

**Conditions and Consequences of EU Enlargement:  
A Polish Perspective**

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The topic of my address today is "Poland on the road to the EU". Let me first answer the question: why is Poland striving for European Union membership, even though we already *we* a member of the Council of Europe, NATO and the OCED?

It is of course the ultimate policy goal of any country to ensure for its citizens lasting political, economic, cultural and social security. For Poland- a country so severely tested by history, whose citizens are proud for their tradition of struggle for independence- that striving has enormous value. Membership of EU is, therefore the optimal choice from the point of view of state security, stability of the democratic order, balanced economic development and building of a modern civil society. EU admission also means a conscious acceptance of co-responsibility for European affairs, and thus a more effective influence on global politics. Poland will have a greater impact on stability in the region, will be able to promote and develop good neighbourly relations, and participate in shaping world politics in accordance with our interests. Membership of EU is a profound historic challenge.

The balance of costs and benefits of membership shows that the positive effects are much more substantial than the negative. This has also been shown by the experience of states, which joined the Union in previous enlargement. This was notably the case for those countries whose level of economic development was below that of the EU average. In these cases membership of the EU led to an acceleration of economic growth and welfare. Poland intends to follow this same path.

Today I would like to explain the 12 year development of Poland's negotiations for EU accession. Second I will explain Poland's internal administration process for managing accession. And third I will expand on the costs and benefits of this historic challenge for Poland.

The process of European integration started in Poland the moment the communist system collapsed. Official diplomatic relations between Poland and the European Economic Community were initiated as early as September 1988. Poland began negotiations with the EEC concerning the Agreement on Trade and Economic Cooperation which was eventually signed in Warsaw on 19<sup>th</sup> September 1989. It was a non-preferential agreement containing a most favoured nation clause for both parties. It provided for the gradual elimination of quantitative restrictions imposed by the Communities with regard to the imports of goods from Poland, until they were completely eliminated in 1994. As a result of the implementation of the agreement, by 1990 the Member States of the Communities had already become Poland's main trade partner.

The first democratic elections in post-war Poland and the announcement of the free-market transformations were well received by the Western European political elites. On 14<sup>th</sup>- 15<sup>th</sup> July 1989, during the Paris G-7 summit, a decision was made to award economic assistance to Poland and Hungary - the first states to undertake the difficult attempt at introducing system reforms. The coordination of this assistance was entrusted to the Commission of the European Communities. On 18<sup>th</sup> December 1989, the Council of Ministers of the European Communities adopted a resolution which constituted the legal basis for the PHARE Program (Poland Hungary Assistance for restructuring their economies. Assistance under PHARE was later extended to include other Central and Eastern European countries. Almost in parallel was the work on the founding of the European Bank for Reconstruction and

Development (EBRD) whose main objective was to support the transformation processes in countries from the former Eastern Block. This bank, from the moment of its establishment in May 1990 until the present, has played a significant role in assisting the economic initiatives in that region, especially in the private sector.

In July 1989, the Delegation of the Republic of Poland to the European Communities was established in Brussels. This was a political move, pointing to the intended creation of institutional connections between Poland and the Community structures. Less than a year later, on 25<sup>th</sup> May 1990, Poland submitted to Brussels an official application for the commencement of negotiations on an Association Agreement with the European Communities. The consequence of this was the appointment on 26<sup>th</sup> January 1991 of the Polish Government's Plenipotentiary for European Integration and Foreign Assistance. Later on 16 December 1991 the Europe Agreement was signed, establishing the association between the Republic of Poland and the European Communities and their Member States. This Agreement provided the platform for political dialogue and allowed the development of trade and economic relations between the parties. The Agreement became effective on 1<sup>st</sup> February 1994.

Thus, the accession negotiations currently underway would not be possible without the historic transformations in Europe which took place in 1989. But, to be fair, one has to say that the prospects of eastward enlargement of the European Union appeared heavily influenced by the Central and Eastern European countries, including Poland. As early as during the negotiation of the Europe Agreement in 1991, Poland's ultimate objective was to become a member of the Communities and thus proposed a unilateral declaration to this effect to be included in the preamble of the Agreement. But the EU opposed the move. The declaration of intent of the Communities to extend membership eastward was made no earlier than in the EU Council summit in Copenhagen in 1993.

