

T.C.
TURKISH GERMAN UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES
DEPARTMENT OF EUROPEAN AND INTERNATIONAL
AFFAIRS

EUROPEANIZATION AND ECONOMIC
TRANSFORMATION OF POLAND BEFORE AND AFTER
2004

MASTER'S THESIS

Ahmed ÖRÜCÜ

ADVISORS

Dr. Philipp DECKER

PD Dr. Thomas KRUMM

İSTANBUL, March 2022

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Thesis Advisors: Dr. Philipp DECKER

PD Dr. Thomas KRUMM

Other Jury Members:

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ÖZET

POLONYA’NIN 2004 ÖNCESİ VE SONRASI AVRUPALILAŞMASI VE EKONOMİK DÖNÜŞÜMÜ

Bu tezin konusu Polonya Cumhuriyeti’nin Avrupa Birliği’ne tam üye olduğu 2004 yılı öncesi ve sonrasındaki Avrupalılaşıma sürecidir. Bu bağlamda ülkenin ekonomik gelişimini değerlendirmek için Politik Ekonomi perspektifi araştırmanın merkezine konmuştur. Ayrıntılı bir örnek oluşturabilmesi için vaka incelemesi yöntemi tercih edilmiştir. Araştırma sırasında Polonya’nın Avrupalılaşıma sürecinin; piyasa ekonomisine geçiş, özelleştirme ve altyapı geliştirme alanlarında umut verici olduğu görülmüştür. Öte yandan, Avrupalılaşımanın tamamlayıcı teorisi olarak Farklılaştırılmış Entegrasyon, Avrupalılaşıma sürecinde geri kalan noktaların ortaya çıkmasına yardımcı olması amacıyla seçilmiştir. Bu noktaların esas olarak ülkede insan haklarının gelişimi ve hukukun üstünlüğü konuları olduğu görülmüştür. Bu noktalar ile Doğrudan Yabancı Yatırım girişi arasındaki ilişki tez kapsamında test edilmiş ve Polonya’nın daha az demokratik ya da daha muhafazakar hale gelmesiyle Doğrudan Yabancı Yatırım girişinin azaldığına dair somut bir kanıt bulunmadığı görülmüştür. Bu ilgi çekici bulgu Polonya’nın Avrupa Birliği üyeliği ile ilişkilendirilmiştir. Günün sonunda Polonya, Avrupa Birliği üyesi bir ülke olarak yabancı yatırımcıları çekmeyi ve ekonomik gücüne ivme kazandırmayı başarmıştır.

Anahtar Kelimeler: Polonya, Ekonomik Dönüşüm, Avrupalılaşıma, Politik Ekonomi

Tarih: 09.03.2022

ABSTRACT

EUROPEANIZATION AND ECONOMIC TRANSFORMATION OF POLAND BEFORE AND AFTER 2004

The topic of this thesis is the Polish Europeanization process before and after 2004, which is the year that the Republic of Poland obtained full membership in the European Union. At the center of the research is a perspective of political economy that aims to evaluate the economic development of the country in this context. The case study method was selected to provide an in-depth example. During the research, Poland's Europeanization process was seen as promising as the country was transitioning to the market economy, privatization, and infrastructural development. On the other hand, Differentiated Integration, as the complementary theory of Europeanization, helped the author to bring out the points that were falling behind during the Europeanization process. These points mainly concerned the promotion of human rights and the rule of law in the country. The relation between these points and the inflow of Foreign Direct Investment was tested within the course of the thesis. The results showed that there was no concrete evidence of reduced Foreign Direct Investment inflow as Poland was becoming more conservative and less democratic. This interesting fact might be related to Poland's membership in the European Union. As a member state, Poland has managed to attract foreign investors and accelerate its economic strength.

Keywords: Poland, Economic Transformation, Europeanization, Political Economy

Date: 09.03.2022

ABBREVIATIONS

BSE	: Business and Strategies Europe
CAP	: Common Agriculture Policy
CEC	: Commission of European Communities
CEE	: Central and Eastern Europe
CoE	: Council of Europe
COMECON	: Council for Mutual Economic Assistance
DI	: Differentiated Integration
EC	: European Community
EC	: The European Council
ECA	: European Court of Auditors
EEC	: European Economic Community
EIF	: European Institute Foundation
EMU	: European Monetary Union
ERDF	: European Regional Development Fund
EU	: European Union
FDI	: Foreign Direct Investment
GDP	: Gross Domestic Product
GFC	: Global Financial Crisis
ISPA	: Instrument for Structural Policies for Pre-Accession
KOR	: Polish Defense Committee

MoDFRP	: Ministry of Development Funds and Regional Policy
MoED	: Ministry of Economic Development
OECD	: Organization for Economic Cooperation and Development
PHARE	: Poland and Hungary Assistance for Restructuring the Economy
PiS	: Law and Justice Party
PPP	: Public-Private Partnership
PTC	: Pan-European Transport Corridors
R&D	: Research and Development
RSF	: Reporters Without Borders
SAPARD	: Special Accession Program for Agriculture and Rural Development
SOE	: State-Owned Enterprises
TEN-T	: Trans-European Network
UNCTAD	: United Nations Conference on Trade and Development
WB	: World Bank

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1. INTRODUCTION

This thesis discusses the Europeanization or the European integration process of the Republic of Poland in various areas, as well as its effect on the country's economic development. All the primary information has been collected from reliable sources such as European Union documents, international reports, data of national/global statistical offices, conference proceedings, or internationally accepted academic works from individual researchers.

1.1.SUBJECT, OBJECTIVE, AND IMPORTANCE OF THE RESEARCH

The main *subject* of this thesis is the economic transition and development of the Republic of Poland before and after the EU accession, as well as its primary causes. The *objective* of this research is to demonstrate the effect of the Europeanization process, political dynamics, and economic steps on the country's transition to the market economy. The *method* used is the case study method with an analysis of documents collected from official sources.

The *importance* of the selected topic is related to the salient improvement of the Polish economy in time and it's worth researching ups and downs. A new era started with the fall of the Iron Curtain for the Central and Eastern European (CEE) Countries. Almost all of them aimed to establish a bond with the West and wished to be a part of this wealthy world. The CEE countries were well-aware of the better life and living conditions in the West. As a forerunner country among CEE countries, Poland had an advantage and potential with its relatively big land size, population, political influence, and a strong desire for transformation. This thesis will explore the journey of Poland's economic transformation before and after 2004.

To present the topic in a systematic manner, the thesis is divided into six chapters. The sequence of the chapters and their essential contents are structured as follows:

The first chapter explains the purpose of the whole research and its subject, objective, and importance. In this chapter, each section will be briefly explained to give the reader an overall idea of the whole research and its essential parts. Additionally, the literature review is going to be the part that represents my findings on the already existing literature. Several articles, books, and digital content will be helpful to give a general perspective on the current literature. All those sources will be related to the political transformation of Poland in the context of Europeanization and Differentiated Integration (DI). As findings will be presented, creating new correlations will be the main purpose to enrich the content of my thesis.

The second chapter is essential in terms of providing detailed information about the selected case study as well as to justify its importance and why the case study method was chosen in the first place. Poland's historical background, geopolitical importance, and landmark events will be discussed to illustrate the country's uniqueness. The political, economic, and democratic situation in Poland and Europe will be addressed in three different sections. The *Solidarność* movement will be specially explained to emphasize the origins of the Polish economic transformation. In this way, the reader will see that the change has started not only in the outer world but also domestically. All those events were gradually pulling Poland more to the Western world, in particular the European Union. To go deeper into the EU accession process, there will be a dedicated section explaining the essential steps of the accession. This will shed light to the whole process and, if any, its obstacles.

The third chapter contains two main concepts/theories that bear importance and relevance to the chosen topic. As an on-point concept to explain the EU's transformative power, Europeanization will be presented with its development in recent years. Its increasing acceptance and popularity in the academic field will be highlighted in a chronological manner. The difference

between how the EU and candidate countries/member states perceive this phenomenon will be emphasized. Differentiated Integration, as the second theory, is going to come to play at this point to explain the differences caused by the abovementioned parties. There will be a touch to its periodical development in social sciences as well. Both concepts will be examined with their leading theorists and their varying approaches. As mentioned above, Europeanization has a transformative power on the social, economic, and political spectrum of the countries. Since Differentiated Integration claims that the integration process on those categories is not equal and harmonized, it will be a theory to challenge the absolute approach of Europeanization.

The fourth chapter discusses the effect of EU funds and the privatization process. Since both of those are concrete steps towards Westernization and the market economy, they will be explained in the light of the Europeanization effect in the selected case study. Therefore, the reader is going to see the transforming effect of the EU sourced funds such as PHARE, SAPARD, and ISPA. The following section is going to be about the privatization process in the country. In this section, one of the most prominent elements of the free-market economy will be presented in the Polish context with its obstacles and achievements.

The fifth chapter is going to show the character of Polish industrial production throughout the transitioning process and the relation between domestic political events and Foreign Direct Investment. The characteristics of industrial production will be demonstrated with a comparative approach before and after the market economy. On the other hand, controversial events in Poland's domestic politics will be taken into consideration while deepening the topic of Foreign Direct Investment.

As the last chapter, the sixth chapter contains a discussion and conclusion part of the thesis. All the findings in the thesis will be discussed in this part to create a meaningful cohesion. The perspective of the Europeanization and Differentiated Integration theories will be the base while discussing those findings.

1.2. LITERATURE REVIEW

When the current literature is reviewed, there are many articles and books that mention the success of the Polish economy. However, economic growth is not Poland's only power in its hands. Its growing population, big land, and conservative roots make Poland a forerunning country among the CEE Countries. Even during the EU membership process, Poland took the lead for those countries and ensured the coordination of negotiations between the EU and the 2004 comers. After the fall of the Berlin wall, together with Czechoslovakian and Hungarian politicians, Polish officials were quite determined to switch to a full-fledged market economy. And with this purpose, they established close ties with the Council of Europe (CoE), the European Community (EC), and the Organization for Economic Cooperation and Development (OECD). On the other hand, Poland was the first country that embarked on an essential market reform operated by a noncommunist government (Lipton, Sachs, Ficher, & Kornai, 1990). Nearby the country's eye catching economic development, Škare also states that Poland was the most successful country that could resist a recent financial crisis such as the 2008 crisis. Being such an influential opinion leader and promising economy in the region requires a wide range of research in many areas (Škare, Sinković, & Porada-Rochoń, 2019).

While analyzing the literature on this topic, it is clear that Europeanization and Differentiated Integration are two main and from time-to-time contradicting concepts that can explain the rapid economic development in the Republic of Poland. As two important names on Europeanization theory, Börzel and Risse focus on a top-down approach while conceptualizing the impact of today's Europe. According to them, for the Europeanization process itself, there must be a 'misfit' between the affecting and affected parties. "This degree of fit or misfit leads to adaptational pressures, which constitute a necessary but not sufficient condition for expecting domestic change" (Börzel & Risse, 2009, p. 1). This is precisely what happened between the EU and CEE countries, particularly Poland. But it is not a one-way road; there is also a bottom-up approach "As policy misfits produce adaptational costs at the domestic level, member state strives to "upload"

their policies to the European level to reduce their compliance problems” (Börzel & Risse, 2009, p. 6). However, this is only possible for the member states. Before a country takes its place in the European bodies, it will be quite challenging for him to impose its domestic policy perspective to the EU level.

