

Poland's Sustained "March to a Market Economy": The Choice Between Competing Visions and Plans

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Abstract

This article is a study in contrasting economic philosophies. It describes the economic program instituted by Minister of Finance Leszek Balcerowicz in 1989 and the series of incentives initiated within Poland to attract foreign direct investment. The article then discusses the changes in economic and social policies brought about by Minister Mateusz Morawiecki as important policy perspectives brought by the election victory of Law and Justice (PiS) in 2015. The article then discusses key aspects of the Polish market and outlines both opportunities and challenges for the future.

Keywords: transformation, Balcerowicz Plan, Morawiecki Plan, incentives, sectoral approach

1. Introduction

Consider this commentary:

“A fast-growing economy, a location in central Europe, a multilingual and skilled workforce whose productivity is rising rapidly and cheap labor costs make Poland an internationally attractive country. Poland also enjoys a well-managed economy, which was able to withstand the crisis better than other European countries. Unlike other Central European countries, its population did not have to resort to loans in foreign countries, in particular Swiss loans, a fact which has protected the population from maximum debt.”

(Santandertrade.com, 2016).

Considering economic policies initiated immediately after 1989, as well as those currently being undertaken by Prime Minister Mateusz Morawiecki, it is interesting to view Poland from the *perspective of a potential investor* who is faced by many opportunities throughout the world. Have the changes recently undertaken in Poland dampened enthusiasm for investors in the Polish market? A brief review of how Poland overcame its post-war history of state central planning and economic stagnation (Hunter & Ryan, 1998, Chapter 2) is in order to better understand the sharp contrast with many of Poland's current economic policies (Hunter & Domanska, 2016; Hunter, 2017).

1.1 Enter Minister Leszek Balcerowicz

Poland embarked on a new path in its economy in 1989 under what is known as the *Balcerowicz Plan* (Garland, 2015), named for Leszek Balcerowicz, who served as Deputy Prime Minister and Minister of Finance in the administration of Tadeusz Mazowiecki. Mazowiecki had assumed the position of Prime Minister in the summer of 1989 (Sachs, 1993a; Hunter & Ryan, 2009; Hunter & Domanska, 2016; Hunter, 2017) when Polish communists proved unable to muster a governing coalition. Early in the transformation process, Minister Balcerowicz and a team of advisors, assembled both from within Poland and from abroad, and led by American economist Jeffrey Sachs, decided on a reform strategy that would be based on two overriding considerations: *A market economy was preferred over a centrally planned economy and a private market economy was preferred over so-called "market socialism."* In addition, Minister Balcerowicz undertook a policy of implementation termed "shock therapy" where political and economic changes would be effected in a relatively short period of time (Murrell, 2013).

The program conceived by Minister Balcerowicz was based on what are known as the *"five pillars of economic transformation."* These included:

- (1) Rapid transformation of the failed monocentric system of state central planning (Kaminski, 1991) into a functioning private market economy;
- (2) Liberalization of economic functions, especially in relation to foreign trade and foreign direct investment;
- (3) Privatization of state-owned enterprises (SOEs) (Sachs, 1993b);
- (4) Construction of an effective social safety net; and
- (5) Mobilization of international financial assistance (especially from the World Bank and the International Monetary Fund) to support the transformation process (Balcerowicz, 1993; Hunter & Ryan, 2008; Hunter & Ryan, 2009).

As noted by Johnson and Loveman (1995) in the *Harvard Business Review*, the program was intended to:

“... stabilize the macroeconomy and to create the conditions necessary for privatization, enterprise restructuring, and the development of an institutional system compatible with a market economy. Because of the speed and scope of the reforms, the impact on Polish markets and enterprises was immediate and profound. Remarkably, the main goals of the program, widely known as “shock therapy,” were achieved within a few months.”

Success came on many fronts. Poland entered NATO in March of 1999 and became a member of the European Union (EU) in 2004. Poland gained a reputation as an unqualified “success story,” built on liberal foreign trade policies, successful attraction of foreign direct investment (Hunter & Ryan, 2013)—to this date, more than 176 billion euro (Euronews, 2018)—a commitment to democracy, and a dedication to the rule of law.

During the 2008-09 worldwide economic slowdown, Poland was the only EU country to avoid a recession (generally, Orenstein, 2014). As a member of the EU, Poland became the largest recipient of EU development funds and their cyclical allocation was expected to have a significant impact on the rate of economic growth. The Polish economy performed well during the 2014-17 period, with the real GDP growth rate generally exceeding 3%, in part because of increases in the government’s “investment agenda” which had the effect of accelerating consumer-driven growth (Cushman & Wakefield, 2018). [See **Appendix I** for current statistical information on the Polish economy.]

2. Incentives in the Polish Economy

An important reason for the sustained growth in the Polish economy may be attributed to the wide variety of incentives that have been offered to potential investors.

