EDITED BY
Marzenna Anna Weresa

POLAND

COMPETITIVENESS REPORT 2014

A Decade in the European Union

WORLD ECONOMY RESEARCH INSTITUTE
WARSAW SCHOOL OF ECONOMICS
WARSAW 2014
Contents

Preface ........................................................................................................................................ 9
  Marzena Anna Weresa

PART I
POLAND’S COMPETITIVE ECONOMIC PERFORMANCE
AND COMPETITIVE POSITION IN 2013

Chapter 1
Economic Development and Convergence ................................................................. 13
       Zbigniew Matkowski, Ryszard Rapacki, Mariusz Próchniak
  1.2. Real Income Convergence in the EU: Current Performance and Future
       Opportunities for Poland ......................................................................................... 43
       Zbigniew Matkowski, Mariusz Próchniak
  1.3. Income Inequality and Poverty in Poland: The Impact of Poland’s EU
       Membership on Income Inequality ....................................................................... 61
       Patrycja Graca-Gelert

Chapter 2
Poland’s Competitive Position in External Economic Relations ............................... 91
  2.1. The Geographical Structure and Commodity Patterns of Poland’s Foreign Trade
       after the First Decade of EU Membership .......................................................... 92
       Elżbieta Czarny, Katarzyna Śledziewska
  2.2. The Impact of Poland’s Accession to the European Union on the Country’s
       Foreign Investment Attractiveness ...................................................................... 113
       Tomasz M. Napiórkowski
       and Changes since Poland’s EU Entry in 2004 .................................................. 134
       Bogdan Radomski
PART II
DETERMINANTS OF POLAND’S COMPETITIVENESS

Chapter 3
Assets and Their Productivity ................................................................. 143
3.1. Changes in Human Resources 2004–2013: Poland and the EU ............... 143
Mateusz Mokrogulski
3.2. Physical Capital and Infrastructure ....................................................... 156
Ireneusz Bil, Piotr Maszczyk
3.3. Innovation System Restructuring in Poland in the Context of EU Membership ..... 171
Marzenna Anna Weresa, Małgorzata Stefania Lewandowska
3.4. Changes in Total Factor Productivity in 2004–2013 and the Competitiveness of the Polish Economy ............................................................ 192
Mariusz Próchniak

Chapter 4
Policies and Institutions ........................................................................... 205
4.1. The Influence of EU Membership on Poland’s Economic Policies in 2004–2013 ... 205
Jan W. Bossak
4.2. Financial System Development ............................................................... 215
Oskar Kowalewski

PART III
POLAND IN THE EUROPEAN UNION: SELECTED ISSUES

Chapter 5
The Impact of EU Membership on Poland's Competitiveness ....................... 231
5.1. Poland in European Value Chains ......................................................... 231
Mariusz-Jan Radło
5.2. A New Approach to Innovation Policy in Poland as a Result of EU Entry .......... 250
Arkadiusz Michał Kowalski
5.3. The Role of European Funds in Improving the Innovativeness and Competitiveness of the Polish Economy .................................................. 265
Iwona Grabowska
5.4. Support for Polish Agriculture and Rural Areas from the EU Budget ............ 286
Elżbieta Kawecka-Wyrzykowska
5.5. The Impact of EU Membership on Poland’s Energy Market ...................... 301
Grażyna Wojtkowska-Łodej
Chapter 6
Poland’s Contribution to European Integration ................................................................. 315

6.1. The Track Record of the Polish Presidency of the Council of the European Union (Selected Economic and Financial Issues) ..................................................... 315
Adam A. Ambroziak

6.2. Poland’s Role in Shaping the Eastern Dimension of the European Union’s Economic Cooperation as Part of the Eastern Partnership Initiative ................. 335
Krzysztof Falkowski

SUMMARY AND CONCLUSIONS

Poland’s Competitive Position in the European Union at the Start of 2014 ........... 353
Marzenna Anna Weresa
Chapter 6
Poland’s Contribution to European Integration

This chapter focuses on the impact that Poland has on the rules governing the functioning of the EU and on EU policies. The analysis covers two sets of issues: the track record of economic achievements during Poland’s turn in the rotating presidency of the EU and Poland’s role in shaping the European Union’s economic cooperation with its eastern neighbors.

6.1. The Track Record of the Polish Presidency of the Council of the European Union (Selected Economic and Financial Issues)

Adam A. Ambroziak

This section of the report aims to examine how Poland’s turn at the rotating presidency of the Council of the European Union in the second half of 2011 impacted the ongoing debate on selected economic and financial issues within the European Union. We will look at how the Polish presidency influenced the progress of work on some key EU legislation at different stages of the decision-making process. We will focus on how Poland helped launch and shape negotiations on the EU’s Multiannual Financial Framework for the 2014–2020 period and how the Polish presidency contributed to the completion of work to draw up legislation regulating supervision over public finances in member states (the so-called “six pack” of governance measures).

Poland took over the six-month rotating presidency of the Council of the European Union on July 1, 2011 and held it throughout the latter half of the year. It was Poland’s the first time at the helm of the EU. The country’s main task in this role—as
in the case of all other countries since the Treaty of Lisbon took effect—was to ensure a smooth functioning of the Council and its cooperation with the European Commission and the European Parliament (Ambroziak, 2012). Since the legislative process in EU institutions is time-consuming and often takes far longer than just six months (Ambroziak, 2011), the country holding the rotating presidency of the Council of the European Union is usually expected to focus primarily on managing the Council’s work in the right way and on maintaining appropriate relations with other EU institutions and international organizations.