Based on the decisions made at the summit, it was determined that the possible accession of the Central and Eastern European countries be conditional upon the following criteria (the so-called Copenhagen political criteria):

- 1. the candidate country should achieve stability of institutions to guarantee democracy, the rule of law, human rights, and respect for and protection of minorities
- 2. the candidate country should ensure an efficiently operating market economy and achieve the ability to withstand competition and market forces inside the Union
- 3. the candidate country must acquire the ability to meet membership obligations, including the readiness to implement the Political, Economic and Monetary Union objectives.

In response to the Union's declaration to extend eastward, the Polish Minister of Foreign Affairs submitted on 8 April 1994 in Athens an official application concerning Poland's accession to the European Union, declaring Poland's readiness to open the accession negotiations within the appropriate timescale.

Another step on the road to the commencement of negotiations on Poland's membership in the EU was the decision of the Council of Europe summit in Madrid, concerning the preparation of Opinions on the applications of associated countries for membership and the proposed changes in the internal policies of the EU allowing

for the impact of enlargement. The Agenda 2000 project which was published by the Commission in July 1997 contained the basis for the structural changes in the Communities and set the directions for changes in the Common Agricultural Policy and the Structural Policy. Agenda 2000 also outlined the project of an EU financial perspective for the years 2000-2006, assuming that the first associated countries would accede to the Union in 2002. Agenda 2000 was the response to the challenges faced by the Union with regard to the possibility of accepting new members. Under Agenda 2000, individual Opinions were presented on the degree of preparation of the associated states from Central and Eastern Europe and Cyprus for membership of the European Union, the presentation of which the European Commission had been obliged by the Madrid summit.

Based on the recommendations of the European Commission, the EU heads of states and governments, during the Luxembourg summit on 12<sup>th</sup>-13<sup>th</sup> December 1997, made the decision to start the process of enlargement of the European Union, which was to cover all candidate countries from Central and Eastern Europe and Cyprus (twelve states in total). However, in accordance with the decision of the Council of Europe, the accession negotiations were to commence only with five Central European countries which were the most advanced in political and economic transformation (the Czech Republic, Estonia, Poland, Slovenia, Hungary and with Cyprus). On 31<sup>st</sup> March 1998, during the Intergovernmental Accession Conference, negotiations with these countries were opened.

### **Organizational Structure of the Accession Negotiations in Poland**

In Poland the coordination of EU accession has been managed by the Polish Government's European Integration Committee since 15th October. The European Integration Committee is the central state administration body for the programming and coordination of approximation to European standards. The scope of activities of the Committee also includes the issue of foreign assistance.

The European Integration Committee is a collective body composed of a chairman, whose function is customarily held by the Prime Minister, a Secretary and eight ministers (Minister of Foreign Affairs, Minister of Interior and Administration, Minister of Economy, Minister of Environment, Minister of Labour and Social Policy, Minister of Agriculture and Minister of Justice). If the Committee is debating a matter covered by the competencies of other ministers, those ministers may also participate in the Committee's meetings, with voting rights. Additionally, three persons who, due to their expertise or the posts they hold, may be important for the implementation of the Committee's tasks, are included in the Committee based on the Prime Minister's nomination. Since 2000, representatives of the Parliamentary opposition, and since 2001, a representative of the Chancellery of the President of the Republic of Poland, have been participating in the meetings of the Committee.

The processes of Poland's integration with the European Union are also promoted by the bilateral contacts through association institutions established on the basis of the Europe Agreement. These are: the Association Council which convenes once a year, the Association Committee, and ten sectoral subcommittees whose work is overseen by individual ministries and central offices. Together with the improvement of relations between Poland and the

EU, and as the date of Poland's membership in the Union draws nearer, parties to the Europe Agreement made a decision to use Article 107 of the Agreement to further develop its institutional structures. In June 1999, the Association Council made a decision to appoint the Joint Consultative Committee Poland - EU Socio-Economic Committee, and on 28 September 2001, the Joint Consultative Committee Poland - Committee of the Regions was also formed. The Common Parliamentary Committee of the Republic of Poland and the EU also operates under the Europe Agreement.

