POLAND AS A GLOBAL DEVELOPMENT PARTNER

TOWARDS POLAND’S GLOBAL ENGAGEMENT

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Lessons of experience from the Polish transition
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This note has been commissioned by the World Bank under the project *Poland as a Global Development Partner*, led by Leszek Kasek, Senior Economist in the World Bank Warsaw Office. The project was implemented between 2013 and 2014, and included the following activities: (i) supporting the establishment of an advisors’ roundtable to inform and fuel the Polish domestic debate on development issues; (ii) launching an experience-sharing process between Poland and Eastern Partnership countries; and (iii) recording some “lessons of experience” from the Polish transition, and disseminating them within the World Bank and externally.

This note was prepared under the third component of the engagement, and presents a personal perspective of the reform practitioners who have had intimate knowledge and were directly involved in Poland reforms during the past 25 years. This and other notes under the series are primarily addressed to policy makers in other countries in order to inspire them and provide knowledge of and an entry point to ask more questions on Poland’s experience, while designing reforms in their own countries. It is hoped that they will also stimulate a deeper reflection on past reforms in Poland and facilitate a national policy debate on future challenges. The notes are expected to facilitate a larger dialogue and serve as an example of Poland’s readiness for a stronger engagement on the global development agenda.

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Executive summary

Poland has lived through a unique experience of transformation and development over the last 25 years. Soon after the initial period of radical political and economic transition began in 1989, it entered on a track of accelerated yet stable modernization which, since 2004, has been supported by its membership of the European Union. The country's recipe for success could be explicated as a mixture of several far-sighted structural reforms (in local self-government, fiscal discipline, the banking sector and pension system) as well as appropriate sequencing (from the “shock therapy” at the beginning of transition, through a "big bang" introduction of four major reforms once the situation had stabilized, to the current "incrementalism"). EU structural funds have undeniably been helpful, but Poland has also proved to be satisfactorily efficient at investing these in line with its own development strategy and priorities. At the same time, its economic endeavors have been matched by a balanced foreign policy – Poland has passed from reconciliation with Germany towards establishment of amicable and functional partnership with its western neighbor; it has also managed to solidify friendly relations with a majority of countries in the region. The most recent Russian annexation of Crimea and invasion of Ukraine constitutes a vital test for sustainability of Poland's relations with its neighbors, as well as for Poland's capability to influence the EU foreign policy.

Poland may serve as an interesting case study for many countries around the globe. In this role, it can be viewed not only as an example of successful economic transformation and modernization, but also as a 'live experiment' on how to avoid the middle income trap, as well as an illustration of the importance of foreign policy in development efforts.

At the same time, Poland itself could derive substantial benefit from spreading its message of modernization. Having virtually completed its ‘primary modernization’, it is now entering a new phase in its political and economic awakening, in which opening up to the wider world (beyond the EU’s borders) will play an important role.

It is at this intersection of Poland's and the world's mutual benefits that the country's strategy of global engagement should be established and implemented in the near future. To succeed, Poland needs to develop an attractive communication formula, attempt at matching supply and demand, set clear priorities in its global agenda, and position itself as a benchmark for the region. The World Bank's support in these endeavors may prove invaluable, if not instrumental.
I. Poland and the (wider) world

There is currently a new momentum in Poland’s foreign policy. In the initial post-1989 period, Poland focused on anchoring itself in European and Euro-Atlantic institutions and structures. Thanks to diplomatic efforts, it joined the Council of Europe in 1991, the OECD in 1996, NATO in 1999 and the EU in 2004. It subsequently sought to strengthen its position within Europe, soon becoming one of the fiercest advocates of wider and deeper integration. Yet, after the outbreak of the economic crisis in the Eurozone, Poland’s heavy reliance on European perspectives and affairs became clear. This concerns not only politics but also, to a large degree, its economy: a staggering 88% of Polish exports go to European countries, with Germany alone being the recipient of 27% (even though this is largely composed of inputs to German further exports). In order to counterbalance this virtually exclusive political and economic concentration on Europe, Poland has been timidly diving into another phase in its post-1989 foreign policy, adopting more globalized and economic-focused approach. Political leaders have signaled that, alongside its engagement with the EU, it needs to rediscover the wider world and embrace the forces of globalization more doggedly in order to secure further economic growth for the national economy and to establish greater political significance on international scene.

Poland’s renewed appetite for increased global engagement should undoubtedly be treated as an asset. Poland has never been a colonial power, which gives it a clear record in relations with the rest of the world. It has neither historical liabilities nor burdensome legacies of the past in today’s emerging regions: Asia, Africa or Latin America. On the contrary, Poland itself was subjected to, and at times a victim of great power politics. As a consequence of bargaining between the monarchs of Austria, Russia and Prussia, it ceased to exist for 123 years, being effectively erased from Europe’s political map between 1795 and 1918.