2.1 Investment incentives - Governmental Grants (Adapted from PAIH (The Polish Investment and Trade Agency), 2018)

The following information has been adapted from the website of the Polish Investment and Trade Agency (PAIH):

Governmental grants are provided on the basis of the “**Programme for supporting investments of major importance to the Polish economy for years 2011-2023**” (the *Programme*), which was adopted by the Council of Ministers on July 5, 2011 (see PAIH, 2018; Slusarczyk, 2018; European Commission, 2018a).

Support of the Polish government will be provided in the form of a *grant* awarded on the basis of an agreement (contract) concluded between the Minister of Economy and the prospective investor. The agreement outlines various conditions for the payment of the grant, which is paid out in proportion to the degree of progress in fulfilling the designed commitments made by the investor.

2.2 Beneficiaries: A Sectoral Approach

Specific sectors of the Polish economy have been targeted for investment assistance: automotive sector; electronic and household appliances sector; aviation sector; biotechnology sector; food processing sector; services sector; and research and development (R&D) (EY, 2018).

Support can also be applied for by companies planning manufacturing investments in other sectors under certain defined circumstances.

The *Programme* provides support for investments under the two following categories:

1. Support for creation of new job places (employment grant):

Sector	Employment	and	Investment expenditures	Maximum level of support
Manufacturing:*				
1. automotive				
2. biotechnology				
3. electronics incl. household appliances	250		PLN 40 million	
4. aviation				from PLN 3,200 to 15,600 PLN***
5. agricultural and food processing				
BSS	250		PLN 1.5 million**	
R&D	35		PLN 1 million**	
Significant investment in other manufacturing sectors	200 or 500		PLN 750 million or PLN 500 million	

In order to target unemployment in certain areas of the Poland, support will not ordinarily be extended to investment projects located in areas or districts where the unemployment rate is lower than 75% of the country average.

In the case of manufacturing projects, the amount of targeted employment grants will depend on such factors as:

- the number of new jobs created;
- the percentage of employees with higher education;
- location of the project;
- investment expenditures;
- economic sector;
- attractiveness of products in international markets (export considerations); and
- the number of new jobs created,

In the case of the service sector, the amount of targeted investment grants will depend on such factor as:

- the percentage of employees with higher education;
- location of the project; and
- complexity of processes provided by the company.

2. Support for new investment (investment grant):

Sector	Employment	and	Investment expenditures	Maximum level of support
Manufacturing:*				
1. automotive				
2. biotechnology				
3. electronics incl. household appliances	50		PLN 160 million	from 1.5% to 7.5%**** eligible costs
4. aviation				

5.			
	agricultural and food processing		
		200	PLN 750 million
	Significant investment		or
		500	PLN 500 million
	R&D	35	PLN 10 million**
			up to 10% eligible costs

The amount of investment grant depends on:

- the number of new jobs created;
- investment outlays per employee; and
- location of the project.

Under the *Programme*, aid is provided exclusively for investment projects whose completion in Poland would be conditional on receiving a financial grant from the State budget. In other words, there is doubt the project would go forward without state intervention.

The generator of the *Programme* and the authority granting state aid is the Minister of Economy. The *Polish Information & Foreign Investment Agency (Polska Agencja Informacji i Inwestycji Zagranicznych S.A., known by the acronym PAIiZ)*, now known as the Polish Investment and Trade Agency or PAIH. PAIH is responsible for preparing the Inter-ministerial Committee for Investments of Major Importance to the Polish Economy (the Committee) with the roster of investment projects and for preparing all documents required to fulfill the commitments found in the initiating agreements. Each project is subject to an individual assessment by the Committee on the basis of detailed criteria laid down in the *Programme*.

2.3 Procedure for the Award of Support

- The potential investor submits information on the prospective project, using a standard form signed by persons authorized to represent the investor.
- Information will be evaluated by the Committee and the evaluation will provide the Chairman of the Committee with information about the project and a preliminary draft offer of financial support, with a justification for the award.
- The Committee will consider the decision which has recommended support for the project and will submit its recommendation to the Minister of Economy for the final decision on granting the support. The Committee will inform the investor of its recommendation. The Investor will then decide whether it will accept or reject the offer based on the recommendations.
- After accepting the offer, the investor applies to the Minister of Economy for a *letter of intent* confirming that the investment has been approved and that it may commence on the basis of the negotiated terms.
- The Minister of Economy concludes a final agreement with the investor with the award of support.