The process of Poland's integration with the European Union is not only at the centre of interest of the Government, but also of the Parliament. In July 1992, the Sejm Committee for the Europe Agreement was established. In June 1997, due to the extension of its competencies, the name was changed to the European Integration Committee. During the third term of office of the Parliament, the Senate Committee for Foreign Affairs and European Integration was appointed. It dealt mainly with the foreign policy of the state, interparliamentary liaison, European integration and international economic relations.

Due to the new procedures adopted in the legislative process in 2000 the Special Committee for European Law was appointed in the Sejm, and the Special Committee for European Integration in the Senate.

## **Principles of Accession Negotiations**

Accession negotiations differ considerably from traditional international negotiations. With regard to accession negotiations, the focus is not on future relations between “us and them”, but on relations between “us in the future”.

The nature of the negotiations concerning membership of the European Union determines the specificity of the process. When agreeing the terms of enlargement, the Union endeavours to formulate the Accession Treaty of the candidate country in such a way that it can use the rights and fulfil the obligations necessary to the membership in the best possible way. The interests of the enlarged Union are also one of the factors taken into consideration in negotiations by candidate countries.

The decision-making process in the current accession negotiations is mainly based on the principles of negotiations developed during the previous enlargements of the European Union. The principle of acceptance of the *acquis communautaire* at the beginning of the negotiations, the principle of the intergovernmental nature of the accession negotiations, and the principle of separate negotiations with each of the candidate countries have determined the dynamics and results of negotiations from the first enlargement of the Communities in the seventies. The current enlargement is characterised by the more prudent approach of the Union to the commitments undertaken by candidate countries in the course of negotiations. This provides the basis for distinguishing an additional principle - the principle of conditionality, of making the negotiations conditional upon the progress of adaptation.

At the very beginning of negotiations, the accession country declares its intention to accept the *acquis communautaire*, and from this point of view, accession negotiations are more asymmetrical, as compared to international negotiations in which parties usually make mutual concessions to achieving a compromise. The accession country applying for EU membership must accept the duties required upon membership and cannot expect that the basic functioning principles of the EU will be changed. The principle of acceptance of the *acquis communautaire* at the outset of negotiations narrows the area of accession negotiations considerably. The transitional periods, standing and interim derogations are therefore only exceptions to the rule.

Because of the high costs of adaptation and technical difficulties, EU candidate countries applied for several hundred transitional solutions during the current round of negotiations. The outcomes of these current accession negotiations will help determine the future conditions for the new members and EU policies, especially in the Common Agricultural Policy and in the Structural Policy. It will also determine the contribution of the candidate country to the budget of the European Union.

The principle of acceptance of the *acquis communautaire* by the candidate country in the preliminary phase of the accession negotiations does not mean, however, that the European Union cannot be transformed as a result of the negotiated enlargement. In the case of each enlargement, the provisions of institutional treaties must be

changed. This is because adequate representation in the European Union institutions must be ensured for the new members. The enlargement also affects the method of functioning of EU policies. In the case of the current enlargement, the internal reforms will be especially deep due to the large scale, and attempts at implementing these reforms have already begun since the mid-nineties, or since the negotiation of the Amsterdam Treaty. Nevertheless, parts of these reforms will take place after the enlargement.

The decision-making process in the EU is also shaped by the intergovernmental nature of the negotiations. For example, the accession country must negotiate with all (fifteen) Member States. As a result, the EU Council moves to the forefront of the decision-making process over the course of negotiations. The Council, acting unanimously, adopts common viewpoints of the Union. In accordance with Article O of the European Union Treaty, accession treaties must be ratified by all Member States. During the last or enlargement, the accession treaties also had to be ratified for the first time by the European Parliament. In practice, however, negotiations concern mostly technical issues, and Member States usually accept the Union's common viewpoints without objection. It is interesting to note that the Commission also plays a key role in the informal negotiations (technical consultations)<sup>7</sup>.

The fact that the European Union's common viewpoints require a unanimous acceptance by all Member States has far-reaching consequences for the Union's decision-making mechanism. Diplomatic efforts of a candidate country should not be concentrated on Brussels alone. In a number of cases, one or more Member States oppose the transitional arrangements proposed by a candidate country and in such a situation the candidate country must persuade the opposing Member States to accept the proposals put forward. Considering the prospective ratification of accession treaties, the candidate countries must also seek the membership support from all Member States, especially in States where public support for enlargement is minimal.