Deprived of their own state, hundreds of Polish soldiers fought for the independence of other countries against colonial rule. Émigré Polish artists and scientist of the time (such as composer Frédéric Chopin or geologist Ignacy Domeyko) or simply Poles living and working abroad (such as chemist Marie Curie-Skłodowska, anthropologist Bronisław Malinowski or writer Joseph Conrad) are now considered key figures in the world’s common cultural heritage.

Hundreds of thousands of Polish citizens emigrated from Poland in the 19th and 20th century, establishing vibrant communities in different parts of the world (United States, Brazil, Canada, Argentina, Australia) and having an important impact on their economic and cultural success.

Finally, a number of Polish personalities of the 20th century (such as Pope John Paul II and Lech Wałęsa, or Zygmunt Bauman, Ryszard Kapuściński and Krzysztof Kieślowski) are known and appreciated worldwide. Poland will have to use all of these assets as leverage to both internally and externally surmount the obstacle of not having a tradition of global presence until now.
In this respect, Poland’s additional asset is a lack of a "hidden agenda" behind its increased global engagement. There should be no doubt about Poland’s foreign policy intentions. Its current opening to a wider world is a self-explanatory, if not obvious “next step” on the road it has travelled throughout the last 25 years. Whenever Poland undertakes a more engaged position on the international scene (as in the case of its immediate willingness to support the new national administrations that emerged in North Africa after the Arab Spring), this should be seen as a result of an inherently unselfish desire to share its experience with others, with no strings attached. Indeed, this is how Poland is usually perceived in those countries where it has begun to be more active economically in recent years: in Turkey, Vietnam, Nigeria and Chile. Paradoxically, there is a greater need to convince Polish citizens themselves that they should now stand behind a more pro-active international role for their country, and that this is where their own interests lie.

Poland needs to perceive its engagement in the role of global partner as a two-way street. This is not a charity project where Poland merely promotes its good practices in the world. By sharing its experience with countries that are currently seeking political and technical advice, Poland may be able to reflect back on its own history and gain a better understanding of and insight into the nature of its transformation and modernization. These may prove to be helpful in creating the critical mass needed domestically in Poland: a population that would support its greater opening to the world and sustain further modernization. Once this is achieved, the creation of stronger interconnections between Poland and other countries around the world will be critical to add a strong external dimension to its waning modernization agenda.

If it still plays it smart, for the time being Poland can boast a historical climax to its position within Europe. This is the result of both its recent political effectiveness, as well as problems (independent of Poland) that other EU member states have to face due to the fall-out from the financial crisis. Alongside the increasingly euro-skeptic position of Britain, the end of the Franco-German tandem, has enabled Poland to be perceived by some as one of the key players in European politics. The Polish position within the EU has been most recently solidified and reinforced by an unequivocal appointment of the late Polish Prime Minister Donald Tusk in August 2014 as President of the European Council and President of the Euro Summit. Ironically, Poland’s room for political maneuvering may become somehow limited and waning over time as the country stays outside the Eurozone. For this reason, the decision to secure Eurozone membership and adopt euro will increasingly become political choice, rather than economic or technocratic issue only.

Poland’s deep involvement in the EU’s current affairs should serve as a reminder that a country cannot pursue global engagement at the cost of neglecting or diminishing activity within its immediate or regional environment. On the contrary, Poland can only benefit from its EU membership to gain easier access to the wider world while using European institutions and a trilateral cooperation via other member states as a leverage for its global presence.
II. The European Union as a lever of Poland's global engagement

Poland has come a long way as a European Union member state. From being a rather cautious new entrant in 2004, it has become one of the organization's most active members, as evidenced by the ECFR's European Foreign Policy Scorecard. Poland was ranked 6th (after France, the United Kingdom, Germany, Sweden and Italy) amongst Europe's "leaders". In particular, Warsaw was praised for its contributions to the EU's Common Security and Defense Policy missions, as well as for its engagement in the quest for visa liberalization for the EU's eastern neighbors. Poland's activism outside its immediate region (e.g. regarding Syria and the Middle East) has also been appreciated. As a matter of comparison, Poland ranked rather poor in the Elcano index of global presence, having been situated in 30th position globally, behind countries such as Thailand, Malaysia and the United Arab Emirates, and just ahead of Ireland and Iran.

