In Verona

1
On Capulets' and Montagues' domains,
A thunder-struck sky, refreshed by rains
Looks down with a benign blue eye -
2
Surveys the ruins of feuding estates,
The shattered remains of their garden gates,
And casts a star from up on high -
3
The cypresses say on Juliet's head,
And Romeo's, a cosmic tear is shed,
And down into their graves it seeps:
4
But people say in learned tones
No tears are these, they're only stones,
And no one a vigil there keeps.

Translated by Patrick Corness

Poland, the European Union, and the Euro

An Uncertain Landscape

Leo V. Ryan, C.S.V. and Richard J. Hunter, Jr

Poland's membership in the European Union has implied eventual acceptance of the euro as Poland's national currency. It is now apparent that after many fits and starts, the two issues may not be inextricably bound together. In fact, Poland may continue its EU membership and still not convert to the use of the euro any time soon. How did Poland reach this juncture of policy and reality?

Since Poland joined the EU on May 1, 2004, even the most hard-line Eurosceptics, especially in the important agricultural sector, have had to admit that Poland has benefited from membership. On the political side, Poland now participates in certain decisions at the EU ministerial level, signaling Poland's return to Europe as a full and participating member. This change in perspective was expressed by Polish Foreign Minister Radek Sikorski in an optimistic way: "We have reaffirmed our status as a heavyweight member state. We changed Poland's image from a country that only benefits from the EU to a country that—true—benefits, but also inspires others to act. Today when others think of Poland, they think of economic growth, a modern country, and effective governance—we have become a partner worth courting."[1]

Poland has also reaped benefits on the economic front in the form of transfers from Brussels to Warsaw. From May 2004 through February 2012, Poland received a net total of 39 billion euros from the EU. Writing for the *Warsaw Voice,* Andrzej Ratajczyk estimates that Poland will be eventually be the beneficiary of over 80 billion euros from various EU funding sources.[2] In fact, Poland has been the largest beneficiary of EU funding to date. Poland has gained access to both EU structural and cohesion funds. During the past seven years the Polish economy has grown faster than any other economy within the EU, recording a growth rate of over 30 percent; the EU-27 economy grew at a mere 6 percent over this same period, reflecting a severe economic downturn. Estimated GDP rise for 2012 is 2.4 percent (the first quarter of 2012 showed a growth of 3.5 percent)—still the fastest growth recorded in the European Union.[3] In the period between accession in 2004 and 2012, Poland has continued to be an attractive location for foreign direct investment, the combined value of which now exceeds 160 billion euros. In the previously quoted article *Economist* reports: "The free-floating zloty was an advantage in the financial crisis. A weaker currency supported exports and foreign investments; it also raised the value of EU funds, which are euro denominated."

Other indicators point to strong economic progress as well. Polish exports have nearly tripled from 47.5 billion euros in 2003 (approximately $60.61) to 136 billion euros in 2011 (approximately $173.53 billion). The EU is now Poland's main trading partner accounting for 78.6 percent of Poland's exports and 58.8 percent of Poland's imports. Wages for Polish workers have grown by one-third since 2004, but are still only one-third of the EU average. In 2011 *Eurostat* reported that the average gross wage in Poland was equivalent to 800 euros per month ($1,020.80), or 33 percent higher than wages recorded in 2005. The average gross wages in the EU was 2,177 euros per month (approximately $2,758 a month), which grew by 11.5 percent since 2004. However, these are Purchasing Power Parity figures; the actual dollar amount is lower. In actual dollars Poland's GDP per person is three and a half times lower than that in neighboring Germany and one of the lowest in the EU: $12,480 in Poland versus $43,980 in Germany.[4]

Polish agriculture—initially the most skeptical of all economic sectors regarding EU membership—has undergone rapid modernization mainly due to the infusion of EU funds, the introduction of new technologies, and managerial changes introduced by Marek Sawicki, Minister of Agriculture and Rural Development. There are approximately two million farms in Poland, which account for 27.5 percent of the Polish labor force. Major farm products available for export include grains, sugar, pork, processed meats, and dairy products. Mainly due to the strong agricultural sector, the balance of trade in Polish foodstuffs has created a *surplus* of 3 billion euros ($3.28 billion). As Minister Sawicki noted: "Today Poland's dairy and meat processing sectors are among the most advanced not only in Europe but also in the world."[**5**]