During the course of negotiations with all Member States, disputes may also arise about the contents of the common viewpoints. Such disputes, however, concern only a few areas which stretch beyond the technical aspects of the negotiations. During the current enlargement, for example, the best illustration is the negotiations conducted within the Union with regard to the transitional period for the free movement of persons from the Central and Eastern European countries.

Negotiations between the 12 accession countries and the European Union are usually held in parallel with the meetings of Intergovernmental Accession Conferences at the level of heads or deputy heads of delegations. Already in the previous enlargements this rule showed a far-reaching consequence for the decision-making mechanism in negotiations. Parallel negotiations enables the European Union to achieve concessions from one candidate and, thus, put pressure on the remaining candidates. In practice, in the previous and the current enlargement, the accession countries generally do not present a common front towards the European Union, despite the convergence of interests in many cases. Moreover, the candidate countries also perceive benefits in separate negotiations of the terms of membership. At least some accession countries are apprehensive that common negotiations would lead to delays in the enlargement process. This is because common negotiations would imply the necessity of adjusting their pace to the slowest of the candidates.

Despite the formal separation of negotiations with individual candidates, the enlargement, for practical reasons, will cover a group of states. States which are not included in that group will most likely have to wait longer than a year for another wave of enlargement. The candidate countries realise this, which significantly influences the decision-making mechanism. The principle of separate negotiations, combined with the awareness of the consequences of a particular candidate failing to join the first group of accession countries, results in various negotiations dynamics. During the last round of enlargement, this phenomenon became apparent through the increased inclination of the candidates and, to some extent the Union itself, to make concessions due to increasing pressure by the remaining candidates and the treaty ratification timelines. It would seem that in the case of this current enlargement also, group negotiation dynamics may accelerate decision-making in the final stages of negotiations.

During the previous enlargement, the accession treaties were signed with an assumption that the candidate countries would implement the *acquis* in a manner agreed during the negotiations. In the case of an incomplete or inappropriate verification, the European Court of Justice could force the candidate country - already being a Member State - to ensure the compliance of the national law with the *acquis*. In the current enlargement, the introduction of a new verification policy is special feature. This requires that the candidate country must verify the method of its implementation of the *acquis* during the pre-accession period and must make progress in negotiations depending on the level of harmonisation.

The main tools used in the process of verification are the Regular Reports published annually by the European Commission. Initially, the Regular Reports contained only a general assessment of the progress of transformation and the level of fulfilment of the Copenhagen criteria. Currently, however, the Regular Reports also contain a detailed evaluation of progress in the preparations for membership in all areas of negotiations. The Regular Report published in autumn 2002 will most probably contain the final assessment of the degree of preparation of the candidate countries for EU membership.

### **Process of Negotiations**

The first main phase of the process of negotiations for Poland's Membership of the European Union, consisting of the screening of the Polish law from the point of view of its compliance with Community law, began on 27<sup>th</sup> April 1998 and continued until 5<sup>th</sup> November 1999 when the last of the legal acts concerning agriculture were reviewed. The screening was held according to the division of the *acquis communautaire* into negotiation chapters. The main purpose of the screening was to create a list of discrepancies between Community law and Polish law. It was always conducted in two stages:

- the first is multilateral screening, aiming at presenting the EU law in the particular negotiation area to all candidate countries and explaining its scope and meaning,
- the second stage is bilateral screening, in the form of meetings that include participation of experts from the European Commission and representatives of candidate countries. The bilateral screening focuses on general

presentations of EU law in a given area, and highlights the possible discrepancies in the interpretation of individual legal acts.

In the case of Poland, for example, the Polish Party makes declarations during the review of legislation, based on the legal acts that are included in the *acquis communautaire* and that are being covered by the screening. These declarations are initially classified under one of the three categories:

1. “does not cause any problems” (has already been accepted by the Polish party or the Polish party declares its acceptance before the anticipated accession date),
2. “adoption of the legal act involves necessary adaptations of a technical nature” (e.g. adding the appropriate Polish institutions to the Union’s list),
3. “adoption of the legal act by the Polish party will probably be impossible before the anticipated accession date and, therefore, it will constitute a negotiation problem”.