Poland is committed to closer EU integration and cherishes the community method. It would like to see this applied more widely in the field of foreign policy as well as in other domains. If the crisis subsides, Poland is likely to fight hard for the EU to restore its global position. Poland's global engagement may therefore unfold in line with the country's broader efforts to resuscitate the EU's foreign policy.

1. Harnessing the potential of transatlantic links

There are further "mutual interests" between the EU's post-crisis revival and Poland's strategy of global engagement. Firstly, Poland may benefit from the Transatlantic Trade and Investment Partnership (TTIP), currently being negotiated between the EU and the United States. This involves both purely economic reasons and also geopolitical factors, due to the changing nature of FTA-type agreements and the waning efficiency of multilateral trade systems. Also, from a regional perspective, enabling cheap energy imports from America to Europe would automatically affect the political position of Russia in Europe. Poland is already strongly exposed to international markets as a participant in the global value chains, as OECD data clearly show. Foreign inputs or domestically produced inputs used in third countries' exports constitute 48% of Poland's gross exports. This is a higher proportion than in the case of France, Japan, the United Kingdom, Spain and Italy; and is comparable to Germany or Chile. Besides, Poland belongs to a narrow group of countries whose value added in manufacturing global value chains increased the most between 1995 and 2009.

Nevertheless, awareness among Polish businesses of the challenges related to transatlantic trade remains relatively low. The negotiations may further facilitate Poland's economic opening due to the TTIP becoming a new, if indirect, channel for Poland's engagement with other parts of the world, i.e. Latin America. Although Latin

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1 "European Foreign Policy Scorecard 2014", ECFR, January 2014.
4 Ibid, p. 35.
American countries are not taking part in the ongoing talks, a potential deal may facilitate the development of links between Europe, the United States and Latin America.

2. Regionalism as the Janus face of globalization

Secondly, Poland must be conscious of the fact that, regardless of increased opportunities that the current international system brings to mid-size countries, its global position may only be strengthened if it is backed by a robust regional position. Indeed, there are several meanings to the popular phrase “regionalism as the Janus face of globalization”. Not only does globalization lead to a deepening of interconnections inside, as opposed to outside particular regions (as WTO trade statistics clearly indicate), but also regionalization may be treated as a sine qua non condition for a successful globalization strategy.

It practice, Poland may be able to launch a more ambitious global engagement strategy due to the fact that it has already delegated some of its responsibilities to European or other multilateral institutions (i.e. NATO). Having to a certain extent been strengthened by its allies and helped with running its sovereign security policy, as well as having been supported with structural funds for national development, it can devote more attention and resources to economic and public diplomacy. At the same time, it can attract global partners with its image as a strong player inside Europe. This is an invaluable dividend brought about by regional institutions. Unsurprisingly, countries in other parts of the world have also taken note of this asset. For this reason, the growing attractiveness of regional integration initiatives can be observed in Asia (i.e. ASEAN) and Latin America (i.e. the Pacific Alliance).

3. Poland as a gateway

Today, we can see a fascinating phenomenon of interconnections being built between regions rather than countries, while particular states serve as “entrance points” to wider systems. This is the third and final aspect on which Poland should reflect while searching for potential win-wins between its strategy of global engagement and the challenge of the EU’s post-crisis revival.

First and foremost, Poland should serve as Europe’s gateway for countries with which it has traditionally had good (or at least intensive and/or comprehensive) relations. Contrary to appearances, the list of such countries is not necessarily limited to the EU’s immediate eastern neighbors or the post-communist republics of the former Soviet Union.

Poland may also activate its much-neglected historical assets in the Middle East, Africa or Latin America. A significant Polish minority live in some of these countries. In others, there is a legacy of close scientific and economic cooperation with Poland.

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under communist rule (i.e. South-East Asia, Africa, the Middle East). It is in this sense that the concept of the Polish “diaspora” may be extended to include not only descendants of Polish migrants, but also those who have spent an important part of their live studying or working in Poland before coming back to their home country. Unfortunately, in many cases these undeniable assets remain unidentified by the Polish government or, in the best case scenario, lie fallow.

In more general terms, by harnessing the advantage offered to frontier states, Poland may reasonably aim at becoming a “hub”, toutes proportions gardées: for global players willing to enter the EU or Eastern Europe, as well as for Eastern countries in their endeavors to intensify relations with the EU.
III. Transform & modernize: Poland’s systemic assets and their international relevance

In the years ahead, the unique formula of modernization and development may become a major export asset in Poland’s public diplomacy. Poland taps well into the process that Zbigniew Brzeziński, US President Jimmy Carter’s national security advisor, termed the “global political awakening”. If Brzeziński is right in saying that “for the first time in history almost all of humanity is politically activated, politically conscious and politically interactive, [while] global activism is generating a surge in the quest for cultural respect and economic opportunity in a world scarred by memories of colonial or imperial domination”, then Poland presents itself as a country free from the colonial burden while at the same time being capable of offering empowering and enriching lessons to others.