Europeanization requires an overall transformation including the country’s institutional structure, understanding of freedom, and the function of the rule of law. “There is a consensus among economists that institutions are the key drivers of economic performance and societal well being and there is a causal link between institutions and growth.” (Piatkowski, 2018, p. 9). According to Piatkowski, there is a zone called “sweet-spot” in most countries that exceeds the 12,475 dollars in GDP per capita (with exceptions). Additionally, to ensure the active political participation, free speech, and happiness of the citizens, states are obliged to establish primary institutions such as the market economy and democracy (Stiglitz, Sen, & Fitoussi, 2009). Therefore, reforming institutions is such a crucial topic. It promotes a better economy, better living standards and develops freedom. That is why Poland needed such a solid transformative power like Europeanization. When the general progress is taken into consideration, “The Europeanization had an enormously positive effect on Poland and contributed to the democratization of the Polish state through economic growth, institutional progress, entrepreneurship consolidation and reduction of the social disparities” says Cumpănașu in her article (Cumpănașu, 2018, p. 187).

With the positive effect of Europeanization, there was a substantial improvement in international investments and inflow of capital as well. The transfer of the savings (from households to investors) can be accepted as the most powerful booster of economic growth and development (Kenourgios & Samitas, 2007). With this being said, foreign investments should be always seen as an opportunity to access knowledge and technology. This creates a circle between modernization and foreign direct investment. “Recent empirical evidence shows that the technology transfer associated with FDI has had a positive effect on economic growth in a sample of 25 CEE and former Soviet Union countries and that FDI is strongly correlated with local institutional quality” (Kenourgios & Samitas, 2007, p. 39).

There were hesitant moments for Poland and the Polish society towards full EU membership which means the loss of the sovereignty and autonomous management of the country's domestic issues (Cumpănașu, 2018). It is likely to see this concern highlighted in most of the articles written on this subject. Ironically, at the same time, Poland started to feel left out with the enlargement of the Eurozone. This is where Differentiated Integration came into force. "We can also see an emerging consensus that Europeanization has a differential impact on domestic policies, politics, or polities" (Börzel & Risse, 2009, p. 4). Therefore, Differentiated Integration is a balancing argument to Europeanization. However, it does not represent an extraordinary situation. Every EU member state is going through more or less the same road, especially when the national interests are conflicting with the supranational EU interests. "The European Monetary Union (EMU) represents the most prominent case of DI: while some member states refused to participate, others were not permitted to join the club" (Holzinger & Tosun, 2019, p. 643).

Poland has always been skeptical about changing its national currency, especially after the euro crisis. But at the same time, Poland thought that being distant from this "club" could cause an irrevocable disconnection, and eventually, this situation would lead to a loss of benefits. Cianciara also highlights the importance of the Eurozone crisis and how it accelerated the creation of a differentiated integration pathway for Poland (Cianciara, 2014). This dilemma was confusing for a country that hopes to benefit as much as possible from such a big union but does not want to lose control and regret it afterward.

Differentiated Integration also represents the varying level of integration in a country or between countries in different fields. A country may have significant progress on privatization and functioning market economy but fall behind on freedom of speech or democratization. At this point, Europeanization doesn't make equal progress in each field or matter. As Balkır and Soyaltın stated, this kind of integration process takes place only on paper. They call this situation the "*world of dead letters*". In such a world, governments are implementing the reforms as much as domestic politics allow them (Balkır & Soyaltın, 2018).

“The concept of differentiated integration is hardly a new phenomenon in the European Union, as it dates back at least to the entry into force of the Treaty of Maastricht (1993)” (Cianciara, 2014, p. 168). But each author’s perspective is different in papers; for some, it is a statement of national sovereignty, and for others, it is necessary for further integration in the European Union.

“We argue that DI can be conceived as a strategic game between EU actors seeking further integration on the one hand, and exemption-seeking member states or compensation-seeking non-members on the other hand”

(Holzinger & Tosun, 2019, p. 646).

Holzinger and Tosun claim that the EU, as an institution, has insufficient information (asymmetric information) regarding the status of member states or third states (candidates). Therefore, the EU cannot be sure about the cost of opt-out or opt-in situation for those countries. They all have specific and various costs for each member/candidate state. Thus, the EU cannot be sure about what the deeper integration means for Poland in particular. Eventually, the government that supports further integration and accepts a supranational state faces a loss of public support, which causes unsuccess in national elections. This is not a thing that a government can take the risk of (Holzinger & Tosun, 2019).

With fundamental changes in domestic politics, Poland became more distant from further integration into the EU. The right-wing Law and Justice came into power in 2015 and the country’s willingness for a supranational system was highly damaged (Cumpănașu, 2018). Thus, the newly elected Law and Justice Party (PiS) focused more on national interests and conservative legislation rather than a cooperative, EU-friendly focus. This party was well-aware of its voters’ mindset and produced national policies accordingly. From time to time, some of those policies were not accepted well or even entitled as a violation of human rights by the EU and other member states. But the ruling party has chosen to strengthen its place in the country rather than creating an esteemed Poland in the international arena.

Contrary to the efforts of the first non-communist party led by Tadeusz Mazowiecki to establish deeper relations with the west, the newly elected Law

and Justice Party was not hesitant to take steps that would damage the relations with the EU. As a pro-market economy leader, Mazowiecki was quite determined to modernize the existing economy, put major economic reforms on the table, and accelerate the integration process into the EU (Lechmann, 2012). However, today, Poland seeks different ways to differentiate its integration to balance Europeanization and traditionalism. For instance, the country used its fast-developing economy and became a regional power in Eastern Europe. With its growing economy and infrastructure, Poland looked quite “appealing” especially to Ukraine but also to small states like Moldova and Belarus (Cumpănașu, 2018).

When the currently available literature is reviewed, it is unlikely to see an interconnection between two concepts: Differentiated Integration and Europeanization. Despite their appearance, they have an unusual dynamic balance in between. When one’s influence increases, the others diminish. Therefore, in this thesis, I will be showing correlations between Differentiated Integration and Europeanization under the influence of political incidents and dynamics, as well as how they affect overall economic welfare and development.

2. WHY POLAND? SPECIFIC INCIDENTS AND THE IMPORTANCE OF THE COUNTRY

Poland, a relatively large country located in Central and Eastern Europe, represents an interesting case in terms of political and economic development. Its important geopolitical location, controversial history, and eye-catching breakthrough on economic growth provide a wide range of attractive information that I will present in this chapter with a multidimensional approach. The first section of this chapter will give essential information about the case study methods and the particular typology that fits this research. Thereafter, the political situation and the process of EU membership will be shown to the reader. Finally, economic findings will be presented with concrete evidence found in reliable sources.

2.1. CASE STUDY METHODS

In the 1930s, there was a strong opposition towards implementing the case studies in main academic research. It was often seen as a preparation for the essential work, but in fact, case studies are full-fledged research methods that can be used to explain a phenomenon or assertion (Tellis, 1997). In the 1960s, certain limitations of quantitative methods occurred in researchers' eyes, and the interest in case studies has renewed once again. Today, case studies are one of the most used methods in academic research. According to George and Bennett, case study method started as an intuitive approach. "... [T]he systematic development of case study methods for the cumulative building of social science theories is a comparatively recent phenomenon...", so it evolved in time (George & Bennett, 2004, p. 4).

Initially, sociology was strongly associated with this research method (Tellis, 1997). As time goes, the case study method has been used by other scholars/academicians in different fields such as health, social and political

sciences, and even in natural sciences. “Case studies have been used to develop and critique diverse theories ranging from dependency to international power to market liberalism to domestic structures to policy ideas to two-level games” (Odell, 2001, p. 3). When it comes to the international political economy, qualitative methods have always been more popular while conducting a study in this field. To benefit from a specific case puts a more concrete finding on the table. This feature also differentiates case studies from statistical methods. Case studies and statistical methods are different in terms of inductive and deductive logic (George & Bennett, 2004).

As Yin also mentions, “Case studies are even found in economics, in which the structure of a given industry, or the economy of a city or a region, may be investigated by using a case study design” (Yin, 2003, p. 3). In this sense, using a case study while analyzing the Polish economic transformation in the CEE region makes more sense than other methods. With the help of this method, I will provide concrete examples/events to the reader for a better presentation.

There are several definitions of this specific method in the academic world. And yet, it may be described “... as an intensive study of a single unit for the purpose of understanding a larger class of (similar) units” (Gerring, 2004, p. 342). According to Bromley, a case study is a “systematic inquiry into an event or a set of related events which aims to describe and explain the phenomenon of interest” (Bromley, 1990, p. 302).

The case study distinguishes itself from other methods with its variations in this single unit depending on a set of events. Furthermore, outcomes of a single unit may illuminate the features of a broader set of units (Gerring, 2004). More simply, a case study allows scholars and readers to generalize a single case with cases with similar backgrounds. In this sense, the case study method is very convenient for a qualitative research like this one. According to Zucker, Robert Stake accepts the case study researcher as a biographer who focuses on an individual’s life (Zucker, 2009). Zucker makes this likening because he sees a case as a person and deepening on a case is very similar to deepening on someone’s life. Therefore, the case represents the main individual in this story and reveals its

characteristic features on the selected topic. Thanks to all those concrete materials, it is easier to transfer the desired message to the reader.

Odell mentions five essential advantages of the case study method:

1. Qualitative methods, like case studies, are equal or superior while generating a valid theory. To present concrete events supports the generalizing process and sharpens the distinctions.

2. Case studies are usually better for the documenting processes. Alternative study methods make the documentation process more complicated and less flexible in many situations.

3. This method allows stronger empirical grounding for a hypothesis. Compared to statistical methods, the case study method enables greater confidence in the hypothesis' validity in general.

4. Compared to statistical studies, this method provides and reports more information. This way, it allows the reader to interpret this information in many other ways and construct alternative approaches.

5. Case studies provide richer evidence and reasoning about the instance studied compared to the other methods (Odell, 2001, p. 19).

Nearby those advantageous, there is an important point that the researcher should pay a special attention. Random selection is not a common thing in case study methods. That is why there is a case selection process before start to conduct the academic paper. Since it is a qualitative approach and the author is running the case selection process, there is a potential bias in the research. There may be a desired outcome and the author might be willing to collect evidence that is only in line with this idea. Therefore, while combining dependent and independent variables, authors should make sure that several contra-arguments are also placed in their work to call readers' attention (King, Keohane, & Verba, 1994).

As a specific approach, in this thesis, I will be using document analysis as a tool to create a rational basis for my assertions. Those documents will be carefully selected from Polish national entities, worldwide accepted statistical offices, or academic papers, including articles, reports, or books. Interviews will also be a part of those sources to strengthen the qualitative pillar of the research.

In order to conduct a good case study, there are four steps to follow.