One of the options for those holding the rotating presidency of the Council is to start a pre-scheduled debate on a specific topic as part of the European debate format. Skillfully defining the positions of individual member states, determining the extent to which these positions are relevant to each country, and subsequently identifying potential problems and contentious issues as well as pinpointing advocacy and opposition groups for each proposed solution are key to further action. It needs to be emphasized that the country holding the presidency should not disclose and is not expected to push through its own interests. However, if it defines the problems and identifies those for and against in the right way, it will be able to advance its own position and effectively carry out its plans once its turn at the helm of the EU ends. It seems that is exactly what happened when the talks on the EU’s Multiannual Financial Framework for 2014–2020 got under way under the Polish presidency.

A country holding the presidency is also expected to make sure that EU member states and institutions carry on with work on legislation already in the decision-making process. First, the efficiency of the presidency will determine when a piece of legislation is adopted. Member states that are not interested in the new legislation are known to have dramatically slowed down the work of the preparatory bodies of the Council and of the Council itself. Second, the skills of the country holding the presidency, its position in the EU and professionalism will determine the final shape of a piece of legislation. One example under the Polish presidency was the adoption of a set of regulations designed to strengthen supervision over member state public finances (the so-called “six pack”).

**Negotiations on the EU’s Multiannual Financial Framework for 2014–2020**

The Multiannual Financial Framework (MFF) for 2014–2020 was one of the priority areas of the Polish presidency. Since the EU’s first full financial perspective after the 2004 round of enlargement was ending in 2013, Poland, in an effort to remain a major player in this area, teamed up with Denmark and Cyprus as part of the so-called Presidency Trio program to work together on the Multiannual Financial Framework a year and a half ahead of the planned deadline for regulations implementing the MFF. It was no accident then that the takeover of the Council’s presidency by Poland coincided

The Polish government’s draft “Agenda of the Polish Presidency of the Council of the European Union, 1 July 2011–31 December 2011” stated that Poland would seek to hammer out the most favorable option for the EU budget (MSZ, 2011). The document also said that the EU budget should promote investment and significantly contribute to economic growth across the bloc in a time of crisis. Consequently, drawing up the new budget de facto meant defining the shape of the EU for the decade to come. In the process, Poland assumed that the new financial framework, combined with increased cooperation within the EU, was the right answer to the economic crisis and the challenges that European societies would take on in the years ahead. Poland’s aim was to ensure a thorough debate on the Commission’s proposals as well as to identify the positions of all member states and thus pave the way for an agreement at a later stage. This task was all the more important as it determined the positions of individual EU players and offered them an opportunity to determine their tactics in the face of the problems identified.

**Negotiation format**

The European Commission unveiled its proposals on the Multiannual Financial Framework for 2014–2020 (COM(2011) 398, COM(2011) 500) during a meeting of the General Affairs Council on July 18, 2011 (Doc. No. 13019/11, 2011). On the basis of these documents, on July 28–29, 2011, an Informal Meeting of Ministers for European Affairs was held in Sopot in northern Poland. This format of the talks meant that member state representatives were free to speak their mind; there were no official minutes of the meeting drawn up, and no binding declarations were made. Issues related to the Multiannual Financial Framework for 2014–2020 were primarily dealt with by a Council working group known as the Friends of the Presidency, using the results of the informal meeting in Sopot. This approach should be evaluated very highly in terms of the effectiveness of the goals adopted. Unlike in the case of the 2007–2013 Multiannual Financial Framework negotiations, Poland started work with a debate at the political level to prevent a situation in which the proposal would be rejected by net contributors, as was the case when Ireland was holding the presidency in 2005.

A particularly important achievement of the Polish presidency was that the negotiations revolved around the European Commission’s MFF proposals rather than those put forward by individual groups of countries (Dowgielewicz, 2012, p. 18). The course of action in this area was largely based on a report drawn up by Poland (Doc. No. 13127/11, 2011) on the basis of responses to a questionnaire reflecting the Commission’s proposal. In this context, it can be considered a success of the Polish presidency that in the end most countries informally agreed that the budget proposal for 2014–2020 presented by the European Commission should be the basis for further
negotiations; only the United Kingdom, Sweden and Hungary opposed. The UK pressed for a freeze on the level of payments from the EU budget. Sweden demanded a reduction in spending on traditional sectors such as agriculture and on the development of poorer regions, in addition to a reallocation of funds in favor of innovation. Hungary’s opposition resulted from the fact that the Commission had underestimated that country’s GDP growth forecast, which had a negative impact on the amount of funds available for Cohesion Policy in that country.

It should be emphasized that Poland, as the country holding the presidency, could not submit its own proposals, though it was free to formulate and present them at a later date (MSZ, 2012). This is precisely what happened immediately after Denmark took over the presidency. In its official position dated Jan. 2, 2012, Poland stated that the Commission’s financial framework proposal was a good basis for further negotiations. Poland also said that it welcomed a move away from the *juste retour* logic and a decision to focus on implementing policies that address the EU’s future challenges (MSZ, 2012).