2.4 State Aid and the EU

Beginning on July 1, 2014, state aid offered under the *Programme* is consistent with the rules relating to the award of state aid in the European Union, that is within the *Guidelines on regional State aid for 2014-2020* (Official Journal of the European Communities C 209 of 23rd July 2013) and *Commission Regulation (EC) no. 651/2014 of 17th June 2014 declaring certain categories of aid compatible with the common market in application of Articles 107 and 108 of the Treaty* (Official Journal of the European Communities L 187 of 26th June 2014). State aid that does not comply with the requirements of the Guidelines or Regulation may be granted after approval by the European Commission according to the procedures specified in the *Guidelines on regional aid for 2014-2020* after special consideration.

While these incentives were largely the product of policies initiated by the former Polish government, they may themselves have provided a point of contention within elements of Polish society that had become increasingly wary of foreign investment and providing incentives to Polish businesses involved in foreign investment activities at the expense of Polish citizens and Polish society.

3. Charting a Different Course: Enter the PiS

The calculus has certainly changed. With the elevation to power of the populist Law and Justice party (PiS), led by Jaroslaw Kaczynski, as an outgrowth of the Solidarity Movement, concerns about Poland's future have resurfaced. PiS was successful in winning both the presidential and parliamentary elections in 2015.

Reflecting a change in governing philosophy, PiS launched a program specifically designed to "regain control and revitalize the country's economy which has long been plagued by foreign domination..." (Strybel, 2017, p. 2).

PiS ran on a platform calling for higher taxes on foreign-owned businesses and curtailing the country's reliance on foreign capital, which critics asserted had made Poland into no more than a vassal state. PiS maintained that the changes that had occurred in Poland since 1989, and most especially those carried out under the *Balcerowicz Plan*, had done little to return economic sovereignty to Poland following 123 years of foreign Partition, a difficult interwar period, and nearly 45 years of "communist misrule and mismanagement" (Strybel, 2017).

The isolationist sentiments voiced by PiS, returning to a theme often heard in the early days of the transition—"Polska Dla Polakow"—were viewed as an attempt to reintroduce Poland's national sovereignty over its economic future.

The criticism voiced by PiS was direct and pointed: Instead of concentrating on rebuilding Poland's economic base *from within* by restructuring and revitalizing Poland's industrial base, PiS argued that successive Polish governments in the twenty five years after 1989 had essentially engaged in a program of selling-off important Polish assets—often for a quick infusion of cash which was used politically to bolster Poland's budget.

PiS, along with other critics from the Solidarity Movement, argued that the initial push towards removing state control of the economy (generally, Trupiano, 1993), now known derisively as "spontaneous privatization," was often no more than the theft of public assets, accomplished through "crony capitalism" and insider trading, which favored members of the former *nomenklatura* (Dubrow, 1997; Tyminiski, 2017), Poland's discredited communist bureaucratic class.

The *Sarmatian Review* (2016) encapsulated many of these criticisms and reported the following negative aspects of foreign investment in Poland:

- The percentage of factories engaged in manufacturing in Poland owned by foreign entities in 2016 reached more than 50%;
- More than 60% of Poland's banks were at one time foreign owned—although the ratio is now nearer to 50/50;
- 90 billion zlotys (or about 25 billion dollars) are transferred from Poland "abroad" each year because of the structure of ownership of Polish enterprises.

Critics also pointed out that in the past quarter century, some of Poland former "banner" state-owned-industries (or SOEs) such as mines, Baltic ship building facilities (the former Lenin Ship Yard in Gdansk, for example), steel making facilities (Nowa Huta) were closed or employment significantly scaled back when the government failed to directly intervene in their deteriorating finances or was unable to procure a foreign buyer willing to invest the sums necessary to modernize operations in order to assure that the businesses would remain open. As a result, tens of thousands of Polish workers became permanently unemployed. At the same time, the economy became dominated by foreign-owned banks, retail giants, and assembly plants controlled by foreigners, which in turn funneled most of their profits abroad to the benefit of foreign investors.

Robert Strybel (2017), writing in the *Polish American Journal*, provided several examples which include *Wyborowa* (vodka/owned by Pernod/France), *Zywiec* (beer/owned by Heineken/Netherlands), *Okocim* (beer/owned by Carlsberg/Denmark), *Wedel* (confectionary and chocolates/owned by Lotte Group/Korea), *Pudliszki* (food stuffs, tomato ketchup/owned by Kraft-Heinz, US/multinational), *Amino* (food products/soups/owned by Unilever/British/Dutch) and *Winiary* (food processing/owned by Nestle/Switzerland). The last Polish car make, the *Polonez* hatchback, disappeared in 2002. Most surprisingly (and perhaps disappointingly to many Americans of Polish decent), *Krakus* brand canned hams (exports of which were the major source of cash into the Polish economy in the 1960's through the 1980's) is now owned by China's WH group, the world's largest producer of pork.