- All the analyses should rely on the relevant evidence,
- Major rival assertions need to be included in the study,
- Most significant aspects of this particular case should be addressed,
- Prior and expert knowledge of the researcher must be reflected in the work for further analysis (Tellis, 1997).

Case studies can be categorized under two general categories: single case studies and multiple case studies. Single case studies benefit from a distinguished case that is highly related to the selected topic. But these types of studies should be conducted carefully to avoid any misrepresentation. Also, it should provide as many sources as possible for easy access for the readers. On the other hand, multiple-case studies combine a set of cases that have many major common points. They often tend to compare those cases and put forward their common and distinctive sides. Gerring makes a good exemplification of those two approaches: “There are two ways to learn how to build a house. One might study the construction of many houses – perhaps a large subdivision or even hundreds of thousands of houses. Or one might study the construction of a particular house. The first approach is a cross-case method. The second is a within-case or case study method” (Gerring, 2007).

According to Yin, “There may be exploratory case studies, descriptive case studies, or explanatory case studies” (Yin, 2003, p. 8). Those three types may seem separate but Yin states that in reality, all those three types are often overlapping, and the main aim should be avoiding gross misfits. When it comes to the definition of those types;

- Exploratory case studies are usually hypothesis-testing studies. It is often used in a situation that the author is limited in terms of the choice of the methodology. It is an ideal type of study to conduct while exploring a relatively new field in the academic world (Mills, Eurepos, & Wiebe, 2010).

- “A descriptive case study is one that is focused and detailed, in which propositions and questions about a phenomenon are carefully scrutinized and articulated at the outset” (Mills, Eurepos, & Wiebe, 2010, p. 288). A case study

opens a way for the reader to see the situation in the eyes of the author and selected theory. These types of case studies are more generalizable for other cases (Mills, Eurepos, & Wiebe, 2010).

- Explanatory case studies are casually used to answer “why” questions. Causal linkages are emphasized between the events and the sequence of those events are as important as the main assertion. Priorities should be well-indicated and explorable by the reader.

As is going to be explained in chapter two, Poland makes the most distinctive case among the transitioning economies in the Central and Eastern European countries. Therefore, in this dissertation, I will be using the single-case study method with a descriptive case study approach rather than a comparative case study. Since Poland is a distinctive case in terms of its relatively big economic size, comparing it with three times smaller economies in the region (i.e. Czechia, Hungary, or Romania) won't make the right point. As a second choice, comparing it with non-EU states like Ukraine wouldn't be relevant to the Europeanization concept within this thesis. However, during the course of this study, there will be frequent comparisons with the before-mentioned countries in relevant sections. This will strengthen the concept without being off-topic.

Document analysis will be frequently used to make the study more verifiable for the reader. Those documents will be collected from national and international reliable entities and interpreted by myself. Readers will be able to collect data from this study to reach their own calculations. In this way, this study will open a path for the following studies and encourage academics to broaden the research area of this selected topic.

2.2. THE POLITICAL SITUATION IN EUROPE AND POLAND AFTER WORLD WAR II

There is a reason that Ian Bruma calls 1945 the “year zero”. Especially after World War II, Europe was devastated like never before. About 60 million people in the world have been killed during the war. Eastern Europe was the most damaged one in terms of proportionate of the human losses. As the main stage of this catastrophe, Poland lost 20 percent of its population that existed before the

war (Royde-Smith & Hughes, 2021).

National industrial substructures were highly damaged in the country. Like many other European countries, Poland was also struggling with major health issues, economic and political crises. On the other hand, the continent experienced one of the biggest refugee crises in the history of humanity. In such a situation, it was quite clear that all those results of destructive conflicts were going to change Europe's social, political, and economic structure entirely. "The year 1945, arguably the lowest ebb in Europe's long and violent history, proved to be, therefore, an epochal turning-point" (Kershaw, 2015, p. 168). Therefore, between 1945 and 1973, both Western and Eastern Europe dressed the wounds and went into a recovery period. Especially Western Europe made a remarkable change in terms of standard of living with stable economic growth (Gonzalez, 2018).

Political-wise, paranoia was ruling in the continent. After the Yalta Conference that the big three (the UK, USA, and USSR) conducted in Crimea in 1945, The Cold War frosted the international relations between states and nationalism had a serious increase in the continent. In almost all countries right-wing parties came into force and became the dominant policymakers. According to Kershaw, this was not a foreseeable incident. At this point, it makes sense to ask, "why did such a colossally destructive war lead to decades of peace and prosperity in Europe?" (Kershaw, 2015, p. 167).

Things were going different for Poland's domestic political situation. The Soviet regime put pressure on Polish politics and finally, as a result of the Soviet-run elections, Poland became a Communist People's Republic in 1947 (BBC, 2018). The communist party led by Boleslaw Bierut took over and a new era started for the Republic of Poland. During the period of the communist regime, there were times that opposition among society arose. However, they never became the dominant majority in the country. The same official attitude was preserved during the leadership of Władysław Gomułka and Edward Gierek. Since they both followed similar policy pathways and social constructions, it is possible to call both of those leaders a man with a cause (BBC, 2018).

In 1955, as a precaution, Warsaw Pact came on the stage. It was a union of Central and Eastern European Countries, mainly Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland, Romania, and the USSR.

The main aim was to establish a mutual aid and cooperation dynamic between those countries with keeping the militarist perspective in the center. “World War II demonstrated to Stalin and his successors the crucial importance of sufficient military power and secure border areas to counter opponents of the Soviet state” (Johnson, 1981, p. 1). Joining the Warsaw Pact established a stronger tie with the USSR regarding military affairs. After this point, Poland’s political position was explicitly underlined in the international arena, and it was not going to have a significant change before the Solidarność movement took place in the 1980s.

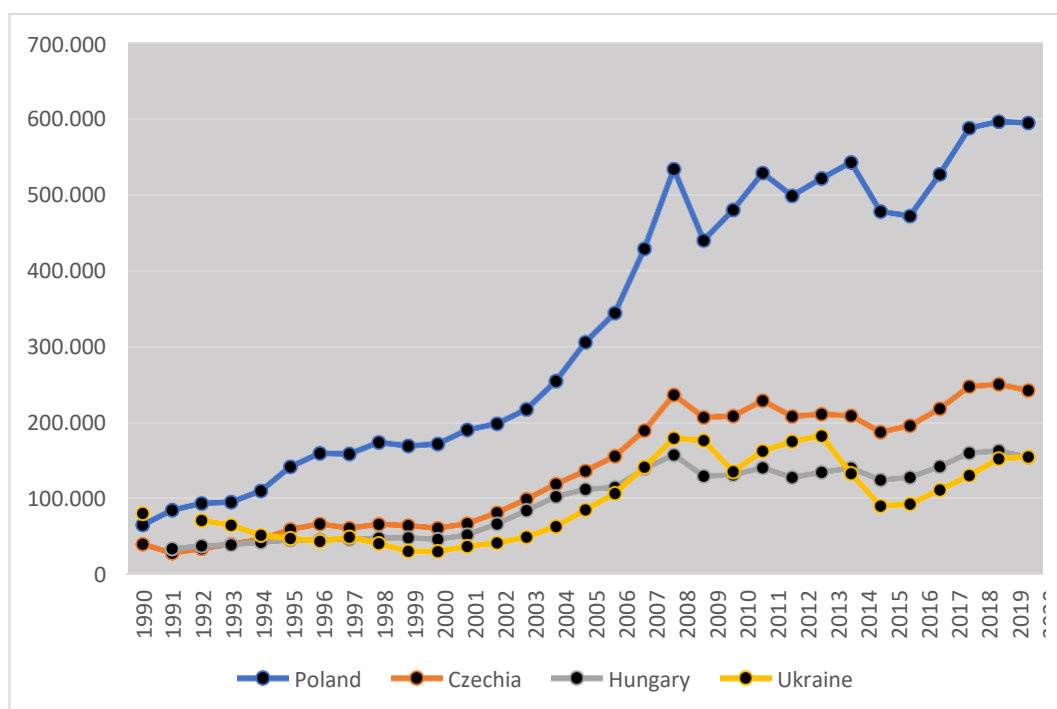
Solidarność movement is considered to be the point zero for the Europeanization of Poland. The workers’ opposition started in the Lenin Shipyards in Gdansk caused a fire scene in the whole country. This region was especially important because it had the first independent trade union in a total communist country. Karabel emphasizes the importance of intellectuals and the Defense Committee (KOR) during this revolutionary movement (Karabel, 1992). Those two actors were just a few among all the collaborators. But the real hero was Lech Walesa. He was the forerunner of the whole process, including the negotiations with the communist Polish United Worker’s Party.

The effect of the shipyard workpeople created a solid civil public opinion about communism and its corrupted functioning in the country. This pressure pulled the country on the edge of free elections in June 1989. In this free election, the communist party failed, and liberals took the lead of the country’s will (Adamowicz, Drzycimski, & Kinaszewski, 2008).

2.3. THE ECONOMIC SITUATION IN POLAND AFTER 1990

Poland’s economic achievements have been fascinating to all eyes since a long time. Since 1990, when the Polish economic transition started from its communist structure to a market-oriented economy, its economic indicators have been outstanding (Lechmann, 2012). According to the data of the World Bank, Poland was able to triple its GDP per capita between the years 1990-2019. To be more concrete, the country’s GDP per capita was around 5500 \$ in 1990, and at the end of 2019, this number became closer to 18,000\$ (WB, 2019).

Table 1: Current GDP comparison of Poland, Ukraine, Hungary, and Czech Republic (USD)



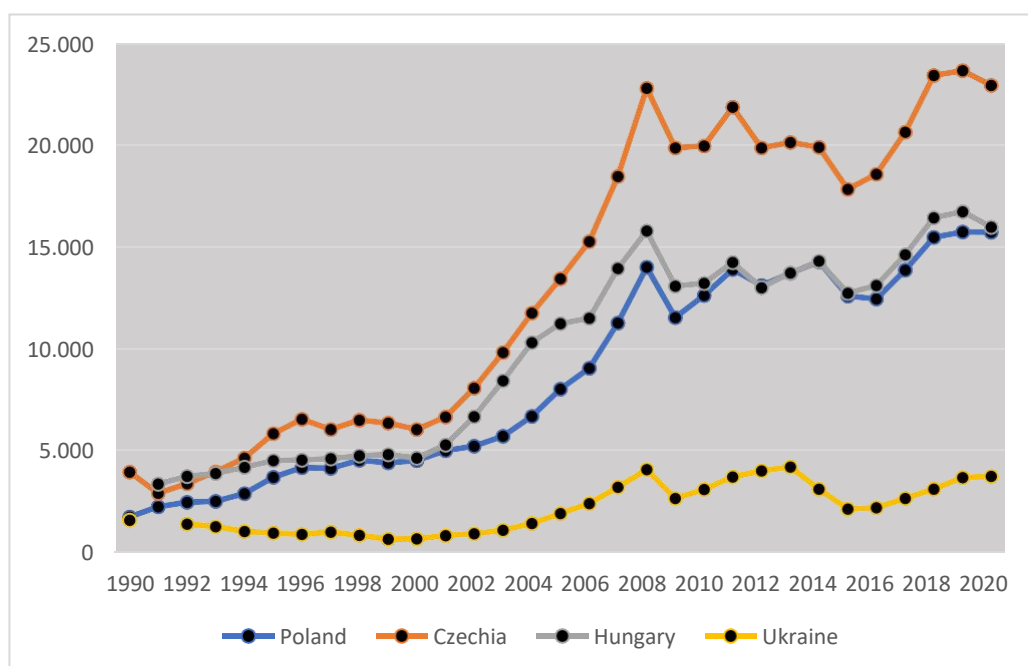
Source: (WB, 2020) (re-designed)

When it comes to the country’s GDP performance, in Table one above, Poland shows an upside movement in GDP increment after 1995. At the beginning of 1995, the country has around 110 billion dollars total GDP and at the end of 2002, it reaches 200 billion dollars. This can be seen as a significant success for a country that just started to transform its economy. However, after obtaining the full EU membership in 2004, the country had an outstanding jump in terms of GDP level. When the country got full membership in 2004, its total GDP was around 255 billion dollars. Following that, in just four years, the country managed to reach nearly 534 billion dollars. As you will be reading in the following chapters of this thesis, Poland owes this rapid improvement to the developing market economy and the direct or indirect effects of Europeanization. Depending on its domestic political ups and downs, the country was able to reach nearly 596 billion dollars of GDP in 2019.