The declaration of the Polish party at the screening stage is of a preliminary nature, and it will be finalised based on the negotiation position. Currently, at the request of candidate countries, screening of candidate country laws that were adopted after 1<sup>st</sup> January 1998 are not included. The process of screening generally involves the European Commission sending a particular legal act by letter and the Polish party submitting its opinion. On the basis of this review, the negotiation positions are completed.

Upon completion of the screening process for legal acts, work on the negotiating position begins. The position is developed by the Negotiation Team and is based on the outcomes of the screening of laws (or the list of discrepancies). The negotiating position is then presented to the European Integration Committee and the Council of Ministers for verification and approval. In Poland’s negotiating position, the Polish party makes an official declaration concerning the EU law which is the subject of that position. If it is determined that the particular legal act, due to political, budgetary or socio-economic reasons, may not be adopted before the anticipated date of Poland’s accession to the EU, the Polish party applies for a transitional period, stating its length and the way in which full compliance with the Community law should be achieved. Poland has prepared and presented 29 negotiation positions in all chapters covered by the screening. Currently, as a result of the adoption of new legal acts by the European Union, Poland is amending its positions, allowing for the new legislation and the progress in accession negotiations.

After the position has been agreed, it is sent to the Community party. Poland’s first negotiation position (in the Science and Research chapter) was submitted by Poland on 1<sup>st</sup> September 1998, and the last one (in the agriculture chapter) on 16<sup>th</sup> December 1999. After the submission of the last position, the set of all positions was published and announced to the public.

After Poland has presented its negotiation position in the particular area, the EU prepares its response and presents it to the Polish party. The draft EU position is prepared by the Directorate General for Enlargement, which is part of the European Commission, and then presented to all Member States for acceptance. Those states have the right to introduce amendments and propose changes. The document accepted by ambassadors of Member States must

still be formally approved by the European Union Council. At the moment of submission of the particular negotiation position to the candidate country at the meeting of the Intergovernmental Accession Conference, the so-called opening of negotiations takes place. The first meeting of the Conference was held on 10<sup>th</sup> November 1998 and ended with the opening of negotiation in seven areas. The last opening of negotiations in the area of agriculture took place on 26<sup>th</sup> May 2000. If the parties agree as to the method of implementation of the *acquis communautaire* at the moment of opening the negotiations, the interim closing of negotiations in that particular area takes place. In the situation where the parties have failed to reach an agreement, negotiations are conducted during arrangement meetings in the course of which views, positions and arguments of both parties are presented. Moreover, the candidate country prepares an official response to the Community position, in which it answers any possible queries contained in the position and presents the schedule together with the method of implementation of legal acts from the particular chapter. It also presents progress achieved in the fulfilment of commitments undertaken in the negotiation positions. When all parties have achieved a final agreement, the negotiations are temporarily closed.

Having concluded negotiations in the last chapter, the parties will agree upon the respective Accession Treaties, which will be adopted during the last meeting of the Intergovernmental Accession Conference. Each Accession Treaty will be ratified by all signatories, that is by all Member States and the candidate country concerned. According to Polish law, the Accession Treaty is subject to ratification by the President of the Republic of Poland after prior approval for such action. The Polish Constitution of 2 April 1997 provides for two alternative ways of expressing such approval. First, it may be expressed in the form of a law that must be passed by the qualified majority of two thirds in the lower chamber and two thirds in the upper chamber, with the necessary *quorum* of the half of the statutory number of the members of both chambers. Second, there is a possibility to obtain acceptance for the ratification through a nation-wide referendum. The way of obtaining approval for the ratification is decided by the parliament which is to adopt its decision by an absolute majority of votes in the presence of at least half of the statutory number of deputies. Decision on this issue has not been formally adopted, but the Government declares its firm intention to organise the referendum.

After the ratification and approval of the European Parliament Poland will become a member of the European Union on the date contained in the Treaty.