Since 2015, under the auspices of Deputy Prime Minister Mateusz Morawiecki, who now serves as Prime Minister, Poland seemed to turn inwardly and implemented a series of business restrictions and taxes on foreign-dominated economic sectors, including banking and insurance, energy, and healthcare. These restrictions and taxes have dampened some investor enthusiasm and have increased the government's ownership of some firms—reversing prior

privatization efforts in certain economic sectors. The government reversed the actions of the previous administration and reduced the retirement age in 2016 (Goettig, 2017), placing additional burdens on the state budget, which had a projected budget deficit of 2.9% of GDP, slightly below the EU's 3.0% limit.

4. The Morawiecki Plan

The new strategy adopted by PiS is embodied in the *Morawiecki Plan*, named for then Deputy Prime Minister Mateusz Morawiecki. It represented a sharp departure from the approach of the Balcerowicz Plan. Morawiecki noted: "We have been in this [economic] model for 27 years. We have reached the trap of dependent development. To a huge extent we are dependent on foreigners" (Foy, 2016).

The new program would address deficiencies in the Polish economy through activities described as Minister Morawiecki's "*five pillars of economic development of Poland*":

- Reindustrialization – i.e., focusing on industries in which Poland can gain a competitive advantage and attract foreign investment;
- Development of innovative companies, which involves, among others, drawing up a *Business Constitution* designed to simplify regulations, help develop and launch innovative products, and raise spending on research and development;
- Capital for development – aiming for a significant increase in capital expenditure, and improved efficiency of institutions supporting investment; the establishment of the *Polish Development Fund*;
- Foreign expansion – support for Polish exports aimed at reaching new markets, conducting foreign trade missions, and developing a network of "economic diplomacy posts" throughout current and potential markets;
- Social and regional development - a proposal to create a comprehensive demographic program, the reform of the education system, and support for the development of Polish regions that had not reaped the benefit of prior development efforts. (Adapted from Borowski & Jaworski, 2016).

In addition, Minister Morawiecki supported the creation of a "new spirit of Polish entrepreneurship" with an emphasis on fostering opportunities in economic sectors that would be export sensitive, the creation of new Polish brands ("Polish Champions") which could compete worldwide with high-quality recognizable products, and which would assure the return of many of Poland's "best and brightest" (numbering as many as 2.1 million in 2013) who had emigrated in the search of economic opportunity in Western Europe, the United Kingdom, and the United States (Strybel, 2017).

The Morawiecki Plan has been termed *Polonization* (or re-Polonization) which will include buying back businesses previously privatized. However, where the funds will come from to accomplish this objective remains to be seen. Poland is still a country that "lacks capital," although no longer "capitalists." A policy announced by the government under which a tax on large, mainly foreign-owned retail chains and banks has been questioned by the European Union. (Martewicz & Krasuski, 2016; Foy, 2016). The tax on banks not meeting its expected target of 5.5 billion zł. and instead was projected to raise only 3 billion zł. in revenue. The tax on large retailers was questioned on grounds that it amounted to "unacceptable state aid for small "Polish enterprises" and had to be shelved until 2018. (Zygulski, 2016/2017)

5. Key Characteristics of the Polish Market

Have these changes fundamentally altered the Polish market? (Mroczkowski & Miller, 2017) It appears that the "fundamentals" have remained unaltered. Several important characteristics or positive markers may be readily identifiable in the Polish economy:

- **Through Poland into the "Heart of Europe": An Extended Market**

As the sixth most populated country in the European Union, Poland provides investors with a 38 million consumers market. Located in the center of Europe, Poland's location, although quite problematic at various points of the 19th and 20th centuries, facilitates import and export activities and also lowers transportation costs of goods. Investors who choose to engage in the Polish market can easily reach over 500 million consumers. Among Poland's major trading partners are Germany, France, the United Kingdom, Italy, Hungary, the Netherlands, Ukraine, Spain, Russia, Sweden, and China. [See **Appendix II** for a full listing of both import and export partners.]

- **Penetration and Investment Plus: Special Economic Zones**

Very early on, successive Polish governments recognized the importance of attracting foreign direct investment or FDI. FDI was seen as a response to the question: *How do you create capitalism in a nation where there are neither capitalists nor capital?* (Hunter & Ryan, 2013). Ambroziak and Hartwell (2017) argue that “The analysis shows that SEZs have had a strongly positive impact upon the development of the least developed regions in Poland...,” although their effect on “rich ones was weak or even negative.” New business would be the key to decrease unemployment and assure the competitiveness of Polish economy. The Polish government created the Polish Special Economic Zones (SEZs). There are currently 14 special zones that provide investors with the opportunity to operate their business on the basis of preferential terms and under special tax considerations (Rodl & Partners, 2018). SEZs offered attractive tax exemptions, generous employment incentives, and well-prepared investment opportunities.