The practicalities of how to ‘leapfrog’ and implement a successful economic and political transition have long been a key question for the world’s leading economists and philosophers. The answer gaining ground now, at the beginning of the 21st century, is that the key ingredients for success are inclusive political and economic institutions. Still, there is no ‘one-size-fits-all’ approach, as the actual shape of institutions is dependent on a particular historical and cultural context, and thus there may be multiple institutional solutions to the same problem.

In this context, Poland may be seen as an inspiring success-story – one that may illustrate how to enter a path of steady development and, more importantly, how to ensure its long-term sustainability. Poland’s recipe has included a number of powerful drivers which have operated in conjunction to provide a stable framework for the transformation and modernization process. These include strong and inclusive institutional structures as well as effective checks and balances. It is both the methodology of Poland’s transformation and modernization, as well as the lessons learned, which may be communicated to the wider world, especially to those countries that find themselves at the beginning of the path traveled by Poland in the past.

1. Favorable sequencing of reforms

The favorable sequencing of reforms is often at the heart of a successful process of internal change. Over the past 25 years, Poland has tested at least three different approaches to his problem: from the “shock therapy” of a rapid and comprehensive systemic transformation, through a “big bang” package of reforms in education, local self-government, health and pensions, to a period of “incrementalism” in the most recent stage.

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“Shock therapy” was the rapid, systemic transition from a centrally planned and state dominated communist economy to a capitalist market economy. This transition was implemented in Poland between 1989 and 1991 by the deputy prime minister and minister of finance, Leszek Balcerowicz. Although the precise balance of its costs and benefits remains the subject of controversy in Poland, the prevailing opinion among international economists is that it enabled Poland to enter decisively a path of sustainable growth and to develop faster than other post-communist countries in transition. Poland’s average GDP growth was 4.7% between 1992 and 2007 (before the 2008 crisis hit the global economy), not far short of the figures for Hong Kong, South Korea or Ireland in their most dynamic periods of growth. In many respects, “shock therapy” sacrificed short-term economic and political gains for long-term growth. Despite admittedly high social and economic costs, its successful launch and sequencing draws attention to the need of determined political action during a narrow “window of opportunity”, as society may be more tolerant towards radical reforms during critical junctures in its socio-political history.

Poland’s “shock therapy” involved three big transformations in the economic system: liberalization (of prices, foreign trade, entrepreneurial activity, etc.), convertibility of the national currency, and institutional reform (e.g., privatization, de-monopolization, reform of the banking system, tax system and local self-government). The arguments prevailing at that time were in favor of a sudden and irreversible change as a way of overcoming resistance to change and idiosyncratic social attitudes fueled by communism-induced inertia. In comparison, the major risk of “incrementalism” in this particular context was that it would prolong the process of transition, leading to a persistence of many negative phenomena in the economy, while public willingness to accept radical changes would diminish with time. Poland was the only country in the post-communist bloc where a package of such radical and far-reaching changes was introduced successfully.

Almost a decade later, Poland launched another set of reforms. This time the aim was not a shock, but nevertheless the sequencing was remarkable given the government’s plan to implement the entire package in the same year. In 1997, a center-right coalition won over 43% of seats in the parliamentary election on a promise that it would deeply transform the economy by introducing four big structural reforms: in pensions, education, healthcare and local self-government. By 1999, all of the reforms promised during the electoral campaign had been introduced. A three-level system of regional and local self-government was implemented. Poland also reformed its education system, introducing a three-level pre-university education. The preliminary effects of this system are seen as encouraging given the country’s outstanding results in the PISA tests.

The clear advantage of such a “big bang” approach was, again, psychological: it was more difficult to water down details of particular reforms once they were presented as elements of a wider, more ambitious package. However, for such a strategy to be possible there needed to be overwhelming public support for the reforms – a condition which is often difficult to meet. Besides, there is always the question of finding a juste milieu to avoid forcing society and the economy to bite off more than it can chew.
Today, the Polish government bluntly admits that it prefers “incrementalism” over radical reforms. These tactics enabled the coalition partners to become the first in Poland’s post-communist history to secure two consecutive victories in parliamentary elections. During that time, Poland successfully positioned itself in Europe as the only country in the EU to remain on the path of growth regardless of the global economic crisis. The rationale behind the government’s gradual strategy is that the economy, after periods of radical systemic transition and comprehensive structural reforms, may need to be smartly governed and punctually adjusted rather than reformed again from the ground up.