The legal definition of the Multiannual Financial Framework has changed significantly during the last few years. The financial perspective for 2007–2013 was negotiated and adopted on the basis of an inter-institutional agreement from 2006, while the Multiannual Financial Framework for 2014–2020 was for the first time drafted on the basis of Art. 312 of the Treaty on the Functioning of the European Union (TFEU). The treaty states that, in a new arrangement, the Council, acting in line with a special legislative procedure, unanimously approves the regulation laying down the Multiannual Financial Framework after obtaining the consent of the European Parliament. This was the new approach adopted during the Polish presidency with regard to cooperation with other EU institutions, including closer cooperation with the European Parliament. From the procedural point of view, the Parliament is now included in work to formally approve (though not prepare) the Multiannual Financial Framework. During its presidency, in October 2011, Poland organized, together with the Commission as well as the European Parliament, a high-level conference focusing on the Multiannual Financial Framework for 2014–2020. The conference did not discuss the amount and distribution of EU funds, but only selected issues that promised to produce an agreement. These included:

- a clear link between the budget and the Europe 2020 strategy;
- priorities such as the single market, investment in infrastructure and scientific research;
- ways to simplify spending from the EU budget.

**The negotiation concept**

In its MFF proposal, the Commission proposed a seven-year budget with an overall ceiling for commitments at €1,025 billion, or 1.05% of the EU’s gross national income (compared with €993.6 billion and 1.12% of the EU’s GNI in 2007–2013), and
payments at €972.2 billion, or 1% of the EU’s GNI, marking a 5.1% nominal increase over the 2007–2013 period (when the figures were €942.8 billion and 1.06% respectively) (COM(2011) 500, p. 7). The new budget was seven times the EU’s 2013 budget increased by the rate of inflation, with the caveat that spending on Cohesion Policy and the Common Agricultural Policy would not be adjusted for inflation. In addition, the Commission proposed that spending on the European Development Fund (EDF), which was set up under the Convention of Cotonou to benefit African, Caribbean and Pacific (ACP) countries, be excluded from the budget (OJ L 317, 15.12.2000, p. 3, Ambroziak, 2000a, Ambroziak, 2000b). The Commission proposed the same with regard to the International Thermonuclear Experimental Reactor (ITER) project (OJ L 90, 30.3.2007, p. 58); the Global Monitoring for Environment and Security (GMES) system (OJ L 276, 20.10.2010, p. 1); and the European Globalisation Adjustment Fund (OJ L 406, 30.12.2006, p. 1, OJ C 139, 14.06.2006, p. 1). Including these instruments and funds in the budget would mean that it would have to increase by about 0.11 percentage points in relation to the EU’s GNI (with commitments at €1,083 billion, or 1.11% of the EU’s GNI) (COM (2011) 500).

While assessing the track record of the Polish presidency, it is worth noting two important initiatives by countries opposing a bigger EU budget. First, in December 2010, on the basis of a proposal from the United Kingdom (The Guardian, 2010, Reuters, 2010a), five countries that are net contributors to the EU budget (Germany, France, Finland, the Netherlands, and the UK) signed a letter (Letter, 2010) demanding that the size of the budget be maintained and only adjusted for inflation (Euroinside, 2011, Reuters, 2010b). In response, ministers for European affairs from 13 net beneficiary countries (Bulgaria, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Portugal, Poland, Romania, Slovakia, Slovenia, and Spain) signed their own letter in May 2011 (EurActive, 2011a, PAP, 2011b) in which they argued that the EU budget should continue to be a major tool for overcoming the economic crisis, increasing the EU’s international competitiveness and strengthening its internal cohesion (Mendez C. et al., (2011), p. 16). Poland joined those voicing this view once its presidency ended. It strongly supported a call for excluding the Emergency Aid Reserve and the Solidarity Fund from the EU budget, and it also backed a proposal to exclude ITER and GMES from the limits of the financial perspective (MSZ, 2012, p. 16). In September 2011, still during the Polish presidency, at a meeting of the General Affairs Council, eight countries—Austria, Finland, France, Germany, Italy, the Netherlands, Sweden, and the United Kingdom—signed a declaration opposing the plan to increase the 2014–2020 budget (Gov.uk, 2011, EUBusiness, 2011, PAP, 2011c). The declaration said the financial framework should cover all available instruments to ensure transparency and monitor spending. Otherwise, these countries argued, a reduction in the size of the budget would be illusory in real terms, especially if several funds are excluded from it. Spain, the Czech Republic, and Denmark announced plans to join this group of countries (Węc, 2012, p. 9). Eventually, Spain decided against doing
so, while the Czech Republic delivered on its promise, followed by Denmark once it completed its presidency.

It was unlikely that the detailed budget amounts would be agreed on at the beginning of the MFF negotiations. However, the debates held during the Polish presidency revealed the positions and arguments of both sides. Poland’s clear-cut success was that, unlike during most previous negotiations, it managed to focus the talks on policy priorities and EU activities in the 2014–2020 period, instead of the actual size of expenditure.

Selected solutions

Poland’s six months at the helm of the EU was too brief a period to get all the talks going, agree on all positions, work out all compromise solutions, and secure political acceptance for these. However, it is worth noting several selected issues that took their preliminary shape during the Polish presidency and were subsequently fine-tuned in February, November and December 2013 by the European Council, the European Parliament and the Council respectively, on the basis of the original, preliminary agreements.

In terms of the Multiannual Financial Framework, the Commission proposed a seven-year period to better articulate the objectives set in the Europe 2020 strategy. All EU member states approved this idea at a General Affairs Council meeting under the Polish presidency in September 2011 (Doc. No. 13587/11, 2011). This was in line with Poland’s interests. Once its presidency ended, Poland clearly opted for a seven-year MFF. At the same time, it motioned for putting off the proposed review of the budget beyond 2016 (MSZ, 2012a, p. 14).