As a comparison, the table also shows the GDP performance of Czechia, Hungary, and Ukraine. Although Czechia had an upside movement with its full

membership in the EU, it doesn't seem as dramatic as Poland's. And Ukraine, as an outsider periphery country, could not reach the level of the other selected countries. The total GDP amount of Ukraine may look close to Hungary and Czechia. However, when its relatively high population is taken into consideration, its per capita income is significantly low.

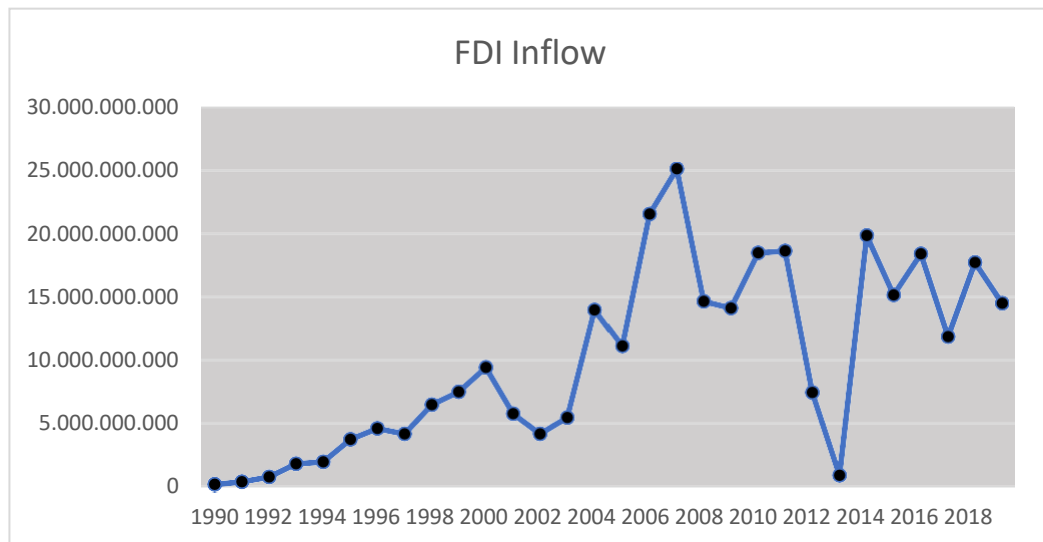
Table 2: GDP per capita comparison of Poland, Ukraine, Hungary, and Czech Republic (USD)



Source: (WB, 2020) (re-designed)

To have a look from another perspective, Table two shows a per capita distribution of the GDP in those four countries. According to this table, Czechia takes the lead in terms of per capita amount. Hungary and Poland have a similar amount however, Ukraine is significantly lower compared to other countries. Main reason of Poland falling behind of Czechia is its relatively bigger population. With its 38 million population, Poland is approximately four times more populated than Czechia and Hungary (Statistics Poland, 2021).

Table 3: Foreign direct investment in Poland between 1990-2019 (USD)



Source: (WB, 2020) (re-designed)

As stated above, foreign direct investment (FDI) has a vital role in Poland's economic improvement. Table two shows that Poland was seen as an appealing market for many investors and well-known companies after the liberalization of the national economy. That is why between the years of 2003-2007 Poland had a big bang in terms of foreign investment. This positive development supported its GDP growth and created new opportunities for the employment of the nationals of the country. As it is shown in the table, in recent years, Poland has fluctuating course in terms of foreign direct investment. It has a low probability to be a coincidence because this period is exactly when Poland considers changing its political position from a liberal perspective to a more conservative one. Therefore, this is a good point to investigate in the following chapters.

At the end of the day, this huge improvement makes Poland a growth champion in the European continent and worth researching more on its essential causes of success. But economic growth is not the only power Poland holds in its hands. Its growing population, ample land, and conservative roots make Poland a

forerunning country among the Central and Eastern European countries. As Karolewski and Wilga state in their article; "...while Poland—as the biggest candidate country—played a rather hard bargaining game, underpinned by its conviction that an Eastern enlargement cannot take place without Poland..." (Karolewski & Wilga, 2018, p. 13). Also, John Paul II (the Polish Pope) made an important statement during his birthday speech; "Poland is closer to Europe, and I am closer to God" he said (Pobłocki, 2004, p. 123). This was a speech to empower Poland on the way of EU membership and sent a message to other candidate countries to follow Poland's lead during the process.

During the EU membership process, Poland took the lead for those countries and ensured the coordination of negotiations between the EU and the 2004 members. After the fall of the Berlin wall, together with Czechoslovakian and Hungarian politicians, Polish officials were quite determined to switch to a full-fledged market economy. And with this purpose, they established close ties with the Council of Europe, the European Community, and the Organization for Economic Cooperation and Development. On the other hand, Poland was the first country that embarked on an essential market reform operated by a noncommunist government (Lipton, Sachs, Ficher, & Kornai, 1990). Nearby the country's fascinating economic growth, Poland was the most successful country that could resist a recent economic crisis such as the 2008 crisis. Being such an important opinion leader and promising economy in the region requires a wide range of research in many areas (Škare, Sinković, & Porada-Rochoń, 2019).

To justify the abovementioned progress on economic development, Poland's road to full membership into the EU should be explained with internal and external dynamics. Therefore, in the following section, this timeline will be provided for the reader to clarify the start point of the Europeanization process for the Republic of Poland.

2.4. DEMOCRATIC SITUATION IN POLAND

Most of the sources evaluating the Polish democratization process highlight three different stages. The first is the Communist period, often summarized insufficiently due to the lack of freedom perspective. The period starts with the fall of the Iron Curtain till 2015 is the second stage when Polish democracy has been strengthening. Especially after the EU accession in 2004, Poland was on the right track for being a modern democratic republic. Finally, the third stage is the period after 2015. Once the PiS government was elected in the national elections, the country started to take attention with unconstitutional steps almost immediately.

Naming may vary to express the situation of gradually decreasing democracy. Sadurski prefers to call it in three names: anti-constitutional, populist, and backsliding (Sadurski, 2018). According to his evaluation, current implementations are;

- *Anti-constitutional* because the power center is shifted from the decreed constitution to individuals. Jarosław Kaczyński, the country's former prime minister, was in the center of the decision-making during his duty period.
- *Populist* because the government targets absolute support of voters and shapes its strategy with this mentality.
- *Backsliding* because a considerable progress has been made in Poland on the way to democratization. Therefore, each action against this achievement causes a backsliding in the country's attained progress (Sadurski, 2018).

On the other hand, Tworzecki calls the whole situation a “democratic erosion” (Tworzecki, 2019). He also underlines the populist approach of the PiS government. “[T]he PiS government introduced a new tax-free child subsidy, brought in a free prescription drug benefit for the elderly, and reduced the retirement age raised by the previous governing coalition. And even though it continually stressed its anticommunism, time and again the government made a nod in the direction of those nostalgic for the days of a command economy, criticizing the sell-off of state-owned enterprises and collective farms during the privatizations of the 1990s, and signaling its commitment to the idea that the state should once again oversee

economic development and take upon itself the burdens of providing citizens with employment, housing, and childcare” (Tworzecki, 2019, p. 100).

Maximilian Steinbeis conducted an interview with Wojciech Sadurski in 2016, which is only a year after the national elections. There are concrete statements that he highlighted during the interview. They give an overview of the PiS government’s actions. A few essential points are as follows:

- The position of the Constitutional Tribunal becomes less functional. The PiS party attempted to change the current structure of the tribunal just a few months after the victory in the elections. After March 10th, 2016, the government decided not to publish the judgments of the Tribunal, which is a huge question mark for transparency (Sadurski, 2016).
- Rules to veto a law have changed in the country. In order to veto a law, “You need 11 out of 15 judges now. Law and Justice already has three judges on the bench, and three more waiting... They will have an effective veto. Apart from that, it is patently unconstitutional, as the Constitution itself says unequivocally that the Constitutional Tribunal decides with majority of votes” (Sadurski, 2016, p. 3).
- “...another example is the so-called invigilation law that gives the police and the secret service much broader powers to monitor and surveil citizens, including tapping telephones, controlling their internet moves, basically outside of any judicial scrutiny” (Sadurski, 2016, p. 3).
- When it comes to the free media issue, a vital regulation change took place in the country. Now, “the Director General of public TV is appointed by the minister of the Treasury” (Sadurski, 2016, p. 2).

With all those statements, Sadurski highlights the essential points of the Polish backsliding in democratization. He even uses the term “constitutional coup d’etat” to describe those incidences happening in the country (Sadurski, 2016). Considering all of these, it makes more sense to investigate the Polish Europeanization process with those differentiating points.

2.5. POLAND'S ROAD TO THE EUROPEAN UNION

After the fall of the Iron Curtain, a new stage started for the state of Poland. As a result of the *Solidarność* movement, the country established close ties with the West ideologically and economically. In the leadership of the new president Lech Walesa, a strong communication started between the European Economic Community (EEC) and the Republic of Poland. At that time Poland was still a part of the COMECON (Council for Mutual Economic Assistance) but in September 1989, Poland signed an economic cooperation agreement with the EEC. It came into force in December 1989. This agreement was particularly important to create a bond between Poland and EEC. It partially lifted the quantitative restrictions between the two sides to foster economic cooperation (Błaszczyk, 2007). Following that, The Europe Agreement which is seen as the origin of Polish-EU membership was signed on the 16th of December 1991. A previously signed economic cooperation agreement was also included in The Europe Agreement with several updates (EC, 1992). “The Europe agreement became a first basic legal instrument of mutual relations between Poland and the European Union” (Błaszczyk, 2007, p. 210).