Incrementalism is in no way tantamount to a lack of reform. Indeed, the current government has taken some difficult decisions, including an increase in the retirement age (from 65 to 67 for men by 2020 and from 60 to 67 for women by 2040). Still, there is an important risk to such an approach: the right moment for further reforms may be overlooked, thus effectively locking the country in a fixed stage of modernization instead of enabling it to jump over the middle-income trap.

2. Ensuring sustainability

Aside from the issue of sequencing reforms, Poland may also serve as an example of how to secure sustainable economic development. The sustainability of Poland’s growth has been much-cherished and has led the country to build a number of powerful safety-valves into its system.

One example is the Polish pension system, which lifts part of the burden for maintaining future pensions from the national budget by introducing private pension funds into an obligatory two-pillar system and by moving to a defined contribution formula. Poland’s pension system reform may be treated as a timely answer to the developed world’s demographic transformations (especially its aging populations and diminishing birth-rates) as well as to its correlated fiscal challenges. Although the pension system has recently been revised by the Polish government, these adjustments do not nullify the 1999 reform itself, the important element of which was to move from a defined benefit to a defined contribution formula. Indeed, despite facing one of the highest effective economic old-age dependency ratios in Europe, Poland is at the same time among the very few where the real costs of the pension system (% of GDP) are expected to fall over the next 50 years. Besides, although the replacement ratio is set to decrease significantly between 2008 and 2048, it will become equalized among different earnings groups, which should create a powerful incentive to work longer and to earn more.

Another sustainable “made in Poland” best practice can be found in the banking sector. For many years, Poland has been applying rigorous macro prudential measures, limiting the risk of consumers’ insolvency and the corresponding problems for banks. Since 1995, a strong Bank Guarantee Fund with a broad mandate has stabilized the Polish banking sector, having real firepower in comparison with similar funds in other states. It is one of Europe’s best capitalized deposit guarantee systems. Since its inception, it has provided financial assistance in about 100 cases of banks facing

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insolvency. Moreover, in June 2013 the fund’s range of competences was extended to include the Polish bank crisis resolution framework, turning the fund into a full-fledged deposit guarantee system, with a pay-box function accompanied by a resolution function. Last but not least, it is worth mentioning that Polish banks are subject to stricter than usual capital requirements (as of Basel III), thus preventing banks from running into solvency problems. All of these factors have helped Poland to avoid overheating in a period of accelerated growth.

Further lessons for others may be drawn from Poland’s fiscal discipline. Compared to the rest of Europe, Poland maintains a relatively small public debt of less than 55%. To a large extent, this results from constitutional rules that forbid the government from incurring loans that will lead to public debt surpassing 60%. Moreover, the law on public finances establishes three “security” thresholds (of 50%, 55% and 60%) that automatically trigger forward-oriented, preventive action to be taken by the government if passed. These are the legal provisions, implemented in Poland in 1997, that Western European countries have been only exploring recently, with some (like Germany or Spain) having added appropriate amendments to their constitutions. Here, again, the current government has reformed the law on public finances in order to side-step the risk of the 55% level being exceeded in 2013. Still, it is highly improbable that the 60% threshold will be revoked anytime soon given that this would demand an amendment to the constitution. At the same time, the government has promised to introduce a “budgetary rule”, cherished by economists and the business community, which would limit future increases in government expenditure to a midterm GDP growth rate.

Finally, by introducing a three-tier system of local and regional self-government in 1999, Poland’s central government enabled local communities and society as a whole to take a greater stake in the country’s development. The 1999 reform aimed to find the right balance in the division of competences between central and local government, as well as between different levels of the latter. Local self-government became responsible for a vast array of issues, including primary and secondary education, kindergartens, public transport, social care, healthcare and culture. The decentralized model of administration has proved to be much more financially efficient than the previous, centralized system. At the same time, local authorities turned out to be better performers in the promotion of entrepreneurship, which (apart from their greater understanding of local needs and potential) is often explained by the fact that they have a direct stake in boosting local economic activity: a significant part of their budget depends on the taxes paid by local businesses. The existence of a three-tier system of local and regional self-government caused an imperceptible shift in the country’s approach towards development, with local authorities gradually playing an ever more important role. There is a growing perception that, largely due to successful administrative reform, Poland could maximize its benefits from EU’s structural funds, which since 2004 have supported its economic development. Last but not least, the self-government reform has, quite paradoxically, reinforced the central government, by relieving it of several burdensome responsibilities as well as by appeasing social unrest in the country through greater devolution of political power to local authorities. Although the 1999 reform may still need some parametric adjustments, especially as regards the necessity to match local responsibilities with financial resources, it is increasingly seen as one of the major (though as yet rather silent) success stories of the Polish transition. Several countries are already said to be interested in drawing inspiration from Polish experience in this field.
3. Avoiding the middle-income trap

These are only some of a number of valuable insights that Poland can offer into the ways of balancing short- and long-term developmental needs. However, this is not to say that the process of Poland's development and modernization is already complete.