Another issue discussed during the Polish presidency was the structure of the MFF. The Commission proposed that the existing subheadings 1a—“Competitiveness for growth and employment”—and 1b—“Cohesion for growth and employment”—be combined into a single heading 1—“Smart and inclusive growth.” During the discussion, several member states that are the largest beneficiaries of the Cohesion Policy supported maintaining separate spending on economic, social and territorial cohesion, because the Commission’s proposal was seen as a threat to reducing funds available under this policy (Doc. No. 17448/1/11, 2011). Moreover, after Denmark took over the presidency, Poland opposed the plan to merge the existing subheadings 1a and 1b into a single heading, arguing that the unique nature of Cohesion Policy, based on a full reallocation of funds between the cohesion countries, justifies the continued need for a separate subheading (MSZ, 2012a, p. 14). This approach was reflected in the final decisions on the MFF.

With the Polish presidency still in progress, a debate began on the so-called macrofiscal conditionality, or support for efforts to maintain fiscal discipline and promote more efficient and result-oriented spending of EU funds at both the EU level and in individual member states. These proposals were challenged during meetings organized
under the Polish presidency because they failed to take into account the principles of subsidiarity, fair treatment of all countries, and the effectiveness of Cohesion Policy. Many member states said that meeting the macro-fiscal conditions could lead to an economically unwarranted pro-cyclical effect as well as the imposition of double sanctions (in addition to those resulting from the “six pack”), and penalties on beneficiaries (17448/1/11 REV 1, p. 5). From Poland’s perspective, ax-ante conditionality guarantees successful support for Cohesion Policy at the beginning of a programming period. As a result, Poland accepted the Commission’s proposal that failure to fulfill requirements related to various preliminary conditions should lead to the suspension of some or all indirect payments under a given operational program (MSZ, 2012a, p. 8). Finally, in line with what Poland suggested—originally as the country holding the presidency and then as an ordinary member of the EU—it was agreed that failure to respect the stability of public finances could lead to the suspension of commitments, and subsequently payments, as part of the MFF.

Public finance supervision

Although it took an active part in work on legislation on public finance supervision, Poland was surprised when it turned out that negotiations on regulations related to the 1997 Stability and Growth Pact (SGP) (OJ C, 2.08.1997, p. 1) had to continue even though these regulations had not been cleared between EU institutions and member states. The SGP was ushered in by means of two Regulations: No. 1466/1997 of July 7, 1997 on the strengthening of the supervision of budgetary positions and on the supervision and coordination of economic policies (OJ L 209, 2.08.1997, p. 1)—setting the rules for the content, method of transmission, examination and monitoring of stability and convergence programs; and No. 1467/1997 on speeding up and clarifying the excessive deficit procedure (OJ L 209, 2.08.1997, p. 6)—defining procedures launched by the Commission in connection with an excessive deficit and sanctions imposed by the Council in the form of a non-interest-bearing deposit or penalty.

The first serious test for the SGP was in 2001–2003, when as a result of the crisis and the loosening of fiscal policy, an excessive deficit procedure was launched against Germany (OJ L 34, 11.2.2003, p. 16, OJ L 183, 13.7.2007, p. 23) and France (OJ L 165, 3.07.2003, p. 29, OJ L 68, 8.03.2007, p. 3). In both cases, the Commission found the activities of these countries to be either inappropriate or ineffective, and recommended that the Council go public with its recommendations and call on both countries to take action to reduce the deficit within a specified period. However, the Council (Doc. No. 14492/1/03 REV 1, 2003), instead of adopting the appropriate decisions

---

The text appears to be incomplete or misaligned at the end, as indicated by the page number 321, which does not correspond to the content visible in the image. The text continues with the discussion of the Track Record of the Polish Presidency of the Council of the European Union. The context suggests a discussion on the principles of subsidiarity, fairness, and effectiveness in the context of Cohesion Policy.
required under law,¹ adopted proposals² for each of these countries, on the basis of which the excessive deficit procedure was suspended.³ In subsequent years, instead of taking advantage of the Commission's suggestions for strengthening the impact of the SGP (COM(2002) 668, COM(2004) 581), the regulations were changed (OJ L 174, 7.07.2005, p. 1, OJ L 174, 7.07.2005, p. 5), in line with the recommendations of the European Council of March 2005 (Doc. No. 7619/1/05 REV 1, 2005). All the requirements were relaxed. When checking for the existence of an excessive deficit, the Commission and the Council were obligated to not only look at the annual fall in a country’s real GDP (by at least 2%), but also take into account various other frequently immeasurable factors, such as a severe deterioration in economic trends and the extent to which Lisbon Strategy policies have been implemented—in addition to any other developments that, according to the member state involved, are relevant to the correct assessment of the extent to which the reference value has been overstepped. The de facto introduction of these solutions meant dismantling the SGP and accepting unsustainable public finances. Three years later, it turned out that the EU did not have the legal and institutional arrangements needed to prevent a debt crisis.