### **Conventional opinions related with the enlargement of the European Union and accession of the Central and East European countries**

The present enlargement of the EU through the accession of Central and Eastern European countries has a totally different historic and political dimension than all previous enlargements. It will reunite an area once divided despite the will of nations and states. It will permit realisation of the common goal that guided the founding fathers of the idea of a united Europa and European Communities. That is the only way to ensure security and prosperity on the entire European continent. For that to happen it is essential to build mutual trust and assist the candidates on their difficult road to membership- and afterwards. In accordance with one of the fundamental principles of the

Union-the principle of solidarity- the “strong” must support the “weak”, the benefits of such an approach will soon be evident to all citizens of Europe.

The negotiation conducted by Poland are motivated by the wish to get access to opportunities in the field of modernisation and development of the Polish society. But if we want a lot for ourselves- we must also be prepared to give a lot. There are many myths, fears and stereotypes concerning Poland, which constitute an apparent threat for the Western European societies to accept enlargement. Does it mean that Poland is different and more troublesome than other candidate countries of this region? Of course, Poland is a bigger country than Hungary, Czech Republic or Estonia, therefore the scale of problems measured in absolute figures has to be bigger. But there is no qualitative difference between problems experienced by all these countries. They are all in the process of economic transformation, in which Poland is one of the leaders. They are all at grips with similar political and social problems. In all cases implementation of the *acquis communautaire* will be a costly and difficult issue.

A frequently expressed view that Poland’s membership in the European Union will lead to very minor economic advantages for its present Member States is a misunderstanding for several reasons. First, the relatively low assessment of the positive effects of integration is usually based exclusively on the estimation of so called statistical effects of the commercial specialisation, which actually was done in the nineties together with the abolition of custom duties. At the same time the most important dynamic effects are ignored, that is rapid growth in capital and investment, increasing progress of the Polish economy, and intensification of trade with the European Union. The second misunderstanding is that the time factor is not taken into account. At the beginning, the benefits of integration cannot be significant due to the relatively low starting point (small scale of the trade turnover), but as time passes by the benefits should cumulate to a very high level. The third misunderstanding relates to the scales of advantages that are compared with a hypothetical situation of enlargement, and lead to the worsening of Poland’s development prospects and resulting economic losses for both parties, and not with the present *status quo*.

Another misunderstanding is the fear that budgetary costs of the enlargement will exceed its possible advantages. Simulations show that the scale of economic benefits stemming from the enlargement will be much bigger than its costs. By 2014 the enlargement will result in a significant growth of the GDP in new Member States, and consequently in dynamic development of trade within the EU. Economic benefits for the current Member States, although not so huge in relation to the GDP (slightly over 1 percent of the GDP additionally produced by 2014), will be four times bigger than the net costs. Another benefit, which is even more important, will be gradual reduction of the unequal level of development of both parts of the continent, which constitutes a potential threat to its political, social and economic stability.

Frontier states of the European Union (Germany, Austria, Sweden and Finland) express their concerns that they will have to bear very serious enlargement costs. In fact, the situation will be quite the opposite. From an economic point of view, the frontier states will benefit most from the enlargement. According to the simulations they will

account for some 85 percent of the net benefits, and their GDP will grow by an additional 100 billion euros by 2012, as compared to the situation in which the enlargement ends in a fiasco.

It is also an untrue opinion that poor regions of the present European Union will suffer considerable loss due to the enlargement. Limiting access to the structural funds as the result of EU enlargement will only affect a small number of regions. In the case of enlargement by all candidate countries, with the exception of Romania and Bulgaria, the right to support will be taken away from just eight regions, including three new German *Länder*, for which the Community support has an exclusively additional nature and supplements much bigger transfers from the old lands. The right to support will actually be retained by the poorest regions of the present Union. In cases where the right to support will be forfeited, the process will be gradual and slow, and phasing out will take at least several years due to technical and political reasons.

Fears that Poland's membership will lead to a huge wave of migration are also unjustified. All available estimates, as well as analyses of the Community and Polish experience, indicate that the scale of such migration will not be significant. Differences in wages between Poland and Germany are not much greater than between Germany and Portugal in the mid eighties. Good prospects for economic development will be an additional factor discouraging migration. A common belief across Western Europe in the Polish propensity to migrate, stems from the experience of the eighties. It should be noted, however, that this was an exceptional period in the history of Poland: a period of the economic and social collapse of the communist system, when wages in Germany were 70 times higher than in Poland and there was a general feeling of the lack of prospects for the country. In the nineties, however, migration dropped to a low level, despite the liberalisation of rules and regulations relating to people movement. Problems associated with illegal workers also eased considerably, due mainly to the improvement of the economic situation and prospects for positive development in our own country.