A heated debate has recently arisen about the ways to avoid the so-called "middle income trap". There is a growing consensus in Poland that the country's focus on Europe in its foreign policy, as well as its concentration on internal structural reforms meant to put the economic and political system in order, were correct answers to the early challenges of transition and modernization. However, they seem to be insufficient if the country is to become a truly modern economy and society in the longer term. Opening up to a wider world is increasingly seen as a necessary next step which, by strengthening all kinds of interconnections between Poland and the global system, would enable its economy to become more robust and technologically sophisticated, while at the same time consolidating Poland's political position on the international stage.

In this sense, Poland should not only provide other countries with a "manual" for successful transition and modernization, but may also be regarded as a living, realtime experiment on how to avoid the middle income trap.

4. Searching for a balanced foreign policy

The economic success of Poland, as well as its strong position within the EU, would probably have been impossible without an open and balanced policy towards the country's neighbors. For many centuries Poland has had a tradition of difficult relations with Germany on one hand and Russia on the other. These powers were jointly responsible for the country's partition between 1795 and 1918, as well as at the beginning of the Second World War.

In this context, reconciliation between Poland and Germany may serve as a pattern of how two traditionally conflicted neighboring countries can move from enmity towards partnership or even amicable relations. Some argue that, in this case, reconciliation was significantly more critical for the history of Europe than in the case of the much more symmetrical relationship between France and Germany. The process of Polish-German reconciliation had already begun during communist times. Its most symbolic moment was when Willy Brandt, the German chancellor, knelt down in front of the Monument to the Heroes of the Warsaw Ghetto, in 1970. Soon after that, a Polish-German Textbook Commission was established, under the auspices of UNESCO and involving leading historians and geographers from both countries. Their task, which was then successfully completed, was to revise school textbooks on history and geography, eliminating inconsistencies that could lead to the future resuscitation of historical claims or resentments. Soon after the fall of communism, in November 1989, the first non-communist Polish prime minister, Tadeusz Mazowiecki, and the German chancellor, Helmut Kohl, jointly participated in a Catholic mass in Krzyżowa (a town in Poland close to the border with Germany) and embraced each other in a sign of symbolic completion of the reconciliation process.
Not long afterwards, Germany became Poland’s most important political and economic ally in Europe, as well as its obvious benchmark. Nowadays, the success of the Polish economy is, to a large extent, reliant on the strengths of the German economy. Most importantly, however, Poland and Germany have in recent years started to function as a smooth and concerted tandem in European politics, being increasingly perceived by other countries as the continent’s driving forces, so much needed at times of crisis and when the traditional Franco-German duo has on occasion encountered problems.

Admittedly, the most recent conflict in Eastern Ukraine ignited by Russia has revealed some deficit of coordination in Poland’s and Germany’s approaches towards the EU’s policy to Russia. While Poland has wholeheartedly become a de facto advocate of Ukraine’s interests in the EU, Germany is pursuing more reconciliatory strategy towards Russia. Still, in the strategic perspective, this tactical discrepancy does not need to constitute a handicap for a sustainable alliance between Poland and Germany. In fact, both countries acknowledge the importance of their strategic partnership while at the same time are aware of the fact that, at the level of tactics, their interests and preferences are not always perfectly aligned.

Needless to say that the Russia-Ukraine conflict undermined to a large extent ongoing political reconciliation between Poland and Russia. Already the Polish presidential plane crash in Smolensk in April 2010 and the following disputes concerned with the remains of the aircraft arrested by the Russian authorities made rapprochement between the two countries already increasingly difficult. As a result, and fueled by several politically-inspired conspiracy theories, old resentments towards Russia resurfaced among a more-than-insignificant part of Polish society. For many, most recent events in Ukraine and Russia’s role in them have reignited those resentments and served as a proof that they are not only well-deserved but also wellgrounded.