The “six pack”

In the aftermath of the economic crisis, the Commission presented two Communications, in May (COM(2010) 250) and in June 2010 (COM(2010) 367), to highlight the need to strengthen economic policy coordination. When it turned out that the euro area was in dire straits economically, in June 2010 (EUCO 13/10), the European Council, acting on the basis of the Commission’s recommendations, decided that the existing regulations on budgetary discipline should be fully implemented. It also decided to strengthen the preventive and corrective arms of the SGP and recommended that budgetary supervision take into account the debt levels and the overall level of public finance sustainability. In response, the Commission, on Sept. 29, 2010, submitted a set of policies: five regulations and one directive (the so-called “six pack”) representing the new architecture of budgetary surveillance in the euro area (see Table 1).

---

¹ Belgium, Denmark, Greece, Spain, the Netherlands, Austria, Finland, and Sweden voted for making those decisions public (37 of 87 votes, with the required majority at 58), while Belgium, Greece, Spain, the Netherlands, Austria, and Finland voted in favor of adopting decisions concerning certain measures within the prescribed period (30 of 87 votes, with the required majority at 58).
² Motions adopted with the votes of Belgium, Greece, Ireland, Italy, Luxembourg, Portugal, and alternately Germany and France—40 of 77 votes with the required majority at 49.
³ This decision was declared void by the Court of Justice, Judgment of the Court (Full Court) of July 13, 2004, Case C-27/04.
Table 1
The package of legislation designed to strengthen public finance supervision in EU member states (known as the “six pack”)


Work on the package was carried out under enormous political pressure. This included consultations with a special task force on economic governance headed by the President of the European Council, Herman Van Rompuy. In February 2011, the European Council (EUCO 2/11 REV 1) called on the EU Council to reach a general approach on the “six pack” within a month so that a final agreement could be reached with the European Parliament by the end of June. The Council, in accordance with the approved schedule, in February 2013 (Doc. No. 6514/11, 2011) discussed issues related to the “six pack” so that such a general position could be definitively adopted by March 2011 (Doc. No. 7960/11, (2011), eu2011.hu, 2011a).

In the European Parliament, the “six-pack” proposal was reviewed by the Committee on Economic and Monetary Affairs with the support of the Committee on Budgets and the Committee on Employment and Social Affairs. After three consecutive debates, in April 2011, the Committee on Economic and Monetary Affairs adopted a set of Parliament positions (A7-0178/2011, A7-0179/2011, A7-0180/2011, A7-0182/2011, A7-0183/2011, A7-0184/2011). As these were contrary to the documents approved by the Council of the European Union in March 2011, at a meeting of the Economic and Financial Affairs Council in May 2011 (Doc. No. 10191/11, 2011), Hungary, which was holding the rotating presidency of the Council of the European Union at the time, called on all the parties involved to maintain a constructive approach and show enough flexibility to reach an agreement in June 2011. It then turned out that the main problems in the talks with the European Parliament were reinforced financial sanctions, an expanded use of reverse qualified majority voting, the procedure for adopting a scoreboard of indicators on macroeconomic imbalances, inter-institutional dialogue, medium-term solutions for crisis management, and codification of the European Semester (Eu2011.hu, 2011b). However, the document previously approved as part of the so-called trilogue meetings (informal tripartite meetings attended by representatives from the European Parliament, the Council and the Commission)
was revised at a meeting of the European Parliament’s Committee on Economic and Monetary Affairs. In response to the amendments made by the parliamentary committee, the Hungarian presidency resubmitted the “six-pack” proposal to the Council on June 20, 2011 (Doc. No. 10595/11, 2011). The draft took into account selected demands from the Parliament and member states, resulting in a unanimous agreement on the updated general approach. The Council made concessions on several counts: the European Parliament was included in the European Semester formula; economic dialogue between EU institutions was institutionalized; the Parliament was included in the process of approving the scoreboard of macroeconomic imbalance indicators; the independence of statistical authorities was strengthened; penalties were introduced for member states falsifying data; the use of reverse qualified voting majority was extended; tougher sanctions were imposed on countries failing to comply with the excessive deficit procedure, and the Commission was authorized to regularly review legislation in this area. It seems that the main problem still to be solved was to extend the reversed qualified majority voting system to include matters covered by the preventive arm of the SGP (Eu2011.hu, 2011c).

However, in the end, at a plenary session of the European Parliament on June 23, 2011, the draft modified by the parliamentary committee was submitted, instead of the version revised by the Council (Eu2011.hu, 2011d). This meant that, in order for the legislation to be passed in the first reading procedure, the Council would have to approve all of the Parliament’s amendments, while withdrawing its own objections. Consequently, after a statement made by the Hungarian presidency, the chairwoman of the committee motioned for the postponement of the vote under Rule 57 clause 2 of the European Parliament Rules of Procedure. The article states that, if the Commission announces that it does not intend to adopt all of the Parliament’s amendments, a committee rapporteur may address the President of the Parliament to suspend the debate. And this is exactly what happened, because if the Parliament had adopted its position, and if the Commission had taken a negative stance on at least one amendment, then the Council would have had to vote unanimously. Faced with uncertainty over the positions of some countries, the Parliament decided to make changes as suggested by the committee involved, yet it refrained from voting on the legislative resolution in order to be able to carry out further consultations—this time under the Polish presidency.

The outcome of efforts related to the “six pack” under the Polish presidency

As already mentioned, the problem of the “six pack” became a previously unplanned priority for the Polish presidency. In the Agenda of the Polish Presidency of the Council
of the European Union (MSZ, 2011), the Polish government had declared that during its turn at the helm of the EU, Poland would work to make sure that the Economic and Financial Affairs Council mandates consistent application of the Stability and Growth Pact, assuming the “six pack” is approved earlier under the Hungarian presidency. In early July 2011, it turned out that several issues remained to be resolved and agreed upon. These included:
- more effective and predictable quasi-automatic sanctions in the preventive part of the SGP with regard to countries whose deficits and debt are approaching certain ceilings;
- acceptance, in principle, by the Council of Commission recommendations under the preventive and corrective procedure of the pact (the issue of reverse qualified majority voting);
- making sure that member state assessment under the macroeconomic imbalance procedure covers these countries’ current-account balances.