However, the opposition party (PiS, or Law and Justice) points out that not all is well. During the five years of Prime Minister Tusk's tenure, Poland's external indebtedness grew by 70 percent. Huge corruption scandals (most recently Amber Gold and transportation contracts) continue to rock the country.[**6**] The number of families in extreme poverty has not gone down and, in the past year, began to increase, while household savings have decreased. In spite of Foreign Minister Sikorski's optimistic speech cited above, Poland is not a heavyweight member of the EU; in fact, Poland has no access to the deliberations of the EU "heavyweights" concerning the bailout of Greece and related issues. Former Prime Minister Jarosław Kaczyński's party capitalizes on these weaknesses in the hope of returning to power after the next election.

What would happen if the EU disintegrated? Foreign Minister Sikorski summed up the "worst case scenario" of the failure of the European Union. Among the "casualties" might be:

* the dismantling of the Schengen system
* more and more countries closing their national borders to repel "economic migrants" from former EU Member States
* the disappearance of the EU "single labor market"
* Common Agricultural Policy and Cohesion Policy funding will disappear
* the reimposition of customs barriers
* the return of economic protectionism

All of these hold major implications for Poland. In an issue that mirrors both political and economic aspects but no longer necessarily linked, there is also the question of Poland's future adoption of the euro as its national currency. When Poland joined the European Union in 2004 it committed itself to adopting the euro at some "appropriate time" in the future. Poland has continued to delay the adoption of the euro—which many now see as a decidedly positive occurrence. Writing in the *New York Times,* Jack Ewing notes: "Not being part of the euro zone turns out to have been a blessing for Poland—a lesson in how a national currency can help a country absorb international shocks." Ewing asks presciently: "Does Poland have the last healthy economy in Europe?"[**7**]

Reflecting the then-strong consensus in Poland about the adoption of the euro, in November 2008 Prime Minister Donald Tusk announced a plan or "roadmap" to adopt the euro by 2012, although he stated that should adverse circumstances arise the plan was open to discussion.[**8**] It should be noted that the adoption of the euro was nonetheless controversial since it would require an amendment to Poland's Constitution and would also require the unusual cooperation of Poland's two major political parties—now bitter rivals on the Polish political scene. The initial deadline came and went,[**9**] and has been postponed many times. After its defeat in the parliamentary election of fall 2011, PiS (Law and Justice Party) raised the political stakes and announced through its leader, former prime minister Jarosław Kaczyński, that Poland should delay entry into the Eurozone for at least two decades.

Andrzej Ratajczyk, the main economics reporter for *Warsaw Voice*, has made a conventional pro-euro argument by asserting that the failure to adopt the euro "slows the inflow of foreign direct investment, makes business planning more difficult for the investors, and makes the Polish market less transparent and predictable."[**10**] Because Poland is not a member of the single currency Eurozone, businesses operating within Poland are exposed to what he termed "currency fluctuation risks."

Several questions are apparent: Is the future of the EU tied to the future of the euro? Does the further economic and political deterioration of Portugal, Italy, Ireland, Greece, and Spain threaten the very existence of the EU as an institution? As of fall 2012, 68 percent of Poles *do not* support euro adoption; only 25 percent signaled their support.[**11**] Reality now require answers to a basic question: if Poland rejects the euro and the EU continues its decline, can Poland chance a return to the uncertainties of a Europe that might suffer the negative consequences (as outlined above) of its own disintegration? This is the policy question that Poland and other nations have to face if the euro fails or if

Poland embarks on a "go-it-alone" policy and retains the zloty as its currency. Δ