While the relations becoming closer, Poland submitted its application for EU membership on April 5th, 1994, and started the process of reforms. Till this point, with the efforts of Lech Walesa and non-communist Polish bureaucrats, relations between both sides had a linear increase in terms of political and economic relations. Many checkpoints were completed, and Lech Walesa did not change his attitude towards the West. However, there was a national election in Poland and finally, in 1995 Aleksander Kwaśniewski took over the presidency with 51.7% of the total votes. On the other hand, Lech Walesa could reach 48.3% in national elections (BBC, 1995). That was barely a win but at the end of the day, Polish people turned their faces to the more Left. Lech Walesa was going to be still a forerunner for many Poles but now he needed to take a step back. From time to time, he was involved in political dynamics and was still defending the leadership of Germany. Even on his 70th birthday, he participated in an interview in Deutsche Welle and he stated that “Germany is a heavyweight - and is one in

every area. But Germans are also taking on responsibility for coping with the crisis, and they're developing ideas for the future, and they should continue doing so" (Walesa, 2013). It was a critical question for the EU whether the new president is going to pursue the same path or not.

National elections resulted in favor of Aleksander Kwaśniewski who had a communist background in the past. Naturally, this situation sowed the seed of doubt in the mind of EU and liberal Poles. But during his 10 years of duty (1995-2005), his policies did not direct Poland to the opposite direction. Further steps were being taken towards the EU full membership. For instance, the government established the Committee for European Integration before the Luxembourg Council in 1997. The main aim was to have an official institution that was in charge of all the legal and institutional changes towards full membership. "The institution was granted the status of a central government body and was formally headed by the Prime Minister..." (Karolewski & Wilga, 2018, p. 10). During the Luxembourg Council (1997), the EU decided to open the official accession negotiations with Poland together with few other CEE countries. Regular progress reports were published to demonstrate the performance of those potential member states. As the last stage for Poland, the Nice Summit took place on February 26th, 2001. All other CEE countries participated in the summit alongside Poland. There were few points that both sides had divergence but after the Nice Summit, things were clearer for the EU and CEE countries (Karolewski & Wilga, 2018).

Finally, it was the Athens Declaration (April 16th, 2003) that made full membership possible for both Poland and other CEE countries. It was signed on April 16th, 2003 with hope and positive vibes. Participant countries especially placed the statement of "Our Europe is a Europe for all" (CEU, 2003) into the official declaration paper. Thanks to this declaration, in 2004, Poland got its full membership to the European Union that was going to lift the country to an upper scale.

Right after the full membership into the EU, there was another national election in the country. Former president Aleksander Kwaśniewski run the EU membership process without major challenges, but the newly elected president

Lech Kaczynski (2005) was going to open a new era between the EU and Polish relations. He was the founder of a quite conservative Law and Justice Party which was going to have major disputes with the EU in the close future. But before that, Poland went into a hectic Europeanization or so to call, modernization period. This effect coming from the West started to transform the country from infrastructure development up to the democratization. Therefore, in the following chapter, the Europeanization process and its differentiated sides will be presented.

3. CONCEPTUAL AND THEORETICAL FRAMEWORK

While studying the development of the Polish economy and its political dynamics, it is important to go deeper into the country's modernization process. The full membership journey, in-country reform implementations, and their outcomes are three key elements of this process. And yet, all those elements lead me to take Europeanization as the key theory. The process of Europeanization explains Poland's economic, social, and political integration process to be a modern liberal republic and therefore a full member of the EU.

Since Europeanization is not a linear process for any country, there will be "differentiation" depending on the category of integration. Highlighting those uneven points are important to perceive the integration process in a realistic way. That is why Differentiated Integration, as a skeptical approach, is selected to demonstrate the country's high-speed integration in certain areas and as well as low-speed progress that is falling behind.

3.1. EUROPEANIZATION

Europeanization, as a relatively new concept, is one of the essential theories while explaining the EU enlargement process and its transformative effect on other states. There are many definitions in the literature however "it is basically described as the EU effect" (Balkır & Soyaltın, 2018, p. 1). Related to this definition, it is possible to say that European notions in politics, social norms, and economic understanding influence the candidate countries' or improving member states' national statements, identities, and political structures (Balkır & Soyaltın, 2018). On the other hand, "Europeanization as an interdisciplinary term is being frequently used not only in political science but also in sociology, economy, social anthropology and history" (Balkır & Soyaltın, 2018, p. 41).

As relatively close theories federalism and neo-functionalism were two popular theories to explain European integration. "What separates neo-

functionalism from federalism is the understanding of gradual unifying” (Balkir & Soyaltın, 2018, p. 23). Without a doubt, for Europe, a gradual integration would be much healthier and permanent. On the other hand, Neo-functionalism takes

pluralism and functionalism to its basis. It also has a common base with functionalism in terms of delivering certain competencies to supranational institutions. “If groups within or among states believe that supranational institutions are more promising than national institutions in achieving their interests, then regional integration will result” (Hooghe & Marks, 2019, p. 2).

Neo-functionalism assumes that mutual cooperation and competition environment would create an understanding and integration between different European governments. Neo-functionalists also tend to see the integration process as a spillover effect and a linear process. Intergovernmentalists, on the contrary, asserts that the whole integration process is about taking advantage of bargains.

In such a situation, local governments would adjust their behaviors and calculations for their good only. Intergovernmentalism puts the power in the center during those bargains happening between different states. In fact, the whole European integration process is seen as an effort of creating a regional power to change the balance of power in the US-Soviet duopoly (Hooghe & Marks, 2019).

The main reason for the insufficiency in all of those theories (except neo-functionalism) is that they don’t really reinforce political and cultural interaction. These kinds of interactions are the most prominent way to promote the European acquis in the region. Rudolf and Berg define the *Acquis Communautaire* as “A French expression without a good English equivalent [approximately: “community patrimony”], it is usually shortened to “the acquis” and refers to the entire body of EU laws, treaties, regulations, or directives agreed on by the EU institutions, including judgments handed down by the European Court of Justice” (Rudolf & Berg, 2010). When it comes to the perspective of neo-functionalism, there is a rosy scenario that is not quite realistic. The integration process is not a linear process and there is constant back and forth in governmental relationships. A specific state’s integration process is usually not happening with a spillover effect. From time to time, this specific state may breakthrough in one of the fields

like economy or infrastructure but on the other hand, it may have a regression in terms of rule of law or judiciary system.

Europeanization, as a social phenomenon, is fulfilling this need and closing the gap in this manner. According to Goetz and Hix, Europeanization, which is the main theoretical approach to explain the EU's effect on member states became "an urgent research field" (Goetz, 2005, p. 15). It became also a popular concept especially in the last 20 years for many academicians. Olsen even sees the concept of Europeanization as an industry that is growing in time (Olsen, 2002). 2004 Eastern European enlargement had a big effect on populating this concept. In an academic research (Social Science Citation Index), 116 academic essays were examined. And it was seen that before 1999 there were only 11 citations regarding this topic. However, after 2010 this number increased to 87 and made a considerable improvement in the academic field. With this increment, the total number of mentions reached 236 (Sedelmeier, 2011). Another main reason was that nearby the existing nation-states, to have regional powers or supranational systems turned out to be also an important factor in international relations (Balkır & Soyaltın, 2018). The broad scale of Europeanization is determined by the *acquis communautaire*. General European values and *acquis* are a transforming phenomenon that makes the EU a moving target for the candidate countries (Balkır & Soyaltın, 2018). That is why candidate countries must keep themselves up to date according to those changes.

Europeanisation is established on a top-down approach. Mainly from the EU level to the national level (Börzel & Risse, 2009). The main strategy of *acquis communautaire* is the conditionality. Conditionality is the short-term trump card of the EU, and it offers certain rewards for the candidate states. It can be also called reinforcement by reward. However, there is an estimate here for each state about cost and benefit balance. There are four concrete criteria on this topic.

- The first one is the *clearness of conditions*; the main request should be clear from the EU side.
- The second one is the *size of the reward* and the time of realization; a greater reward in a shorter time will be more appealing for any state.

- As the third criteria, the *credibility of rewards* and threats is also important for states to secure their position.

- The last criteria is the *compliance cost*; states should be able to foresee the consequences of each step towards the reward (Schimmelfennig, 2012).

The transformative power of Europeanization is quite effective on both candidate states and member states. However, there is a nuance there; member states are being affected by this transformative power but also have a chance to affect this power at the same time (bottom-up effect). On the other hand, for candidate countries, it is a one-way road. They do not have a chance to somehow affect this power. They are mostly obliged to implement those reforms domestically in their nation-states (Balkır & Soyaltın, 2018). “With the Europeanisation, an institutional and economic pressure occurs on the member states’ policies, political processes, and implementations” (Balkır & Soyaltın, 2018, p. 34). Therefore, it shapes all the upcoming policies, the process of making them, and the way of management and entities that are related to politics.

Three theoretical models of Europeanization are reinforcement by reward, social learning, and lesson drawing. Reinforcement by reward, as mentioned before, is the most transformative one among all the rest because it purposes a concrete and appealing reward for other states. The social learning stage takes a long time because it requires the state’s willingness for transformation with almost no expectation from the European Union side. Lesson drawing is the most gripping model which means a state draws its road towards the EU with its lessons learned from past experiences. Those states tried their own ways to run the politics, economy, and society and realized their failure in terms of policies and the management structure. At the end of the day, they see the EU’s concrete accomplishments as a good example to transform their national structure voluntarily. In fact, this one is the most sustainable model compared to others. However, it doesn’t happen often in the international arena (Schimmelfennig, Frank, & Sedelmeier, 2005).

The fast transformation and reforms in CEE countries are often explained with reinforcement by reward. When it is extensively examined, it is clear to say

that this type of support coming from the EU had an enormously positive effect on transformation to the liberal democracy and the market economy (Kelley, 2004). In this manner, as may be seen also in chapter four, several economic support packages for the candidate countries such as PHARE, SAPARD, and ISPA are concrete examples for this model and are very appealing for developing countries like Poland. When it comes to the longer period of internalization in those countries, socialization comes on the stage. Unlike the reinforcement by reward model, socialization requires a long-lasting change to accept more of western norms, values, and identities (Smith, 2011).

In addition to those models, EU conditionality is a crucial point to make for transforming countries. In this conditional reward system, the “EU is an aid donor imposing conditions on relations with third countries that are intended to benefit them by supporting post-communist transformation of economies and societies” (Grabbe, 1999, p. 4). In this sense, EU conditionality is similar to the beforementioned reinforcement by reward model. Candidate countries are ought to follow the EU pathway to benefit from this productive union. Initially, it seems direct and clear. However, as stated before, the EU is a moving target for those countries and this situation makes all processes hard to track (Balkır & Soyaltın, 2018). Often conditions are unclear and open for interpretation. Just to give a clear example: the terms mentioned in Copenhagen criteria like “functioning market economy” or “democracy” have no concrete conditions and it is hard to measure the success (Grabbe, 1999).

According to Radaelli, five potential results of the Europeanization would be inertia, absorption, accommodation, transformation, and retrenchment.

- *Inertia* is postponing the reforms suggested by the EU. It usually occurs when the national implementation is quite different than what the EU offers as policies or structures.