Taking advantage of the presidency transfer period, parliamentarians began to make additional demands with regard to the Council. They wanted to be able to summon to the European Parliament finance ministers from countries covered by the excessive deficit procedure. In the face of these problematic issues, Poland launched talks with the European Parliament as well as talks as part of the Council under its presidency. It is worth noting that, at the beginning of July 2011, many expected that the “six pack” would be the toughest challenge for both the Council and the Parliament. Experts quoted radical parliamentarians as saying that it was better not to have these regulations at all, than to have them without the “automaticity of sanctions” (EurActiv, 2011b). This reflected the strong position of those who supported restrictive regulations. Despite the many implications of the eurozone debt crisis, they were in favor of adopting such regulations—without rushing, even if this meant that the regulations would be adopted at a later date. No political deadlines were mentioned at the time. From a legal point of view, in the first reading procedure, there are no restrictions on when the European Parliament and the Council should adopt their positions. As a consequence, it was not at all certain when the “six-pack” regulations would be approved—if at all.

To break the deadlock, the Polish government decided to launch a discussion at an informal meeting of the Economic and Financial Affairs Council in the southwestern Polish city of Wrocław on Sept. 16, 2011. Such a form of the meeting meant there was no need to ensure transparency for the debate on draft legislation, while providing an opportunity for an open exchange of views and the possibility of seeking a solution satisfactory to all member states. It should also be noted that the atmosphere of the meeting was influenced by the presence of U.S. Treasury Secretary Timothy Geithner, an advocate of an expansionary fiscal policy who was invited by Poland as the country holding the presidency of the Council of the European Union. Geithner’s views met with ostracism from EU finance ministers, making those gathered aware of
the urgency of adopting a set of regulations to strengthen public finance supervision across the EU.

As regards the automatism of the Commission’s decisions on sanctions, it is worth noting that, in the original versions of the draft legislation, the Commission proposed a new “reverse voting” procedure whereby decisions on sanctions would be binding on a member state unless the Council rejected these by a qualified majority of votes. In this case, the main goal was to reduce discretion in the process of enforcing sanctions and to limit the number of decisions made for purely political—rather than economic—reasons. The lack of quasi-automaticity in imposing sanctions could lead to a situation in which sanctions would still be arbitrary in nature: large and influential member states would be able to push through their position despite the economic opinion of the Commission. The European Parliament even proposed that this procedure be expanded to cover decisions on non-interest-bearing deposits (in addition to decisions on interest-bearing deposits and fines) as part of the enforcement of budgetary surveillance in the euro area. The Parliament also proposed that the procedure be used with regard to member states failing to comply with Commission recommendations related to corrective action following a disruption of their macroeconomic balance. In turn, the Council sought to bring about a situation in which, before such decisions were to become valid, the Council would be able to adopt them by a qualified majority of votes, which meant that a blocking minority would be enough to reject these decisions. This, however, created the risk that, as in the case of France and Germany, politicians and finance ministers would refrain from making decisions inconvenient to them. In the course of work on the “six pack,” France led a group of countries arguing that politicians (which essentially means governments) should have more say than experts (meaning the European Commission) when assessing an economic outlook. Finally, thanks to the involvement of the Polish government, the Council fully approved the reverse qualified majority model.

In the corrective part of the SGP, compromise amendments were introduced as an initiative by the Polish government. On the one hand, the European Parliament called for the introduction to Regulation (EC) No. 1466/97—on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (OJ L 306, 23.11.2011, p. 12)—of quasi-automaticity of sanctions imposed by the Commission on member states failing to take effective action to improve their structural balance (the Council needs the so-called reversed qualified majority to reject a Commission proposal). This solution was designed to ensure that countries follow prudent budgetary policies when the economy is booming in order

---

to have a sufficient budget surplus for a time of downturn. On the other hand, some member states (chiefly France) pressed for moving away from any sanctions at this stage, leaving EU institutions only with the power to send out recommendations. These countries argued that the concept of preventive sanctions was a case of excessive and revolutionary interference in the sovereignty of eurozone countries. Finally, thanks to Poland’s efforts under the Polish presidency, a compromise solution was worked out, based on the introduction of sanctions (as proposed by the Parliament), yet these sanctions could be relatively easily rejected by the Council by a simple majority of votes (in line with the French proposal).

Another contentious issue was whether to include European institutions in the debate on member state public finances in the form of the so-called economic dialogue. The European Parliament demanded greater transparency in the decision-making process by enabling parliamentary committees to invite the President of the Council, President of the Commission, and, if necessary, also the President of the European Council or the President of the Eurogroup, to join the debate on the Council’s decision. However, the Council argued that these officials should be allowed to make such appearances on a voluntary basis, because taking part in such a hearing before the Parliament would mean an additional burden on the finance ministers and, more importantly, require full disclosure of future decisions on a given country’s public finances. Finally, in the course of work during the Polish presidency, the list of officials that a parliamentary committee may call on in connection with a Council decision or recommendation for a member state was supplemented to include the President of the European Council (in addition to the President of the Commission, President of the Council, and the President of the Eurogroup). Moreover, a (not very restrictive) requirement was added to the Regulation that the Council is in principle expected to comply with Commission recommendations and conclusions or otherwise explain its position to the public. This was designed to ensure greater freedom for finance ministers.