NOTES

[1] Radek Sikorski to the Polish Parliament, March 29, 2012, as reported in *Warsaw Voice,* May 2012, p. 13.
[2] "Economic and Financial indicators," *Economist,* 11 August 2012, p. 80.
[3] World Bank figures for 2011, as reported by BBC's Country Profiles (bbc.co.uk/search/?q=Country profiles).
[4] IMF report released 9 October 2012, as reported by <http://www.thenews.pl/1/12/Artykul/114690,IMF-forecasts-slowdown-in-growth-for-Poland>, accessed 10 October 2012.
[5] Marek Sawicki, "50 Years of the CAP," *Warsaw Voice,* May 2012, p. 19.
[6] Mariusz Majewski and Piotr Pałka, "Przypadki prezydenta Gdańska," *Uwazamrze,* 14 October 2012 (http://www.uwazamrze.pl/artykul/941953-Przypadki-prezydenta-Gdanska.html), accessed 14 October 2012.
[7] Jack Ewing, "Poland Skirts Euro Zone Woes, for Now," *New York Times,* 15 December 2011, at <http://www.nytimes/2011/12/15/business/global/15iht-poland.html>.
[8] *Polish News Bulletin,* 10 December, 2008, quoting *Gazeta Wyborcza,* 9 December 2008.
[9] Richard J. Hunter, Jr. and Leo V. Ryan, C.S.V., "Poland and the Euro," *Sarmatian Review,* vol. 29, no. 3 (2009), 1491–92.
[10] Andrzej Ratajczyk, "Poland in the EU: The Talley Eight Years On," *Warsaw Voice,* May 2012, p. 11.
[11] "Augustinian Delay," *Economist,* 18 August 2012, at <http://www.economist.com/node/21560598>.

Poland on the Geopolitical Map

John Lenczowski

I would like to share some reflections about Poland's geostrategic position and how it might be strengthened for the sake of Poland's independence, security, and prosperity, thus strengthening Europe's security. A country's access to natural resources is a major factor in determining its geostrategic position. Poland's dependence on Russian natural gas and oil, coupled with underdevelopment of her own natural resource extraction, translates into weakness. This weakness is aggravated by Poland's geographic location between Russia and Germany and the continued tendency of these two neighbors to cooperate with each other on various economic and strategic projects, as well as by Poland's decision to seek both security and greater prosperity by joining the European Union when the EU has shown inability to develop a united energy policy, especially one that relies less on Russia. Given these weaknesses and vulnerabilities, Poland and her vital interests are seen by both Russia and the West as irrelevant and dispensable on the international stage. Poland's ability to maintain some economic growth amidst the rest of Europe's stagnation and fiscal crises mitigates this perception of weakness and dispensability, but only marginally.

A bright spot on this geopolitical map is KGHM Polska Miedź Corporation and its emergence as a global leader in mining and natural resource extraction. Its presence in the international corporate landscape illuminates a path to elevating Poland's geostrategic position in a key dimension and suggests a number of policies that Poland should consider that could reverse its tenuous geostrategic status and make it an increasingly respected power in Europe. While these policies could be implemented individually, they would be much more effective if pursued in an integrated strategic fashion.

The first is the policy of weaning the country off dependence on Russian gas and oil by purchasing as much as possible from other exporters. Russia behaves like a virtual monopolist. It has regularly used energy embargoes and blackmail as strategic weapons. The fact that more powerful countries like Germany have little problem with dependence on Russia is strange and disconcerning, but for Poland to tolerate such dependence on Russia is the height of imprudence bordering on recklessness. Poland has no reason whatsoever to be willfully blind toward Russia. Poland should thus seek to import energy resources from as many suppliers as possible, particularly from friendly states. The more business Poland gives to such states, the more it can positively influence their policies toward it. Similarly, if such states cease to be friendly, Poland can take its business elsewhere. Poland's strategic position and geographic attributes can be made into an advantage if she were to make a concerted effort to become an energy hub and a source of natural resources. This would mean maximizing the capability of receiving liquefied natural gas (LNG) at its ports and to "re-gasify" the LNG. This way LNG could be imported from various foreign suppliers, even from as far away as Qatar.

Poland could also develop major gas and oil facilities to harbor strategic reserves in case of a Russian embargo or other crisis. Where Russia's strategy is building pipelines to Western Europe that bypass Poland and other "troublesome" East Central European countries that are much more sober about Russia's