- *Absorption* is the second possible outcome of Europeanization, and it simply means a partial and insufficient transformation in national and political structure. States are not changing their essential way of functioning, so it is a very minor change (see also Börzel and Risse, 2003, p.69).

- On contrary, the *accommodation* provides a concrete change in domestic

regulations and their function.

- *Transformation* is often mixed with accommodation, but it actually requires candidate states to replace their domestic institutions with new ones. Therefore, the level of change is quite remarkable.

- As the last point, *retrenchment* represents the total opposite of Europeanization. As a result of this transformation process, states are getting distant from European *acquis* and moving towards the opposite direction. At this point, a strong opposition occurs while transforming the national policies (Radaelli & Featherstone, 2003).

Additional to Radaelli, Goetz emphasizes another potential outcome of Europeanization in his article. There is a situation where member states are not sincere with their Europeanization process. Some of the policies or regulations are just placed on paper and not meeting the need of real life. That situation is called shallow/pseudo Europeanization (Goetz, 2005). This situation is especially unique for CEE countries because their national political dynamics are sometimes inconvenient to implement some of those regulations. To give an example, Poland is usually seen as a conservative country in the international arena, and this reflects the truth. Therefore, some fragile areas like freedom of speech are unlikely to show courageous progress. That is why today, topics like LGBTI+ individuals or accessibility of abortion are quite restricted.

When it comes to the Europeanization process of Poland in particular, European Commission's progress reports are quite beneficial to understand the whole process. In general, Poland has been progressive in this manner since the *Solidarność* movement. But this process was also "differentiated" with different topics and fields.

In the 2000, 2001 and 2002 progress reports that the Commission shared with the public, three essential categories evaluate Poland's performance: Political Criteria, Economic Criteria, and Ability to Assume the Obligations of the Membership. All those categories have sub-chapters that go into detail to provide concrete information.

When those progress reports are analyzed, the general comments regarding Poland's Europeanization process are good. Especially some of the steps taken

towards the democracy and rule of law are praised. The report mentions about the institutional changes happening in the jurisdiction in 2000 are remarkable. There is a new regulation in the judiciary institutions to deal with petty cases to decrease the lawsuit traffic. Poland tries this way of the judicial system due to a high number of cases that are being neglected and eventually causes aggrievement of some citizens (EC, 2000). At the end of the day “Poland has undertaken initial steps in the reform of the judiciary and in preparing the ground to deal with the most pressing bottlenecks” (EC, 2000, p. 21). On the other hand, the 2000 progress report was not the only document that mentions the institutional progress of Poland in the legislation field. In the 2001 progress report, a sentence that shows the trust of the West was placed: “As mentioned in the previous Regular Reports, Poland has achieved stability of institutions guaranteeing democracy and the rule of law” (EC, 2001, p. 16).

Transparency was another issue that the country had to work on. Additional to the pressure coming from the EU, Polish citizens were also insistent on such a regulation. It was assumed that institutions will be more accountable with concrete steps towards transparency. For this purpose, the government signed a law on public information and it was considered as a right on a public basis. All the citizens were now entitled to reach the official documents and therefore track the elected government bodies. This may be considered as progress in terms of human rights as well but another extremely essential progress was made on the death penalty issue. In May 2000 a formal abolition of the death penalty came on stage and in October 2000, protocol no.6 (1983) was ratified for the European Convention for the Protection of Human Rights and Fundamental Freedoms (EC, 2001). Following those incidents, in the 2001 progress report, it was stated Poland made considerable progress in terms of consolidating and deepening the stability of national institutions that ensures and strengthens the democracy, rule of law, human rights, and the protection of minorities (EC, 2001).

One of the most urgent reform areas for Poland and most of other CEE countries was the fight against corruption and bribery. Since this risk was also associated with social and cultural habits, concrete steps had to be taken on the way of the EU membership. In this sense, Poland took an important step that was also recognized in the progress report. “The most significant legislative progress

to date has been the ratification in September 2000 of the OECD Convention on Combating Bribery of Foreign Officials” (EC, 2000, p. 18).

When it comes to the modernization of the economic institutions and promoting the free market economy, progress reports present a concrete scenery with its positive and negative aspects. 2000 progress report states that despite few extraordinary periods like the Russian financial crisis in 1998, Poland has an uninterrupted improvement on economic indicators. Foreign Direct Investment (FDI) inflows are pretty high and that makes a great contribution to overall growth. “Poland is one of the few transition economies which has experienced substantial and sustained growth” (EC, 2001, p. 28). Additionally, Poland showed remarkable performance on privatization. In 1999, 150 enterprises were privatized in total and 50 more in the year 2000. “The privatisation programme is being implemented forcefully and successfully. It foresees that 70% of state-owned enterprises will be sold or wound down by the end of 2002” (EC, 2000).

Progress reports between 2000-2004 are giving a warning on three important points that are stated as a concern by the Commission; unemployment rates, account deficit, and the inflation rates. In the 2001 progress report, there is a mention regarding the better control of inflation rates in the country and it has a positive effect on the decrease of inflation. Furthermore, in the 2003 comprehensive report, it is stated that “Inflation continued to decline sharply in 2002, with headline inflation falling to 0.8% year-on-year in December 2002” (EC, 2003). However, unemployment rates and growing account deficit remained to be a problem in the longer term. After the left-hand government took the election at the beginning of the 2000s, there was an attempt to increase the employment rates. The perspective of Miller and Kwanszniewski was a bit different in terms of economic development. Therefore, they followed a different path to deal with unemployment. This topic was quite sensitive and even intolerable to them. They launched a youth employment program called “First Job” to ease the employability of youngsters. This program was implemented between 2002 and 2005 (EurWORK, 2009).

As a sign of a functioning market economy, Poland increases its import and export activities, especially within the EU. Although Poland is a domestic-driven economy because of its high population, the country still had a trade

integration with the EU on a high level. 70% of its total export is with the member state countries. With this dynamic trade, the total ratio of goods and services' export and import had increased to 69.3% in 2000. Before that date, the overall average of past years was around 26% (EC, 2001).

3.2. DIFFERENTIATED INTEGRATION

European Parliament makes a meaningful definition of the DI: "The term differentiated integration refers to a variety of forms of cooperation and/or integration in which not all members of the EU take part" (EP, 2015, p. 7). This reality applies to the case of CEE countries, Poland in particular. "European Union (EU) studies currently focus on two different dimensions of "differentiated" integration, which refers to the alignment and harmonization of states' policies in economic, political and sociocultural terms at different speeds, scopes and in different policy fields on the basis of the EU's treaties and its *acquis communautaire*, the overarching body of EU law" (Turhan, 2017, p. 69).

Differentiated integration was approached in two different ways, internal and external differentiated integration. External DI is about the integration process and its issues between the EU and external candidate states. On the other hand, internal DI represents the process and integration disputes between the EU and already existing member states. Therefore, the Polish case is an internal DI matter.

Before giving a thought to the concept of Differentiated Integration, it is crucial to understand the differences between the EU's enlargement periods: Cianciara mainly aggregates enlargement into two groups: deepening and widening. Widening represents the physical enlargement of the EU which is including new member states into the union. On the other hand, deepening is where the tricky process starts. Because it represents the loss of sovereignty and delivering national autonomy to an external manager who would not pay enough attention to their national interests (Cianciara, 2014).

To give an example, the widening process of the EU in 1973 and 2004 is quite different when it comes to conditionality. Great Britain, Denmark, and Ireland had exemptions rather than pressure. On the other hand, 2004 comes faced pressure from the EU side (Cianciara, 2014). The main reason for that was the most of those states were post-communist states with a different understanding

of modernity and human rights. Those newcomers were well-aware of this situation and eventually, this led to a more defensive and hesitant attitude with transferring competencies to the upper level.

Opposition towards transferring national currency (Zloty) to Euro can be considered as a concrete case of the beforementioned hesitance. In the first years of EU membership, there was substantial work towards the free market and fulfilling the Euro Zone criteria for a better overall economy. In the time, the effort being put into this topic has decreased. But after the election of the PiS party in 2015, it had a dramatic retreat. Even during its opposition period, PiS was strictly opposed to the idea of changing national currency. When it is thought that changing national currency requires a change in the constitution (a two-thirds majority of the national parliament), things get even tougher. Additional to the negative approach of PiS, Polish citizens have also a negative mindset towards Euro in general. “Given current polling statistics and the high bar for constitutional change, the legislative path for euro adoption seems prohibitively difficult” (Carlson, et al., 2016, p. 26).

Differentiated Integration from time to time was perceived as the “multi-speed European Union” as well. “The notion of a ‘multi-speed EU’ assumes that the goals of all the members are identical, and it is only the time frame for their realization that is subject to differentiation” (Cianciara, 2014). But actually, this is not representing the reality that the EU goes through today. When it comes to big decisions such as changing national currency or foreign affairs, each member state has its plan and policies. It is not wise to say that 27 member states have the same economic and social conditions, so the Eurozone is the final station for all of them.

Due to those economic, social, and political differences between member states, the integration process started to differentiate depending on the topic. “As the competences and the membership of the EU have grown, European integration has become less uniform. The boundaries of formal membership and actual policy integration have become increasingly blurred” (Schimmelfennig, 2016, p. 789). This is also the case for Poland. As it is also mentioned in chapter two, Poland’s road to a modern republic and liberal democracy was not linear. Potential ups and downs are occurring almost every decade depending on the political view of the

ruling government or the country's domestic tension. Therefore, the EU as a multi-cultural union should consider those varieties and create a different approach to the integration models. "Adequate accounts of European integration need to move beyond the focus on organisational growth and include regional differentiation as a core feature of the integration process" (Schimmelfennig, 2016, p. 790).

Differentiated integration, as a concept, may be separated into two groups as horizontal and vertical. The success of a new member state's efforts on supranationalism, especially crucial matters like single currency integration, depends on its horizontal compatibility with all its national institutions. Does not matter if it is Eurozone integration or other matters, each member state has its unique structure that requires different roadmaps. Therefore, depending on the horizontal relations between national institutions, it might be quite hard for a state to integrate itself into one of those supranational systems. In the case of Poland, integration into the European Monetary Union (EMU) has been one of the most complicated and differentiating topics. The willingness of changing national currency has been always low for this country. Monetary policy is not only one of the most vertically integrated policies of the EU but also shows the most pronounced horizontal differentiation (Leuffen, Schimmelfennig, & Rittberger, 2013). When it comes to the vertical differentiated integration within the EU, it is claimed that the lack of supranational support creates more differentiation in a vertical direction, deepening the differences between countries on a variety of dimensions. At the end of the day, this vertical differentiation creates different distribution levels of power among states (Leuffen, Schimmelfennig, & Rittberger, 2013).

In the case of Poland, this kind of differentiation in terms of Europeanization is highly demanded by the elected government and its actions. In the 2015 national elections, PiS was elected by the Polish society. This made a dramatic change in terms of modernization and the European integration process. Poland continued to be considered an actively growing country. However, the human rights pillar of integration was lacking. Serious concerns started to grow in terms of rule of law and freedom of speech in the country. Tolerance towards religion-related social disputes decreased considerably and the EU reflected its concerns in several reports.