A separate issue was the scope of annual reporting under the macroeconomic imbalance warning mechanism. The Commission’s original proposal focused on the issue of a rising public finance deficit, but—under pressure from the center-left in the European Parliament—the scope of these annual reports was expanded to include analysis of the situation in member states in terms of the current-account balance. The Commission sought the power to investigate the causes of the detected imbalances in the context of persistent deep mutual commercial and financial ties between member states and the external effects of economic policies pursued by individual countries. The plan was opposed by Germany and the Netherlands, which, in connection with their surpluses, could be officially seen within the EU as the countries responsible for the macroeconomic imbalances of other countries—especially as France argued from the very beginning of the crisis that stimulating internal demand in Germany through an increase in wages would contribute to recovery across the euro area (Gazeta.pl,
Finally, as a result of Poland’s efforts during the Polish presidency, both these countries withdrew their objections in the matter.

Completion of work on the “six pack” under the Polish presidency

The Economic and Financial Affairs Council approved solutions to all these problems on Sept. 19, 2011 (Europa.eu, 2011a). The next day, Sept. 20, 2011, the Polish presidency preliminarily cleared the wording of all pieces of legislation with the European Parliament during trilateral meetings. This enabled the Parliament to approve the wording of the five pieces of legislation in question along with legislative resolutions on Sept. 28, 2011. This meant that the Council, led by Poland, let the European Parliament have its way and eventually approved the versions of the legislation as adopted by the Parliament in June 2011, without any changes.

Moreover, compared with the situation on June 23, 2011, the Parliament adopted one revised position (after clearing its content with the Council) on an amendment to the Council Regulation on speeding up and clarifying the excessive deficit procedure (P7_TC1-CNS(2010)0276). The main change concerned the aforementioned expansion of the list of officials that parliamentary committees may summon in connection with a Council decision on an excessive deficit procedure with regard to a member state—to include the President of the European Council. Moreover, a stipulation was removed from the preamble to the effect that “the Commission should play a stronger role in the enhanced surveillance procedure as regards assessments that are specific to each Member State, monitoring, on-site missions, recommendations and warnings.” These changes show that member states seek to weaken the Commission’s position in the process. Finally, on Oct. 4, 2011, the Economic and Financial Affairs Council (Doc. No. 14890/11, 2011) at its formal meeting held after the debate (Europa.eu, 2011b), worked out a political agreement on the “six pack” (Doc. No. 14998/11, 2011), which it formally approved on Nov. 8, 2011 (Doc. No. 16443/11, 2011, Doc. No. 16446/11, 2011). The agreements between the European Parliament and the Council were formally confirmed on Nov. 16, 2011.

Conclusion

Based on the above discussion, it is possible to assess selected aspects of the Polish presidency of the Council of the European Union in the second half of 2011. Poland’s turn at the helm of the EU marked the start of talks on Multiannual Financial Framework for 2014–2020. These talks eventually ended in success for Poland and the EU as a whole, in part because they began on a positive note under the Polish presidency.

In mid-November 2011, the General Affairs Council decided (Doc. No. 16836/11, 2011) that, following up on the discussions held during the Polish presidency, the main stage of the negotiations would get under way under the Danish presidency in January 2012. One of the clear successes of the Polish presidency was that it helped
identify the problems as well as the positions of individual member states—thus setting the stage for further work under the Danish presidency. It should also be noted that work done in the second half of 2011 was positively evaluated by the European Council (an institution separate from the Council of the European Union, which was presided over by Poland), who appealed to the country next in line for the rotating presidency of the Council of the European Union to speed up work and ensure that the Multiannual Financial Framework is approved by the end of 2012. It seems that Poland’s main objective—to prepare all the partners for a scenario most suitable for Poland—was finally achieved (Dowgielewicz, 2012, p. 18).

From an operational standpoint, and from the perspective of negotiating the final version of the MFF, Poland sought an optimal solution based on getting the negotiations under way. First, during the preliminary analysis of the new legislation ushering in the Multiannual Financial Framework for 2014–2020, Poland made sure that the debate focused on the overall scope of support, while leaving out financial details and detailed amounts allocated for individual measures. As a result, it was possible to effectively and efficiently carry on with the negotiations during the next presidencies, without the imprint of the country managing the decision-making process.

Another success of the Polish presidency was that it managed to bring about the conclusion of negotiations on the so-called six pack, a set of legislative measures designed to reform the Stability and Growth Pact and introduce greater macroeconomic supervision. Although this issue was not listed among the priorities for action in the latter half of 2011, it was treated as one of the most important tasks of the Polish presidency. Poland could not prepare for this problem in any special way beforehand because it learned that the European Parliament had refused to accept a compromise Hungarian proposal the week preceding July 1, 2011. Political circumstances also played a role. First, the “six pack” refers for the most part to eurozone members, while Poland is not part of the euro area. Consequently, even though it presided over the Economic and Financial Affairs Council, Poland did not participate in the meetings of the Euro+ group. Second, the issue in question had been widely debated by experts and journalists, which further limited the room for maneuver during informal talks at a meeting of the Economic and Financial Affairs Council. As a result, in what proved to be an excellent solution, the main debate was held at an informal meeting of the Council in the southwestern Polish city of Wroclaw, where a compromise was finally reached.

