added that the unemployment rate in the Visegrad Group countries over the whole study period was basically above the EU-27 average (only the Czech Republic and Hungary were an exception here, yet solely in 2004-2006).

![Figure 7. The rate of unemployment in Poland in 2004-2014 (in comparison with V4 and EU-27 countries)](image)


**Openness of economies**

Openness to foreign trade is a factor which plays a special role in the modernisation of economies and the solidification of their competitiveness. The liberalisation of foreign trade started in the V4 at the beginning of the 1990s and significantly advanced at the moment of EU accession; this led to the large-scale opening up of the economies of those countries to foreign competition. During the first years following the accession, the degree of openness was particularly high in the Czech Republic,
Slovakia and Hungary and much lower in Poland. In 2004, the ratio between trade and GDP amounted to more than 100% in these countries (in the case of Slovakia – 136.2%, the Czech Republic – 121.6% and Hungary – 113.7%), in Poland this was only 64.8%. The years that followed were characterised by an increase in the differences in the level of openness between Poland and the other three countries of the Visegrad Group: the level of economic openness in Hungary in 2014 was higher by 41.7 p.p., in the Czech Republic – by 38.7 p.p., in Slovakia – by 31.8 p.p., whereas in the case of Poland it was only 15.1 p.p higher. As a result, in the last year of the analysis, the level of openness of the Polish economy (the relation between foreign trade and GDP amounting to 80 %) was half as low as in the other Visegrad Group countries. This is illustrated in Figure 8.

![Figure 8. The relationship between trade and GDP in Poland in 2004-2014 (in comparison with V4 countries)](image)

Source: the author's own work on the basis of Eurostat (2015h).

The world economic crisis had an adverse effect on the level of openness of the Slovakian economy. The openness index lowered by 25.5 p.p in 2009 in comparison with the preceding year. It then grew in 2010, yet the level of the year 2008 was exceeded only as late as in 2011. This must be attributed to the susceptibility of the Slovakian economy to cyclical fluctuations of its main partners resulting from the domination in exports of the motor industry, sensitive to the business cycles.

It must be stressed that the strong relationship between trade and the GDP in the case of smaller countries, such as Slovakia, Hungary and the Czech Republic, proves on the one hand their openness to foreign competitiveness and on the other that it might be a source of problems like, for instance, the creation of a dual economy in Hungary (a very effective export sector and a less effective domestic one), or sus-
ceptibility to cyclical fluctuations present among the partners, which is the case for Slovakia. Poland, in turn, as a country with a much larger internal market than in the case of other V4 counters is „bound” to a lesser extent to have trade relations with foreign markets (Zielińska-Głębocka, 2013, pp. 22-23).

Final conclusions

Accession to the European Union gave Poland and other Visegrad Group countries fast economic growth paired with restructuring and modernisation. A membership period of 10 years was long enough to allow for comparisons and an evaluation of the effectiveness of the solutions adopted in Poland and other countries. The following conclusions can be drawn from the presented analysis of the most important economic indicators characterising the changes of the economic situation of the studied countries in 2004-2014:

• In spite of slowing down its dynamics during the economic crisis, GDP grew significantly in all studied countries. Poland (similarly to Slovakia) is noted here as having one of the highest growth rates. It must be stressed that Poland was the only country in the Visegrad Group (and also in the European Union) to avoid the recession during the global economy crisis;

• GDP per capita as per PPP in Poland, reached, in 2014, 62.4% of the mean value for the EU-15. This means that in comparison with 2004, our country „caught up” almost 20 p.p. A similar result was observed only in Slovakia. At the same time, Poland managed to outrun Hungary in this respect;

• A great challenge both for Poland and Hungary was to maintain the discipline of public finances. An adverse phenomenon was that an excessive deficit of public finances remained, leading to a surge in public debt. During this entire period, the deficit of public finances in Poland amounted annually to 4.5%, which is much above the reference value. Only in the case of Hungary was the situation worse. The Czech Republic and Slovakia managed to cope better with this situation. As a result, relative public debt was much higher in Poland than in the Czech Republic and Slovakia, and in 2014 it had dangerously begun to approximate 60% of GDP (which is one of the convergence criteria for EU countries). It must be mentioned however that public debt in Poland remained on a lower level than the average for the entire EU;

• The economic growth in the studied countries was taking place in conditions of inflation higher than the average level for the EU, yet its level was reduced almost to 0%. Poland (together with the Czech Republic) belonged to the countries with the lowest inflation rates during the entire period in question; great progress in comparison with the situation from 1990s was made;

• Success in comparison with other studied countries was noted in Poland in the field of counteracting unemployment. During the first year of Poland’s membership in the EU, Poland had the highest unemployment rate (19.1%), but in 2014,
the unemployment rate fell to only 9.0%. However, the rate of unemployment here was higher than in Hungary and the Czech Republic;

- A significant role in the modernisation of the economy and increasing its competitiveness is played by openness to foreign trade. Although access to the EU and the liberalisation of foreign trade accelerated Poland’s foreign trade, its relation with GDP was one of the lowest in the V4. It seems that many things must be done in this respect, although Poland, as a country with a relatively larger internal market is „bound” to a lesser extent to have trade relations with foreign markets;

- A great challenge for the studied countries was the 2008+ global financial crisis and the crisis of the Euro zone; apart from the unsolved internal problems, there also appeared external ones. Accession into the EU did not protect the studied countries against the negative outcomes of the crisis, but it managed to attenuate them. It must be stressed that Poland, avoiding recession, managed to cope with the outcomes of the crisis most effectively in the studied group;

- In spite of similar historic circumstances and experiences, including the system transformation at the beginning of 1990s and unquestionable success stemming from accession into the EU, the economies of Poland and other countries within the Visegrad Group differ significantly from one another. The analysis carried out in this field allows one to state that Poland (similarly to Slovakia) was the most successful in taking advantage of the post-accession period for the modernisation of its economy and approximating the level of development to the average development level in the EU-15. The worst results in this respect were observed in Hungary.

References