- **Employment and Workforce Considerations**

The work force in Poland is estimated to be *17 million* people. More than half of Polish workers are employed today in the services sector. Poland provides investors with a well-educated and highly skilled employment market, most notably engineers, IT specialists, economists, and scientists. Poland has created almost 500 academic centers and boasts some of the most renowned universities and technical colleges in the world. In addition, the corporate tax rate in Poland stands at 19% and is thus among the lowest in Europe. In some cases, if companies meet certain baseline requirements in terms of employment it is also possible for these companies to receive financial grants from the Polish Government and local tax exemptions as well.

Boston Consulting Group (2018) notes that Poland might one day become a major manufacturing center in Europe based on the following factors:

- Labor cost are still less than other Western countries and this trend, although subject to modification because of additional social insurance contributions, should continue into the near term;
- Manufacturing costs in Poland are cheaper by about 30% (G Suite, 2018);
- The quality of Polish goods is deemed to be superior to the ones produced in other countries, making these goods much more competitive. This quality advantage mainly applies mainly to such sectors as electric home appliances, metal products, automotive products, and furniture.

All of these factors taken into consideration, Poland is considered the eighth European country in terms of attractiveness to investment and ranks 27 out of 190 countries in the World Bank “ease of doing business” rankings (The World Bank, 2018). [For a listing of major Polish companies, see Appendix III.]

6. Opportunities and Challenges for the Future

What are some of the macro-challenges facing Poland today? Challenges persist in the Polish economy which include addressing deficiencies in its road and rail infrastructure and in its general business environment, a still rigid labor code, a slow moving commercial court system involved with enforcing commercial contracts, the existence of government red tape, and a burdensome tax system, although Ernst & Young (2017) reported that Poland passed significant corporate income tax reform that might “have a significant impact on the majority of companies operating in Poland” (Ernst & Young (EY), 2017).

In the long range, Poland must diversify its Poland’s energy mix, strengthen investments in the “innovation economy,” and bolster investment in research and development. In addition, Poland must continue to address a systemic “brain drain” of educated young Poles (more than 1.4 million), especially health care professionals (Krajewski-Siuda et al., 2008), to other EU member states (Sobczyk, 2010; Davies, 2011). Demographically, “Poland faces contraction due to emigration, persistently low fertility rates, and the aging of the Solidarity-era baby boom generation” (CIA Factbook, 2017/2018).

However, at the same time there are several positives in the economy—but all carry significant negative aspects as well (adapted from OECD, 2018).

- **Growth is strong, and the labor market is booming** (adapted from OECD, 2018)

Economic growth remains strong. Rising social transfers and a booming labor market are underpinning rapid growth in consumption. The unemployment rate is at a record low level, standing at 6.6% as of January 2018, labor shortages are spreading, and there are some positive signs of increasing wages (G Suite, 2018). The labor market is expected to tighten further (Emerging Europe, 2018), leading to somewhat faster wage and price inflation. In fact, “Every eighth business has been forced to retreat from planned investment because of a shortage of candidates” (Emerging Europe, 2018). After a severe contraction once again in 2016, the OECD projects that investment will recover, “driven by faster disbursements of EU structural funds, capacity constraints, and low real interest rates.” It is

critical that Poland continues its strong partnerships within the European Union despite some differences revolving around social policies and disagreements relating to contrasting perspectives on issues concerning morality (abortion, church-state relations) and other social norms.

- **New public benefits have helped to bring down poverty**

Poverty and income inequality have fallen in Poland, and large “family benefits” introduced in 2016 have helped to bring down child poverty further. In order to reverse the trend towards a negative birth rate, plans have been announced to promote fertility in the context of very rapid aging population (Leszko, Zajac & Lamparska, 2015). On the other hand, the OECD (2018) reports there is a risk that the “family-friendly benefits” introduced into Poland might induce less-skilled women to leave the labor market for longer periods after childbirth, shortening their contribution periods to an already strained pension system that itself is badly in need of reform (see Morgandi & Bargu, 2018). Rutecka (2014) notes generally that “Another problem is the deepening deficit in the Social Insurance Fund. The changes that have been introduced will not remedy it. Its main causes are demographic factors such as low birth rate, emigration, and increased life expectancy. Consequently, in the long run, without the support from the state budget, [there] may not be enough funds to pay pension benefits.”

Taken together with the lowering of the retirement age to 60 for women, there is a heightened risk of old-age poverty. The government has also announced that it intends to improve limited access to affordable childcare services (Heinen & Wator, 2006). There is also a lack of organized out-of-the-home institutional care for the elderly which may be seen as another barrier to female employment and an improved quality of life for Polish seniors, although this change would require a major reordering of patterns in Polish society relating to the care of the elderly.