Claims that mass migration will have serious consequences for the West European labour markets is therefore a complete misunderstanding. On one hand, Western Europe will need a significant number of new workers in order to maintain economic growth, to stabilise pension systems and to avoid both tensions in labour markets and the accompanying rise of inflation resulting from the deficit of the labour supply. (The biggest forecast for migration from the candidate countries constitute just a small fraction of the additional labour demand, which is supposed to occur in Western Europe). On the other hand, historical experience (e.g.: migrations from Turkey and Yugoslavia to Germany in 1960-1973) indicates that even bigger waves of immigrants than those expected in case of enlargement, had no negative influence on the growth of wages since migrant workers are usually placed in a different segment of the labour market than local workers. It should also be noted that the free movement of labour may actually spare any such migration crisis, and allow migration to proceed in a regulated environment and to the advantage of the West. Should there be any short-term problems, they will occur exclusively at the regional level (this is especially possible in Berlin, Bavaria and eastern part of Austria), and these problems can therefore be solved at the regional policy level.

Throughout the Member States of the European Union, one can often hear that the Polish agriculture is a huge and backward sector and requires restructuring at an unprecedented scale. Of course, the Polish agricultural sector is

huge and work on its restructuring will be long and difficult. But claiming that the scale of its backwardness cannot be compared to anything observed in Europe is a mistake, emanating from misinterpretations of statistical information. According to published data, it is commonly assumed that the percentage of persons employed in the Polish agriculture amounts to 27 % of the whole population employed in the economy (2 million farms and 4 million farmers). This figure is the reason why the Polish agricultural sector is thought to be over-sized and inefficient. But in fact, the figure of 4 million farmers is two or three times higher than it is in reality because Polish statistics include subsistence farmers in the overall category of agricultural producers. Workers employed in non-agricultural sectors, including pensioners and the unemployed, are therefore represented as farmers. According to the estimates the real percentage of employment in Polish agriculture ranges between 9 and 14%, a percentage range that does not significantly differ from the percentage that not so long ago occurred in certain West European countries. The process of modernising Polish agriculture is therefore not an unprecedented event, although it will take many years. Most expenditure concerning the modernisation of the rural areas will have to be borne by the Polish society, though significant assistance in this field will be ensured by the structural funds.

If, while analysing enlargement results, we take into account its potential benefits and not only its costs, Poland's economic role in the process of enlargement will become absolutely crucial. The enlargement without Poland would mean that we give up almost two thirds of all advantages in the field of GDP growth in the east of Europe and half of these advantages in the West Poland's objective is to participate in all areas of integration as a member enjoying full rights as soon as possible. The long-term aim of my country is to catch up with the UE states creating Economic and Monetary Union, which means striving for macroeconomic stability guaranteeing balanced and fast growth. The policy of limiting the rate of inflation, controlling the budget deficit and public debt is therefore a natural part of the integration strategy. Once Poland meets the requirements of the Maastricht Treaty criteria and once it joins the European Monetary System, it will be able to enter the Euro Zone. Polish citizens will then be paid their wages in Euro. They will also make purchases in Euro, both at home and in the remaining EMU countries, without the need to bear the costs of exchanging one currency into another, while Polish producers, exporters and importers will no longer be affected by exchange rate fluctuations. Economic integration brings benefits to all the countries involved in this process, as it is not true that for one side to profit the other must lose out. Poland does not have sufficient domestic capital needed for fast and continuous growth, but could benefit from inward investment from the EU. Many Polish enterprises, for decades cut off from the world market, lack the know-how needed for their development abroad. The technologies used in Polish industry are less developed compared to those utilized in Western Europe. All the factors needed for fast economic growth, which are absent in Poland can be readily found in the EU. On the other hand, Poland has considerable reserves of human resources, which cannot yet be put to use and properly rewarded as well as a growing market for Polish and foreign products. Therefore the economic integration between Poland and EU can bring mutual benefits.

