

NATIONAL PERSPECTIVE: POLAND

EUROPE'S ECONOMIC REVIVAL

Andrzej Domański



Europe is experiencing a geopolitical awakening that will also reshape the continent's economic landscape. Can the European Union muster the will to change? Previous experience indicates that the answer is yes.

In testing times, we must look to our past for inspiration in the present. Poland provides one such inspirational story. Our living standards have leapt 3.6 times, from a per capita income of \$13,100 in 1990 to \$47,100 today in real terms. This year Poland is set to grow almost 4 percent, one of the fastest rates among the EU's largest economies.

Our geopolitical earthquake occurred in 1989, when communism fell and Poles regained freedom. However, the post-communist economy struggled against international competition. Large state-owned industrial plants were inefficient and per capita income was tragically low, while unemployment and inflation surged. The socioeconomic situation was dire.

Yet over the years Poland has made steady and

Poland's successful economic transformation can inspire the continent today



impressive progress to become a high-income country. This success reflects well-implemented systemic and structural reforms, but above all the perseverance and hard work of our people. Since 1989, Polish GDP has grown by 220 percent in real terms. Unemployment has dropped from double-digit rates in the 1990s to less than 3 percent today, one of the lowest in the EU.

Foundations of success

Reform succeeded only because our people were capable and our society engaged and hungry for change. Poland has nurtured its talent through a strong education system that continues to grow. While maintaining effective primary and secondary schooling, Poland has expanded its higher-education sector, which now comprises over 350 universities and colleges.

Poland ranks 23rd in the World Bank's Human Capital Index, 24th in the Penn World Tables' human capital index, and achieves above-average performance in the Program for International Student Assessment—surpassing the EU average on all these measures. Education supplies the private sector with specialists and creates a new, competent workforce for public institutions.

Our transformation's defining symbol is accession to international organizations: the World Trade



Students ask questions during a lecture at Jagiellonian University in Krakow, Poland.

Organization, the Organisation for Economic Co-operation and Development, and, most important, the North Atlantic Treaty Organization (NATO) and the European Union. Joining these institutions secured Poland's integration into the transatlantic community, attracting investment and facilitating technology transfer. EU membership, especially, has been a key driver of development, enabling Poland to close economic gaps by benefiting from the single market and cohesion policies.

Convergence machine

Poland's success has been driven by investment and export-led market expansion. Its strong position within the Western community has significantly boosted its attractiveness for foreign direct investment. Between 2004 and 2023, Poland attracted over \$310 billion in foreign investment, almost half of the total of the eight states that joined the EU in 2004. Inward investment plays a dual role: bridging Poland's capital gap and facilitating technology transfer and job creation.

Poland's integration into the EU's convergence mechanism proves the theory of comparative advantage. Access to the single market has allowed our country to expand trade, specialize, and enhance economic efficiency significantly. Since joining the EU, Polish exports of goods and

"Europe needs deregulation and economies of scale first and foremost."

services have increased nearly 3.5 times. Our technological sophistication has steadily improved. We have solidified our edge in middle-technology goods and built up a consistent surplus in service exports, driven partly by specialists employed by both newly established domestic companies and by multinational corporations. One of our leading economic think tanks, the Polish Economic Institute, estimates that European integration has boosted Poland's GDP by 40 percent compared with a hypothetical scenario in which we never joined the EU.

Education and specialization have also fueled Poland's digital leap. We have been early adopters of the latest technologies and network infrastructure, such as broadband internet. The financial sector, having developed information technology systems decades later than Western counterparts, has leapfrogged to modern solutions without legacy constraints. The Polish state is leading the way in digitalizing public services, offering digital IDs, automated tax filing, and various other governmental services online.

New challenges

As we close the income gap, Poland faces new challenges: the energy transition, capital market development, and advancing technological sophistication. We must also provide greater security as a result of Russia's invasion of Ukraine. This marks a fundamental shift from the past 30 years, when Poland's economic growth benefited from a peace dividend, in addition to its inner strength.

As the country becomes a regional powerhouse, Poland's role in the EU is also evolving as it transitions from being primarily a net recipient of EU funds to gradually taking on a greater financial role within the EU budget while actively contributing to the functioning of the single market through trade. We have surpassed China as an export market for German products; Polish industry also supplies goods to all Europe. Poland's challenges and those of the EU are increasingly aligned. Three of these merit special attention: ensuring that Europe's rigidities don't constrain economic growth; managing the energy transition wisely; and continuing to cooperate on security challenges, for which

Poland's defense spending—the largest in NATO relative to GDP—is critical.

Europe needs deregulation and economies of scale first and foremost. The single market has been a success—as evidenced by Poland's impressive export performance—but remains incomplete. The EU's biggest barriers are imposed by the EU itself. According to IMF estimates, nontariff barriers within the single market are equivalent to a 44 percent tariff on industrial goods and a staggering 110 percent on services. Without a real single market, European companies cannot scale up, and homegrown innovations remain confined within national borders. This potential must be tapped.

Furthermore, a properly executed energy transition is essential. Decarbonization is and will remain a priority. However, it is critical to address the disparity in energy prices versus the US and China. European industry faces electricity and gas prices up to three times higher than those of our main trading partners. The energy transition is both an environmental necessity and an economic opportunity, considering both the indirect benefits of reduced pollution and the competitive advantage from the clean-industry value chain.

Above all, Europe is regaining confidence in the European project. European integration in the era of Adenauer, Schuman, and De Gasperi was a world-changing endeavor. It marked an epochal shift, made possible by visionary leaders who transcended the constraints of their times and short-term interests. Yet lately hesitation and fragmentation have slowed integration efforts. Parochial interests still stall some initiatives to deepen integration. Research on cutting-edge technologies on the scale of those of the National Aeronautics and Space Administration and the Defense Advanced Research Projects Agency in the US is hampered by concerns about joint funding. Regulatory inconsistencies between countries continue to pose challenges for the private sector.

The tide is turning, however. Following its geopolitical awakening, Europe recognizes the need for a new wave of economic integration, and with it, smart regulation and simplified laws to reignite the spirit of prosperity that has always defined the European way of life. I am optimistic. A competitive and secure EU is not just possible, it's within reach. And the way my fellow Poles adapted to geopolitical changes 35 years ago should inspire us all. Major positive change is possible even during times of global turbulence. EU governments are preparing Europe's economic revival. **F&D**

ANDRZEJ DOMAŃSKI is finance minister of Poland.

NATIONAL PERSPECTIVE: GREECE

REMARKABLE RECOVERY

Konstantinos Hatzidakis



Once regarded as Europe's economic Achilles' heel, Greece is now emerging as an unlikely success story. This remarkable turnaround is underpinned by positive growth rates outpacing the European Union average, a significant rebound in investment, historically high exports, and a decline in unemployment to levels unseen in over a decade. Fiscal policy remains consistent, delivering increasing primary surpluses, and public debt has decreased almost 55 percentage points of GDP, one of the steepest declines Europe has ever seen.

Beyond fiscal and macroeconomic indicators, the transformation also carries a qualitative dimension: a business climate increasingly favorable to investors, improved financing conditions, a state that is proving more adept at economic management, and, of course, the restoration of Greece's investment credit rating.

This strong economic performance did not occur in a vacuum. It is the result of implementing the right policy mix: a prudent fiscal policy to restore market confidence, a sustained effort to heal our banking system, and the completion of growth-enhancing structural reforms.

Strong reforms have turned Greece into one of Europe's fastest-growing economies