In the European Commission's "2020 Rule of Law Report" there are several important issues mentioned:

- With the 2018 justice reform in the country, a serious doubt arose about the judiciary system. The members of the National Council for the Judiciary were composed of politically assigned staff. Therefore, trust towards an independent judicial system decreases among society and companies.

- Two new chambers were created in 2018 in the Supreme Court and granted substantial new powers in the following year.

- Minister of Justice becoming the Prosecutor General at the same time raised serious concerns about the neutrality of the system.

- Polish media is still subject to political influence. The election campaigns were not proportionally reflected in the media.

- The legal framework regarding media ownership transparency is not equally implemented for all media actors in the country (EC, 2020).

Those changes took attention on the international arena and independent researchers/associations as well. According to data received from Reporters Without Borders (RSF), Poland ranked 18 out of 180 countries in terms of press freedom in 2015. Just a year after the election of the right-wing party the country ranked 47 out of 180 countries and finally, in 2021, the situation became worst and ranked 64 out of 180 countries (Reporters Without Borders, 2021).

This situation clearly shows that differentiated integration is an effective phenomenon to underline the battle between further progress and the declining process of Europeanization in Poland. In this sense, it may be seen as the balancer concept of Europeanization. Because in the academic literature, Europeanization is often discussed as a single aspect phenomenon that constantly transforms member states and candidate countries in a positive way. But in reality, it is not a rectilinear process, and it is a must to reflect its "differentiated" sides.

4. EFFECT OF THE EU FUNDS AND PRIVATIZATION PROCESS

After Polish negotiations officially started with the EU, Poland's Europeanization process has started. As it is also explained in the previous chapter, this process has a lot of dimensions, and they are all essential for the overall modernization of any candidate country including Poland. Under this section, I will be presenting the concrete modernization process aids and funds provided by the EU itself.

In this manner, three important support packages will be presented. Those packages are Poland and Hungary Assistance for Restructuring the Economy (PHARE), Special Accession Program for Agriculture and Rural Development (SAPARD), and Instrument for Structural Policies for Pre-Accession (ISPA). Following that, as an essential implementation for a well-functioning market economy, the Polish privatization process will be examined with its unique sides. The privatization of specific state-owned enterprises (SOE) is going to be presented to evaluate the success level of the aimed target.

The main purpose of choosing those programs/packages is to evaluate the Europeanization process of Poland from different aspects. To make it more concrete, the PHARE program is going to show us the progress that Poland made on the reconstruction and infrastructural improvement in the country. This improvement will be highly related to in-city reconstructions and intercity connections. On the other hand, SAPARD is going to demonstrate the development on the rural side of the country. Its progress on the agriculture and rural infrastructure will be discussed with this pre-accession aid. And finally, ISPA is going to demonstrate the contribution of Polish development to the EU scale. The fund utilized from this program is about building a commonwealth in the European continent.

Despite their differences, there is one common contribution that all those programs made to the Polish state, and this is the institutional capacity building. As it was mentioned in chapter three, advancing institutions in a transitioning

country is one of the most essential points. Because sustainable Europeanization or modernization is only possible with improved institutions with strong technical skills and regulations. Even implementing those wide range of economic programs, communicating with the European Commission on regular basis, arranging their papers, or going through audit processes are making serious contributions to the institutions' improvement and experiences. At the end of the day, all those concrete infrastructural contributions and institutional capacity building are supposed to affect the overall economic development of the country.

4.1. EU SUPPORT FUNDS (PHARE, SAPARD, ISPA)

As is mentioned in chapter three, reinforcement by reward is the most motivating card of the EU during the Europeanization process. Those rewards often tend to be economic supports that are being provided for the candidate states or newly joint states. They usually support the essential infrastructure projects which are crucial for the modernization of the state assets such as city reconstructions, highways, railways, and urban or rural infrastructures.

Due to the long-lasting economic crisis in the Soviet region, after the fall of the Iron Curtain, CEE countries' economic and infrastructural conditions were quite weak. When the big enlargement (2004 enlargement) became serious in the minds of member states of the Union, their first thing was to reconstruct those regions and close the gap between the East and West. In order to make this happen, they created the abovementioned programs to support those latecomers.

In the beginning, the difference between those programs was that PHARE Program was organized dedicatedly for Poland and Hungary whereas ISPA and SAPARD were generally for CEE countries. But over time, the PHARE program had been also opened to other 10 countries' (Bulgaria, Cyprus, Czech Republic, Estonia, Latvia, Lithuania, Malta, Romania, Slovakia, Slovenia) utilization. Poland benefited from all those programs which accelerated the Europeanization and free-market process of the country.

In Briefing 33 published on the European Parliament's website, the main objective of PHARE program is explained as follows "The general objective of

the programme is to assist the Central and Eastern European countries to build sound, efficient and effective public institutions, which will enable them to satisfy the Copenhagen accession criteria” (EP, 1998, p. 3).

On the other hand, according to the PHARE Regulation Article three, the main purpose of the program is to support the overall economic reforms by financing a variety of projects particularly in the fields of agriculture, investment, industry, energy, etc. in the beneficiary countries (BSE, 2015). “The PHARE programme developed initially as an immediate response to challenges facing the countries of Central and Eastern Europe as they sought, at different speeds, to undertake a series of sweeping, systemic transformation measures to replace the inherited system of centralised and hierarchical economic and political decision-making, with a system of democracy based on a market economy, the rule of law, respect for human and minority rights, and a functional civil society” (BSE, 2015, p. 22). At the end of the day, this program was designed specifically for the accession of those candidate countries, and those fields mentioned above are directly related to reaching the European Acquis and values.

Trans-European Network (highways, railways, and other connection facilities) is quite important for the EU. It is considered as a bridge between the people who are living on the European continent. Therefore, PHARE strongly promoted the development of those mobility facilities, and it was believed that this investment would contribute to the social Europeanization between newcomers and the already existing population of the EU.

Building sustainable institutions are key to maintain the created quality for a sustainable democracy. Therefore, nearby infrastructural investments, there was a special encouragement for beneficiary countries to use part of this budget to create better functioning public institutions and improve the government capacities. According to Briefing 33, with the help of institution-building programs, this could be possible to achieve. Between the years 1990 and 1993 (first period) only 5% of the total PHARE budget was used for administrative and institutional development. Between 1994 and 1996 (second period) this ratio increased to 8.2%. After 2000, country paid better attention to the capacity building of institutions. According to the 2001 annual report on the PHARE

program, between the years of 2000 and 2006, €11 billion of co-financing was provided for Poland for institution-building activities but the numbers show that it was not very well utilized by the beneficiary countries in general (CEC, 2001).

With that being said, the share of infrastructures had a huge jump. In the first period, infrastructure investments were holding only 8.5% of the total grant. However, in the second period, this percentage jumped up to 36.1% which makes this particular line the leading share in the total grant (EP, 1998).

Table 4: Distribution of PHARE grant between 1990-1996 (EUR)

Country	Total Phare Commitments 1990-1996	Country Population (millions)	Share of Phare Funds (%)	Share of Population (%)	Aid per capita
Poland	1.388	38,5	30,8	36,6	36,05
Romania	726	22,7	16,1	22,6	31,98
Hungary	684	10,3	15,2	9,8	66,41
Bulgaria	539	8,4	12,0	8,0	64,17
Czech Rep.	429	10,3	9,5	9,8	41,65
Slovakia	207	5,3	4,6	5,0	39,06
Lithuania	179	3,8	4,0	3,6	47,11
Latvia	132	2,5	2,9	2,4	52,80
Estonia	130	1,5	2,9	1,4	86,67
Slovenia	91	2	2	1,9	45,50
Total	4.505	105.3	100	100	

Source: (EP, 1998) (and own calculations)

Table three shows the first installment for seven years (1990-1996) of PHARE funds to the beneficiary countries, there is a clear demonstration of aid share among beneficiary countries benefiting from the PHARE program. Poland, as it is placed in the first line, received the highest amount of grant. 30.8% of the total PHARE grant was utilized by the Polish state. However, the country holds the biggest population among other beneficiary states. In terms of per capita distribution of total funds, Estonia takes the lead together with Hungary. On the other hand, Poland and Romania appears to be at the bottom in the list. As a result, Poland receives the highest share of the PHARE funds but due to beforementioned high population, it appears to have one of the lowest aid per capita amounts. Nevertheless, a total amount of €1.388,5 billion was granted to Poland to support mainly four different fields. Those fields were;

- Private sector development
- Infrastructure
- Administration reforms
- Development of the human and social resources (BSE, 2015).

When we compare Poland with its closest recipient which is Hungary, Poland has three times more population than Hungary. It is very well known that “As a general rule, the indicative allocation of EC assistance per beneficiary country was based on a series of valid statistical variables, such as population size, geographical size, GDP per capita, etc...” (BSE, 2015, p. 25). So, in this case, a question comes to mind; why the utilized aid ratio between Poland and Hungary was not proportionate? The difference in the level of institutional capacities and land sizes are being two essential answers here. The institutional structure and capacity of Poland were rather worse than Hungary’s. The process of applying to different projects was taking much longer. Even the decision-making process was slower. The country had a lot to fix when the land size is taken into consideration. With this many tasks and a shallow institutional capacity, Poland was not able to consume as many funds as it needed with its rather big population and land.

As a second installment, Poland received € 2.4 billion between the years of 1997 and 2003. With this fund, the EU expected Poland to make a progress within the context of the accession process and fulfill some of the criteria. Few of those criteria were political and economic criteria, the internal market acquis, agriculture, environment, transport, institutional and administrative capacity, etc. As a third installment, between 2004-2006, Poland received an additional €114.9 million to boost its progress on the EU acquis on the beforementioned fields and increase the administrative capacity as a new member state (BSE, 2015).

The investment projects started under the PHARE program had also direct social and economic effects. For instance, marginalization has considerably decreased, and the quality of life was elevated in the border regions. Increased freedom of movement, labor mobility, and trade volume between Poland and

Germany was remarkable. This situation contributed to the overall economic development in the country (BSE, 2015).

In the last years of the PHARE program, spending lines were shifting from infrastructure projects to commonwealth affairs. According to the 2004 annual report on the PHARE program, spending on justice and home affairs, administrative capacity and internal market have considerably increased. The exact spending fields and the amounts are as follow;

- Administrative Capacity: € 18.32 Million
- Internal Market: € 11.40 Million
- Justice and Home Affairs: € 10.70 Million
- Environment: € 5.88 Million
- Agriculture and Fisheries: € 3.59 Million (CEC, 2004).

After the full membership obtained by 2004 comers, The Transition Facility was created by article 34 Act of Accession. This was a temporary post-accession financial document to additionally support those countries for their further integration. As it is mentioned in the 2006 PHARE report published by the Commission, this program amounted to €67.2 million in 2006. When we have a look at the distribution of this fund, Poland takes the lead with €22.1 million followed by Czech Republic €7.2 million and Hungary €6.7 million (CEC, 2006, p. 6).