- **Raising Poland’s capacity to innovate would ensure continued convergence to higher living standards**

The OECD (2018) notes: “Poland’s income convergence has mainly resulted from efficiency gains thanks to sectoral restructuring carried out with the active assistance of the Polish government and foreign technology absorption as a result of foreign direct investment.” Because Poland’s labor productivity is still 40% below the OECD average (OECD, 2018), Poland will need to strengthen its technology sector and its capacity for innovation. Investment in research and development (R&D) is still weak which may hamper innovation in the Polish economy, especially in small and medium-sized enterprises (SMEs) (Dec & Masiukiewicz, 2014; European Commission, 2018b).

In its *Strategy for Responsible Development* (see Oleksiuk, 2017), announced by the Ministry of Economic Development in April 2016, the government plans to boost targeted R&D tax incentives along with increasing public support for innovation in SMEs, further development of the venture capital market, and infrastructure development. However, many of these programs will remain largely dependent on EU structural funds financing in both the long and short runs.

7. Some Concluding Remarks

Not all Polish citizens are in tune with the policies of the PiS. At the height of the constitutional crisis in January 2016, Standard & Poor downgraded Poland’s rating on the S&P 500 from an A- with a positive outlook to a BBB+ with a negative outlook (Business Recorder, 2016). Though the adjustment isn’t immense, it may speak volumes as to the direction in which the leadership of the country is driving the country. The Polish Zloty dropped 2.4%, the biggest decline among emerging-market currencies, in April 2016 hit its lowest mark in two months to 4.4275 per Euro (Krasuski, 2016). [The current rate, as of April 2, 2018, is 4.21099 per Euro.] Despite much rebuke from neighbors, outcry from its citizens, and even public rebuke from three past Polish Presidents (Cienski, 2016), PiS refused to back down. Anti-government demonstrations have increased so much that a 2016 protest was the largest since 1989 when Poland eluded Communism. (Reuters, 2016) The recent controversy relating to alleged Polish participation in events of the holocaust and the attempts to criminalize any serious discussions have strained Polish relations throughout the world community. Some Poles are concerned the PiS government has been undermining democratic institutions, curbing democratic checks and balances, violating EU principles, and creating tension between the EU and its allies.

In fact, as Fomina and Kucharczyk (2016) have noted that the 2015 victory of the PiS marked the victory of a kind of “authoritarian populism” drawing on its power to “dismantle democratic checks and balances.” They wrote: “The PiS’s policies have led to intensifying xenophobia, aggressive nationalism, and unprecedented polarization that have given rise to social protest movements not seen in Poland since 1989.”

Whether these policies will continue to have a “spill over” into economics is another matter. Until recently, there seemed to be a consensus about the path that Poland had chosen. Recent events have brought this consensus into doubt.

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Appendix I

Selected important statistical information (CIA Factbook, 2017/2018):

GDP (purchasing power parity):

\$1.111 trillion (2017 est.) \$1.07 trillion (2016 est.) \$1.042 trillion (2015 est.): country comparison to the world: 25

GDP (official exchange rate):

\$510 billion (2016 est.)

GDP - real growth rate:

3.8% (2017 est.) 2.6% (2016 est.) 3.9% (2015 est.)

country comparison to the world: 80

GDP - per capita:

\$29,300 (2017 est.) \$28,200 (2016 est.) \$27,400 (2015 est.)

country comparison to the world: 66

Gross national saving:

19% of GDP (2017 est.) 19.4% of GDP (2016 est.) 19.9% of GDP (2015 est.)

country comparison to the world: 96

GDP - composition, by end use:

household consumption: 58.8%

government consumption: 18.1%

investment in fixed capital: 17.8%

investment in inventories: 0.8%

GDP By Sector:**Agriculture - products:**

potatoes, fruits, vegetables, wheat; poultry, eggs, pork, dairy

Industries:

machine building, iron and steel, coal mining, chemicals, shipbuilding, food processing, glass, beverages, textiles

Industrial production growth rate:

4.2% (2017 est.)

country comparison to the world: 64

Labor force:

17.6 million (2017 est.)

country comparison to the world: 37

Labor force - by occupation:

agriculture: 11.5%

industry: 30.4%

services: 57.6% (2015)

Unemployment rate:

4.8% (2017 est.) 6.2% (2016 est.); 6.6% (January, 2018)

country comparison to the world: 65

Population below poverty line:

17.6% (2015 est.)

Budget:

revenues: \$90.8 billion

expenditures: \$102.2 billion (2017 est.)