Aside from Germany and Russia, Poland has borders with five other states: Lithuania, Belarus, Ukraine, Slovakia and the Czech Republic. The question of historical reconciliation being somehow less important here, what indeed is interesting is the way in which Poland has managed to create amicable relationships with the overwhelming majority of its neighbors. It cooperates closely with Slovakia and the Czech Republic (as well as Hungary) within the so-called Visegrad Group. This formation involves both political and military coordination as well as significant programs of scientific and cultural exchange. Furthermore, Poland has been an initiator and leader of the EU’s Eastern Partnership program, which aims to support civil society in countries like Belarus and Moldova. Poland is also the fiercest advocate of Ukraine’s rapprochement towards Europe. The Polish ex-president, Aleksander Kwasniewski, played a pivotal role in resolving Ukraine’s political crisis of 2004-05 (the “Orange Revolution”), while other political figures from Poland, including former president Lech Kaczyński and prime minister Donald Tusk, contributed to the stabilization of the political situation in Ukraine afterwards. The current Polish government has advocated in the EU for the liberalization of visa rules for Ukrainians and supported the Lithuanian EU Presidency in negotiations over the Association Agreement between the EU and Ukraine. Poland and Ukraine were co-hosts of the Euro 2012 European soccer championship, which stands as a clear sign of their close relationship. Last but not least, Polish government plays one of the leading roles in an international effort to secure a peaceful resolution of the current political crisis in Ukraine.
IV. Perspectives and limits of the Polish example

The question however is whether Poland is really capable of becoming a model or inspiration for countries in such remote regions as Asia, Africa or Latin America? Is the geographic, historical and cultural context too different to claim any universal importance for the Polish experience? These are legitimate doubts that will ultimately need to be tackled and addressed. There are two major criticisms that may be made against Polish experiences being transposed onto the economic and political systems of other countries.

Firstly, it may be argued that Poland had it relatively easy because the EU not only provided it with an automatic benchmark and an off-the-shelf legal and regulatory framework in a form of *acquis communautaire*, but also with a technical assistance needed to succeed in the necessary adjustments. Meanwhile, countries in other parts of the world may not be that fortunate: the destination point may be not that obvious for them and they may not be pulled towards reform by a "gravity power", similar to that provided by the EU in Poland’s case.

Secondly, it could be said that, at the moment when its transition started, Poland was privileged since there were no major theoretical or political doubts, at least in the US and in Europe, about how the optimum political and economic system should be designed and function. The free-market paradigm was dominant in global economic thinking in the 1990s, and thus there were no major alternatives to Poland’s efforts to liberalize the economy, limit the role of the State and become open to foreign trade. The same concerned the political system, whereby a liberal democracy, with necessary checks-and-balances, lively competition between political parties and strong local government seemed to be an obvious choice for the country. Nevertheless, when seen from today’s global perspective, the context has changed significantly since the re-emergence of China as an international power, driven by a set of different assumptions underlying its 'state-capitalism', and in consequence of the global economic crisis of 2008 which put a symbolic end to the neoliberal consensus. In this context, the Polish path of transition, which coupled economic and political liberalism, may no longer serve as unquestionable set of guidelines for other countries, as very often they may find in their immediate neighborhood competing and equally inspiring examples of success and achievement which did not necessarily demand democratization (i.e. China) or full economic liberalization (i.e. Brazil, Venezuela).

Does this make the argument regarding the value of Polish modernization misplaced or unsubstantiated? Not necessarily so, and there are at least three powerful counterarguments.

To begin with, the Polish experience may be examined and conceptualized at a "meta-level": not literally but as a general “case” about how to construct inclusive political and economic institutions in a system that lacks these. There may be several different institutional solutions to the same economic and political problems (and related policy objectives or responses). Still, what is important is the pragmatic
character underlying the process of introducing those solutions, no matter if they happen through consensus or leadership. What Poland undeniably has to offer is a consistent story about a political process that led to transformation and modernization.

The value of concrete Polish institutional arrangements should not be easily dismissed either, even if they were introduced in a specific historical and geographic context. In many ways, Poland displayed an admirable level of innovative thinking, designing solutions that were not envisaged either by the so-called ‘Washington consensus’, or by the EU’s acquis communautaire. For example, this concerns its 1999 reforms of the pension system and of local self-government, its forward-looking bank supervision scheme, as well as its far-sighted arrangements in fiscal discipline. There is no major reason why these concrete technical arrangements, detached from more general ideological disputes, should not be transposed into the systems of other countries.