The agreement sent out a strong signal for investors and financial markets. It clearly showed that the EU and its institutions were capable of working together, and that Europe was able and determined to respond to emerging challenges. It also seems that Financial Programming and Budget Commissioner Janusz Lewandowski was right to say that the adoption of the package would be a “fuse” preventing the EU from being divided and becoming a Europe of “two speeds”—the euro area and the remaining member states. This is especially important as a meeting of German and French leaders in Paris in August 2011 ended with a proposal to establish a common economic
government for the eurozone, headed by the President of the European Council, Herman Van Rompuy. Poland, which is not a member of the eurozone, has consistently opposed ideas to divide the EU into the eurozone and the remainder.

To sum up, Poland fulfilled its role as an efficient presidency of the EU Council. The Polish government launched and efficiently handled the discussion on the EU’s Multiannual Financial Framework for 2014–2020; it managed to focus the debates in such a way that it eventually achieved most of its original goals and objectives in the last round of the talks. In another success, Poland resolved the conflict between European institutions and differences of opinion within the Council itself over the “six pack” issue. It can therefore be said that Poland has established itself as a fully valuable European partner, which should help strengthen its position in the European Union. Of course, it is possible to question how the Polish presidency directly contributed to the country’s own economic and social development or how some specific problems were handled. However, it needs to be remembered that a country holding the rotating presidency of the EU Council is responsible for the overall course of affairs in the EU, while essentially being unable to pursue its own particular interests.

References
A7-0178/2011, Sprawozdanie w sprawie wniosku dotyczącego rozporządzenia Parlamentu Europejskiego i Rady zmieniającego rozporządzenie (WE) nr 1466/97 w sprawie wzmocnienia nadzoru pozycji budżetowych oraz nadzoru i koordynacji polityk gospodarczych, (COM(2010)0526 – C7-0300/2010 – 2010/0280(COD)).
A7-0179/2011, Sprawozdanie w sprawie wniosku dotyczącego rozporządzenia Rady zmieniającego rozporządzenie Rady (WE) nr 1467/97 w sprawie przyspieszenia i wyjaśnienia procedury nadmiernego deficytu, (COM(2010)0522 – C7-0396/2010 – 2010/0276(CNS)).
A7-0180/2011, Sprawozdanie w sprawie wniosku dotyczącego rozporządzenia Parlamentu Europejskiego i Rady w sprawie skutecznego egzekwowania nadzoru budżetowego w strefie euro, (COM(2010)0524 – C7-0298/2010 – 2010/0278(COD)).


Doc. No 7619/1/05 REV 1, (2005), Rada Europejska, Konkluzje Prezydencji, 22–23 marca 2005 r.


EUCO 2/11 REV 1, Konkluzje Rady Europejskiej, 4.02.2011, Bruxsela, 8.03.2011.

EUCO 13/10, Konkluzje Rady Europejskiej, Bruxsela, 17.06.2010.


6.1. The Track Record of the Polish Presidency of the Council of the European Union...


OJ L 174, 7.07.2005, p. 5., Rozporządzenie Rady (WE) nr 1056/2005 z dnia 27 czerwca 2005 r. zmieniające rozporządzenie Rady (WE) nr 1467/97 w sprawie przyspieszenia i wyjaśnienia procedury nadmiernego deficytu.


OJ L 209, 2.08.1997, p. 1, Rozporządzenie (WE) nr 1466/97 w sprawie wzmocnienia nadzoru pozycji budżetowych oraz nadzoru i koordynacji polityk gospodarczych.

OJ L 209, 2.08.1997, p. 6., Rozporządzenie (WE) nr 1467/1997 w sprawie przyspieszenia i wyjaśnienia procedury nadmiernego deficytu.


OJ L 68, 8.03.2007, p. 3., Decyzja Rady z dnia 30 stycznia 2007 r. uchylająca decyzję 2003/487/WE w sprawie istnienia nadmiernego deficytu we Francji, 2007/154/WE.


OJ C 139, 14.06.2006, p. 1., Decyzja o ujęcia środków funduszu w budżecie ogólnym UE: pkt. 28: Porozumienie międzynarodowe pomiędzy Parlamentem Europejskim, Radą i Komisją w sprawie dyscypliny budżetowej i należnego zarządzania finansami.


OJ L 209, 2.08.1997, p. 1., Rozporządzenie nr 1466/1997 z 7 lipca 1997 r. w sprawie wzmocnienia nadzoru pozycji budżetowej oraz nadzoru i koordynacji polityk gospodarczych.

OJ L 209, 2.08.1997, p. 6., Rozporządzenie nr 1467/1997 w sprawie przyspieszenia i wyjaśnienia procedury nadmiernego deficytu.

P7_TC1-CNS(2010)0276, Stanowisko Parlamentu Europejskiego przyjęte w dniu 28 września 2011 r. w celu przyjęcia rozporządzenia Rady (UE) zmieniającego rozporządzenie Rady (WE) nr 1467/97 w sprawie przyspieszenia i wyjaśnienia procedury nadmiernego deficytu.


SEC(2011) 868, Commission Staff Working Paper, A Budget for Europe 2020: the current system of funding, the challenges ahead, the result of stakeholders consultation and different options on the main horizontal and sectoral issues. Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, A budget for Europe 2020, Brussels, 29.06.2011.