Taxes and other revenues:

17.8% of GDP (2017 est.)

country comparison to the world: 171

Budget surplus (+) or deficit (-):

-2.2% of GDP (2017 est.)

country comparison to the world: 93

Public debt:

46.2% of GDP (2017 est.) 48.4% of GDP (2016 est.) [Fiscal year:](#)

1.9% (2017 est.) -0.6% (2016 est.)

country comparison to the world: 86

Commercial bank prime lending rate:

4.8% (31 December 2017 est.) 4.74% (31 December 2016 est.)

country comparison to the world: 148

Market value of publicly traded shares:

\$261.5 billion (31 December 2016 est.) \$277.4 billion (31 December 2015 est.) \$351.7 billion (31 December 2014 est.)

country comparison to the world: 30

Exports:

\$221.4 billion (2017 est.) \$195.7 billion (2016 est.)

country comparison to the world: 26

Exports - commodities:

machinery and transport equipment 37.8%, intermediate manufactured goods 23.7%, miscellaneous manufactured goods 17.1%, food and live animals 7.6% (2012 est.)

Exports - partners:

Germany 27.3%, UK 6.6%, Czech Republic 6.6%, France 5.4%, Italy 4.8%, Netherlands 4.5% (2016)

Imports:

\$221.8 billion (2017 est.) \$193.6 billion (2016 est.)

country comparison to the world: 21

Imports - commodities:

machinery and transport equipment 38%, intermediate manufactured goods 21%, chemicals 15%, minerals, fuels, lubricants, and related materials 9% (2011 est.)

Imports - partners:

Germany 28.3%, China 7.9%, Netherlands 6%, Russia 5.8%, Italy 5.3%, France 4.2%, Czech Republic 4.1% (2016)

Debt - external:

\$362 billion (31 December 2017 est.) \$347.8 billion (31 December 2016 est.)

country comparison to the world: 32

Stock of direct foreign investment - at home:

\$235.7 billion (31 December 2017 est.) \$224.5 billion (31 December 2016 est.)

country comparison to the world: 27

Stock of direct foreign investment - abroad:

\$68.22 billion (31 December 2017 est.) \$64.52 billion (31 December 2016 est.)

country comparison to the world: 39

Exchange rates:

zlotych (PLN) per US dollar - 3.748 (2017 est.) 3.9459 (2016 est.) 3.9459 (2015 est.) 3.7721 (2014 est.) 3.1538 (2013 est.)

Appendix II

Bridgat.com (2018). Global Exports by Market Value: 157,790 (millions) *Last Updated: June, 2017*

Rank	Country (Exports To)	Trade Value (thousands)	Share (%)	Growth (% 5yr)
1	Germany	41,732,140	26.45	88.56
2	France	10,250,264	6.50	130.12
3	Italy	9,879,135	6.26	118.88
4	United Kingdom	9,507,876	6.03	138.51
5	Czech Republic	8,684,889	5.50	172.38
6	Russia	8,552,868	5.42	200.88
7	Netherlands	6,485,767	4.11	103.27
8	Ukraine	5,960,963	3.78	194.61
9	Sweden	5,115,982	3.24	98.51
10	Hungary	4,425,317	2.80	133.67
11	Spain	4,105,182	2.60	127.43
12	Belgium	4,090,510	2.59	73.46
13	Slovakia	3,552,952	2.25	169.63
14	Austria	3,097,067	1.96	112.70
15	Denmark	3,000,065	1.90	81.93
16	Norway	2,712,046	1.72	105.59
17	Romania	2,329,680	1.48	218.86
18	Lithuania	2,267,856	1.44	81.43
19	United States	2,265,504	1.44	27.41
20	Turkey	1,659,258	1.05	84.09
21	Finland	1,303,766	0.83	123.03
22	Belarus	1,278,077	0.81	126.17
23	China	1,176,562	0.75	111.71
24	Switzerland	1,061,763	0.67	106.85
25	Latvia	907,372	0.58	105.69
26	Greece	752,235	0.48	249.93
27	United Arab Emirates	697,413	0.44	645.24
28	Estonia	674,090	0.43	160.39
29	Ireland	649,321	0.41	198.57
30	Bulgaria	581,858	0.37	227.66
31	Canada	578,057	0.37	119.02
32	Slovenia	541,081	0.34	40.31
33	Portugal	495,145	0.31	5.76
34	Brazil	415,801	0.26	269.34
35	Croatia	405,709	0.26	76.99
36	Luxembourg	391,706	0.25	405.32

Global Imports by Poland Market Value: 187,744 (millions) *Last Updated: June, 2017*