Finally, economics apart, it is extremely difficult to question universal conclusions that stem from Poland’s political experiences: its reconciliation and the establishment of partnership with Germany, the establishment of friendly relations with most of its neighbors, as well as a successful political transition based on the roundtable consensus. The Polish case may serve as a reminder of how relations with neighbors as well as internal reconciliation may prove important for overall political and economic success.
V. Recommendations

1. A communication formula

Even if Poland successfully identifies the content of the message that it would like to disseminate globally, an effective formula to reach out to partners still has to be developed. Such a formula should emphasize delivery of knowledge and experience as well as co-ownership of the process. For example, it may include the appointment of ‘modernization ambassadors’ including top-level experts or former political leaders with hands-on experience of policy-making. Besides, Poland’s positioning as a country whose transition and modernization experience may inspire the rest of the world should become part and parcel of the country’s international public policy campaigns. For the time being, Poland’s image abroad does not sufficiently correspond to its economic strength: according to the FutureBrand Country Brand Index 2012–13, Poland ranks 74 out of 140 countries and lags behind Egypt, the Czech Republic, Portugal, Chile or the United Arab Emirates. Placing emphasis on the country’s institutional success stories may help to reinvigorate the current public image strategy which, as the above ranking indicates, does not seem to work.

2. Matching supply with demand

Once the question of content and communication is resolved, a corresponding matching process needs to be developed to ensure that Poland’s lessons learned remain relevant for other countries, taking into account the uniqueness and specificity of their respective political and economic environments. Here, Poland may have to diversify its supply of political advice, preparing different bundles of lessons for countries struggling with transition from authoritarian rule to democracy (e.g. Tunisia, Libya, Egypt, Myanmar), for developing countries in need of punctual structural reforms (e.g. Turkey, Peru) and yet another set of lessons for countries which are in various ways similar to Poland (e.g. Chile, Colombia) and thus may be willing to exchange experiences in, for example, strategies to escape the middle-income trap. Still, in all of those cases, Poland should strive to present its model on a “meta-level”: not as a guidebook that has to be copied from A to Z, but as a consistent story about the establishment of inclusive institutions in the context of transition.

3. Setting priorities right

Nevertheless, parameters to prioritize Poland’s international involvement also need to be developed to ensure optimal impact and prevent the country’s emerging potential in global engagement from becoming overstretched. Apart from the ‘usual suspects’ in the neighborhood, a possible path for Poland may be to look at two distant regions: the Middle East and Latin America.

In the first case, Poland could share political and economic lessons stemming from its unique experience of transition from communism to democracy and the free market. In particular, it could draw the narrative around the stories of the Polish 1989
Roundtable Negotiations, the Balcerowicz Plan and the importance that a solid regional position has for national stability. These are lessons that could likely prove useful and inspiring for countries such as Tunisia, Libya, Egypt or Iraq.

Meanwhile, in the second case, Poland could draw on its most innovative institutional arrangements, like local self-government reform, pension reform, fiscal discipline or its bank guarantee fund. It could also share its experiences of deep regional integration within the EU and of efficient ways to invest structural funds and use foreign development assistance. These lessons may be of great use to middle-income countries that have already left the group of developing nations but have not yet become high-income countries. Several of these may be found in Latin America: starting with mid-sized nations of Chile, Colombia or Uruguay and, toutes proportions gardées, ending with Brazil and Mexico. Polish lessons from European integration may prove to be extremely valuable for countries of the Pacific Alliance (Chile, Colombia, Peru and Mexico), which are now experimenting with an advanced type of political and economic regional integration.

4. Poland as a regional benchmark

The entire Polish experience of political and economic transition followed by sustained modernization may act as a reference point for developing countries on their way towards meeting development benchmarks. Poland’s GDP more than doubled between 1990 and 2009, whereas in the EU27 the progress was only 33%, and Russia managed an unimpressive 8%. Poland’s Human Development Index increased from 0.683 in 1990 to 0.795 in 2010, which admittedly still leaves Poland behind many Western European countries but nevertheless demonstrates substantial progress. This has been achieved within a democratic system of government that, through consecutive parliamentary and presidential elections during the last 25 years, as well as after the traumatic 2010 presidential plane crash in Smolensk (a major test for the country’s crisis management ability), has proved its resilience, predictability and stability. The sequencing of the Polish road to democracy and prosperity, the effort the country has placed on ensuring its sustainability and the unique formula of bridging political, economic and social transformation may provide a good example for other countries.

Nevertheless, following the rule of “first things first”, Poland should become a benchmark for Central and Eastern Europe before it becomes an inspiration for others in the world. Having successfully joined the EU in 2004, Poland has become a leader within the transformation process in Eastern Europe against the backdrop of Ukraine, Belarus, Moldova and other countries. It has turned the region’s association with the European Union and its approximation to European standards into a flagship foreign policy project. The jury is still out on the success of its efforts which led to the launch of the EU’s Eastern Partnership initiative in 2009. Ways need to be identified for Poland’s own experience, knowledge and expertise to be more effectively shared with stakeholders in Eastern Europe. Finally, the resolution of the current political crisis in Ukraine, as well as the handling of the EU policy towards Russia, will constitute a litmus test for Poland’s leadership capabilities in the region.