Accession to EU also means incorporating goods, services, capital and labour into a single market. The barriers hampering the movement of goods and production factors must be eliminated at the time of the accession, or following a transition period. This will mean that goods and production factors will move according to market mechanisms. Capital in particular will flow to those areas where the returns to investment are high, where production costs are lower and where strong economic growth is leading to the development of new markets. This will be exactly Poland's

situation. A speedy liberalization of the markets for goods and production factors and in particular for capital is therefore in the interest of Poland. However, enterprises unable to adapt to the new conditions of competition will risk financial losses or even elimination from market. Free movement of goods is one of the four basic freedoms of the Single Market of the EU. It means not only the abolition of all customs duties, adoptions of a common custom tariff and trade policy rules, but also the elimination of all non-tariff barriers. By joining the EU, Poland will be obliged to eliminate all barriers preventing free movement of goods in the enlarged EU. Customs duties for industrial products will be reduced to zero. Free movement of goods is also conditional on the harmonization of legal provisions such as technical norms, customs duties applied to imports from third countries, rules governing the allocation of subsidies, competition rules, indirect taxation, etc. The freedom of movement of capital is the basic condition of EU membership. Poland needs to take advantage of this in order to achieve an acceleration of economic growth. This freedom means the right of companies and persons from the EU to invest in Poland without constraints and with the right to free transfer of profits as well as the right of Poles to invest abroad. Taking into consideration the difference in the abundance and relative costs of production factors, which exist between Poland and EU in the long run the balance of capital movement should be favourable for Poland. Free movement of capital also means the right unlimited purchasing of property and financial assets in Poland by foreigners from the EU, which is not accepted by opponents of the integration in Poland.

As you can see, the enlargement process is particularly important for Poland. It is not only the biggest country in the region, but also potentially a huge market in the enlarged Europe and a gate between the Western and Eastern Europe. Anyone who thinks about chances and benefits of the enlargement has to admit that without Poland the whole process to a significant extent loses its economic sense. Western Europe has no reason to be so much afraid of the enlargement by Poland and other countries of Central and Eastern Europe. In the situation in which one has to consider methods of solving different problems, fear resulting from stereotypes becomes the worst advisor.

## Conclusion

By 30 April 2002 Poland has temporarily closed negotiations with the European Union in 23 negotiation chapters. At present negotiations are conducted in the following 7 chapters: Competition policy, Fisheries, Transport policy, Justice and home affairs, Regional policy and co-ordination of structural instruments, Agriculture, Financial and budgetary provisions. The difficulties that arise in the negotiation process result from the fact that the integration with the EU is constantly developing, and the Community law is changing. Every year there are new common arrangements, which amend and supplement present principles and rules. Of course, this creates additional challenges and difficulties for the negotiating teams. The longer the negotiations the more probable the change of the common rules and the necessity to adapt them to a moving target'. In addition, negotiations are complicated by several other issues, which were irrelevant during previous enlargements of the European Union. The basic one issue that accession negotiations coincided with deep changes in the Union itself, relating to the implementation of the third stage of the Economic and Monetary Union. The Member States of the EU lost their monetary sovereignty and the possibility to use exchange rates. These competencies have been vested in the supranational financial authority - European Central Bank. It is understood that a simultaneous implementation of two very ambitious tasks, that is creation of the economic and Monetary Union and the process of another enlargement, do not facilitate accession negotiations for Poland and other candidate countries. Another issue impeding membership negotiations is the scale of obligations to be accepted by the candidates. This results from the advancement of the European integration process. The Treaty of Maastricht, and to a lesser extent the Treaty of Amsterdam, raised the accession standards in comparison with those binding during previous enlargements.

On 1 January 2002 Spain took presidency in the Union Council of Ministers. Enlargement of the European Union is one of its priorities. The Polish government, which intends to accelerate the pace of negotiations and declares its readiness to search for a compromise, attaches great hopes to the Spanish presidency. In this period of time the government wishes to begin negotiations on the most difficult chapters which touch Poland's most important interests, such as Regional policy and co-ordination of structural instruments, Financial and budgetary provisions or Agriculture. Progress made in the first half of 2002 will determine completion of the negotiations during the Danish presidency, and thus accomplishment of our main goal, which is membership in the European Union by 1 January 2004.