Rank	Country (Imports From)	Trade Value (thousands)	Share (%)	Growth (% 5yr)
1	Germany	46,016,189	24.51	114.24
2	Russia	17,200,154	9.16	169.15
3	China	16,197,323	8.63	298.50
4	Italy	12,809,453	6.82	84.61
5	France	9,250,376	4.93	56.15
6	Czech Republic	6,910,258	3.68	116.75
7	Netherlands	6,576,718	3.50	112.27
8	United Kingdom	5,419,186	2.89	85.44
9	South Korea	5,002,504	2.66	390.27
10	Belgium	4,530,884	2.41	102.36
11	United States	4,169,567	2.22	96.74
12	Japan	4,149,696	2.21	142.51
13	Spain	4,096,742	2.18	74.19
14	Sweden	3,820,513	2.03	60.44
15	Slovakia	3,705,678	1.97	154.97
16	Hungary	3,519,632	1.87	111.58
17	Austria	3,233,597	1.72	105.37
18	Finland	2,947,686	1.57	139.19
19	Norway	2,753,821	1.47	117.14
20	Turkey	2,287,341	1.22	105.87
21	Ukraine	2,191,728	1.17	111.06
22	Denmark	2,183,336	1.16	63.82
23	Switzerland	1,848,783	0.98	84.90
24	Ireland	1,294,414	0.69	180.68
25	Belarus	1,270,715	0.68	81.92
26	Lithuania	982,762	0.52	106.68
27	Romania	862,730	0.46	112.68
28	Thailand	831,968	0.44	152.67
29	Slovenia	793,511	0.42	62.63
30	India	775,077	0.41	149.74
31	Brazil	627,473	0.33	17.80
32	Malaysia	560,436	0.30	27.91
33	Bahamas	518,929	0.28	135.46
34	Kazakhstan	502,963	0.27	12.71
35	South Africa	480,478	0.26	291.71
36	Vietnam	471,756	0.25	181.45

APPENDIX III

Major Polish companies: Selection from the list of 500 largest companies in Poland compiled by [Polityka](#).

- [PKO Bank Polski](#) – banking
- [PKN Orlen](#) – petrochemicals
- [Bank Pekao](#) – banking
- [PZU](#) – insurance
- [Bank Zachodni WBK](#) – banking
- [Autosan](#) – bus manufacturer
- [Solaris Bus & Coach](#) – bus and tram manufacturing
- [Newag](#) – train and tram manufacturing
- [PESA](#) – train and tram manufacturing
- [QLOC](#) – software developer/video game port developer
- [Allegro](#) – retail and online auctions
- [Techland](#) – computer games
- [E.Wedel](#) – chocolate goods
- [People Can Fly](#) – computer games
- [4F \(pl\)](#) – sports equipment
- [LPP](#) – clothing
- [Vistula Group \(pl\)](#) – clothing
- [CD Projekt](#) – video game distribution and development
- [PLAY](#) – telecommunications
- [Ursus](#) – agricultural tractors
- [Platige Image](#) - computer graphics and special effects
- [Orange Polska](#) – telecommunications
- [Netia](#) – telecommunications
- [Black Red White](#) – furniture
- [Piotr i Paweł](#) – retail
- [PSE-Operator](#) – national power grid operator
- [PGNiG](#) – oil and gas
- [Polsat](#) – media
- [Agora SA](#) – media
- [Nowy Styl Group](#) – office furniture manufacturer
- [Maspex](#) – food manufacturing
- [Delphia Yachts](#) – yacht manufacturer
- [Inglot Cosmetics](#) – beauty, cosmetics
- [Eris](#) – beauty, cosmetics
- [Apart](#) – jewelry
- [Grycan](#) – ice cream company
- [Orbis](#) – hotels
- [Asseco](#) – IT
- [KGHM Polska Miedź](#) – copper mining
- [Kompania Węglowa](#) – coal mining
- [Echo Investment](#) – real estate development
- [Pekaes](#) – logistics
- [Tymbark](#) – food manufacturing
- [Polferries](#) – transport
- [Grupa Lotos](#) – petrochemicals
- [FB "Łucznik" Radom](#) – defence industry
- [Polish State Railways \(PKP\)](#) – national railway
- [Poczta Polska](#) – national post
- [Cersanit](#) – ceramic goods
- [TVN](#) – media
- [Globe Trade Centre](#) – real estate development
- [Elektrim](#) – diversified utilities, mobile phone service
- [Arrinera](#) – automotive
- [Ericpol](#) – IT
- [Volkswagen](#) Poznań – automotive
- [Fiat Poland](#) – Polish branch of [Fiat Group](#) (former [FSM](#)), builds [Panda](#), [Fiat Nuova 500](#) and [Fiat 600](#)
- [General Motors Poland](#) – automotive
- [Warsaw Stock Exchange](#)
- [Comarch](#) – IT
- [Tauron Group](#) – electricity distribution
- [Boryszew](#) – automotive industry
- [ZMT SA](#) – defence industry
- [Amica](#) – engineering industry
- [CIECH](#) – chemical industry
- [Polar](#) – home appliances
- [Mastercook](#) – home appliances
- [PMR Ltd](#) – B2B market research, business consultancy
- [Metro Group](#) Poland – retail
- [Zortrax](#) – 3D printing
- [Grupa Azoty](#) – chemical manufacturing^[50]