When it comes to the SAPARD program, we see a different focus which is agricultural and rural development. As a former common economy country, agricultural production is quite important for Poland. 35.7% of the total population is still living in rural areas and a considerable part of this population is still a part of the agricultural sector (EC, 2021). However, productivity has been always an issue for Poland before and after the EU accession period. That is why SAPARD, as an agriculture-focused support program was important for all Central and Eastern European counties.

SAPARD support was provided for 2004 and 2007 comers as a pre-accession program to support their development in these two specific fields. On the other hand, the essential aim of the EU was to elevate those countries' rural

and agricultural implementations to the level of Common Agriculture Policy (CAP) of the European Union. The enlargement unit of the European Commission sets two objectives for this program;

- “to help solve the priority and specific problems in agriculture and rural development;
- to contribute to the implementation of the *acquis communautaire* (the whole body of Community legislation) concerning the CAP and other agricultural priorities” (EC, 2002, p. 15).

Poland started the preparations for this program in 1999 and it was accepted by the European Commission in 2000. Accreditation from Commission arrived in July 2002. There was a delay at this stage caused by heavy progress in the Commission and the highly complicated administrative system in Poland (EIF, 2005).

There were certain critics regarding the program. SAPARD program increased the overall earning of farmers in the country. However, it was not really effective in reducing the unemployment rates in this sector. On the other hand, the SAPARD program required a high amount of co-financing which was a problem for the farmers. “In the opinion of the questioned programme beneficiaries – the main problem in the SAPARD performance in Poland were the complicated procedures and insufficient own resources needed to co-finance the projects” (EIF, 2005, p. 180). On the other hand, all the organizational corrections required approval from the European Commission which caused a big delay in the process due to high bureaucracy.

“The SAPARD programme enjoyed great popularity among the beneficiaries in Poland: farmers, agricultural entrepreneurs and local self-governments. It resulted in notable profits in the field of adjustment of quality and sanitary norms of production and agricultural processing to the requirements of the EU” (EIF, 2005, p. 179). All those improvements in the agriculture field made Poland an important actor in the export of goods and agricultural products. “Polish meat was especially cheaper, so Polish export of pork and beef products to the EU15 was tremendous. Profits and the incomes of both farmers and enterprises in the Polish meat sector have also increased substantially” (EIF, 2005, p. 193).

The annual amount of budget separated for the SAPARD program is €171 million in 2000, €175 million in 2001, €179 million in 2002, and €181 million in 2003. In just four years, approximately €708 million was dedicated to this program (EIF, 2005). However, in most of the other EU programs, those budgets were not depending on requests but well-structured projects. Following that, approximate annual allocation for five major recipient countries can be listed as:

- Poland: €168.6 million
- Romania: €150.6 million
- Bulgaria: €52.1 million
- Hungary: €38 million
- Czech Republic: €22 million (EIF, 2005).

As it is reflected above, Poland received the biggest amount of SAPARD aid among other countries. It received €168 million on annual basis and its closest follower is Romania with €150 million. When the land sizes of those countries are compared to other beneficiary countries, it is reasonable to allocate such a big amount for Poland and Romania. If we pay attention to the proportion of distribution of the budget, we can clearly see a proportion in terms of the size and population of the countries.

For the seven years (2000-2006), European Commission allocated €520 million for those ten countries (Poland, Hungary, Bulgaria, Slovakia, Czech Republic, Estonia, Lithuania, Latvia, Slovenia, and Romania). At the end of the day, with those substantial aids, SAPARD has been an effective investment in the development of agricultural and rural areas in CEE region. However, apparently, it was not enough to create a productive and functioning agricultural sector. When the total output value is divided by the number of agriculture workers, Poland is still below the CEE average. In 1996, an average tractor was around 16 years old. And yet today, not much changed because only 1/7 of all Polish farmers are well-equipped in the country (Bryla, 2005).

ISPA is another economic support that Poland and other CEE countries received as the pre-accession economic support. Poland benefited from this fund between the years 2000 and 2006 (RGL Forensics, Imperial College London, 2011). Structural policies and projects were financed in the country between those dates. “ISPA was designed to be a programme aimed at facilitating pre-accession efforts by EU candidate countries to improve and harmonize their transport and

environmental infrastructure. Poland became a beneficiary of the ISPA fund in 2000, and following EU accession (May 1st, 2004), ISPA was transformed into the Cohesion Fund” (Grzyb & Trzepacz, 2012, p. 98).

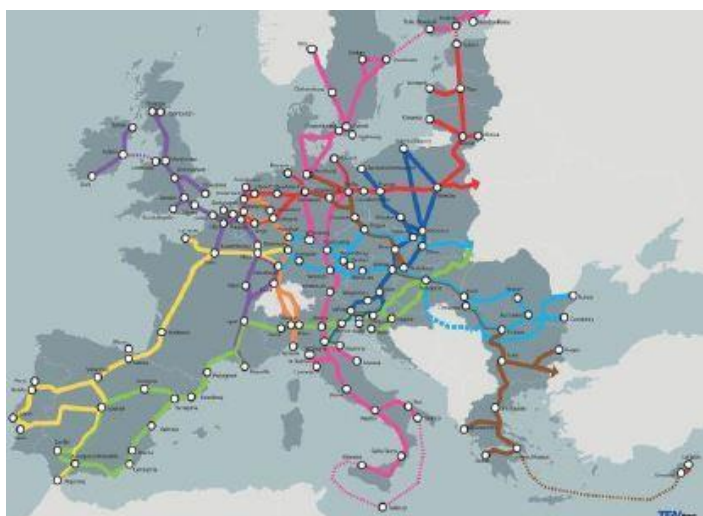
Priority objectives of ISPA may be summarized under three points;

- Focusing on projects of the common interest i.e. TEN-T,
- Sustain and promote mobility, Reinforce the national network’s interconnection and interoperability (RGL Forensics, Imperial College London, 2011).

There were two important outputs of this particular fund: for Poland, it was a great opportunity to get rid of the legacy of the communist era and for European Union, it was a good opportunity to widen and strengthen the Trans-European Network (TEN-T) and the Pan-European Transport Corridors (PTC). Those roads are especially important to establish a wide range of sustainable networks throughout the European continent. There are four different corridors crossing on the Polish territory:

- Corridor I: This corridor comes through the Baltic Countries (Talin-Riga-Kaunas) and arriving at the city of Gdansk bypassing Warsaw.
- Corridor II: This one creates a connection between Germany and Eastern Europe. It starts in Berlin and crosses all of Poland in the middle and arriving at Minsk.
- Corridor III: This corridor is an important one since it connects East to the West. Starts from Brussels goes through Dresden and Wroclaw continues till Kyiv.
- Corridor VI: It is a relatively short line that connects Gdansk to the Brno (Zakrzewski & Nowacki, 2016). All those corridors and their connections can be viewed below.

Figure 1: Layout of the European Transport Corridors



Source: (EC, 2016)

Those kinds of ISPA investments created an important result for both Poland and the European Union. To conduct projects on the development of highways, railways and seaways accelerated the export and import activities in Poland. This situation contributed to the fast-transitioning process towards a competitive market economy in the country. Other member states were also satisfied to have a new population joining the market. This was going to be a key to start new dialogs with the West.

Table 5: Road projects financed by ISPA/Cohesion fund

Project	Unit	Projects Completed
Road	Number	9
Construction	Number	4
	Km	136
Reconstruction/Rehabilitation	Number	5
	Km	329
Of wich on TEN-T	%	100

Source: (RGL Forensics, Imperial College London, 2011)

Thanks to the ISPA/Cohesion fund support, there were 18 completed road and railway projects in the country. Those projects may be categorized under three different categories: Road, Construction, and reconstruction. The purpose of 13 projects was to construct new facilities that contribute to the development. On the other hand, five projects were implemented as maintenance implications to the

already existing facilities. The important thing here is that all of those projects 100 contributed to the TEN-T network. In this case, it was a win-win situation for both Poland and the European Union. But of course, these were not the only projects completed under this fund.

Table 6: Number of projects funded by Cohesion Fund and ISPA in each country

Country	Nr. of Projects	Total Projects Cost (€m)	ISPA Contribution (€m)	ISPA Contribution (%)	National Co-Financing
Spain	300	7.827,74	5.488,04	70,11	2.339,70
Poland	86	4.525,64	2.785,21	61,54	1.740,43
Greece	73	1.508,35	1.154,65	76,55	353,7
Portugal	65	2.369,29	1.470,65	62,07	898,64
Czech Rep.	38	974,83	596,51	61,19	378,32
Romania	36	1.398,88	968,17	69,21	430,71
Lithuania	27	592,25	374,72	63,27	217,53
Hungary	24	1.271,55	714,20	56,17	557,35
Slovakia	24	641,16	365,11	56,95	276,05
Bulgaria	21	501,42	372,31	74,25	129,11
Latvia	21	479,11	290,15	60,56	188,96
Estonia	19	231,03	219,66	95,08	11,37
Slovenia	16	285,42	129,45	45,35	155,97
Ireland	4	561,71	307,52	54,75	254,19
Croatia	2	48,27	28,50	59,04	19,77
Cyprus	1	53,97	30,97	57,38	23
Malta	1	34,83	11,72	33,65	23,11
Total	758	23.305,45	15.307,54	65,68	7.997,91

Source: (RGL Forensics, Imperial College London, 2011) (and own calculations)

The above table demonstrates the total ISPA benefit of each country. It is possible to say that Poland created a substantial benefit from this fund. The country completed 86 different projects and received more than €4,5 billion. This effort surely contributed to the country's infrastructural development. However, we see that Spain completed an enormous number of projects with a much bigger fund. The main reason here is not just the latency in bureaucratic processes in Poland but also the ability of co-financing those projects. As it was mentioned before, EU pre-accession funds requests also the local government's contribution which is called co-financing. In this sense, Spain received a higher amount of budget but also made a bigger contribution from its national accounts. Additionally, Poland's percentage of co-financing is also not in a lower rate but

just below the country's potential.

“It is estimated that the overall support for Poland under the three pre-accession instruments, Phare, ISPA and SAPARD, amounted to ca 5.7 billion Euro in the period of 1990—2003” (BSE, 2015, p. 252). According to Miecznikowski this amount reaches €7 billion (Miecznikowski, 2017). In anyways, Poland was respectably successful in using the allocated money for its goodwill. All those pre-accession programs made a great contribution to Poland's economic, infrastructural, and political transitioning process.

4.2. PRIVATIZATION PROCESS

There have been many attempts to somehow explain privatization. However, the first Post-Soviet Polish privatization minister defined privatization as; “the sale of enterprises that no one owns, and whose value no one knows, to people who have no money.” (Savas, 2000, p. 2). It is a process that all the centrally planned economies must go through for a functioning liberal economy with capital markets. As the biggest contribution of privatization, it brings efficiency to firms' operations and in a wider range, to the capital market in the country. On the other hand, it requires redefinition of the property rights in the country and at the ultimate level, a redefinition of new institutions and their operations. Some other benefits of privatization are worth mentioning;

- Realization of the fundamental aims
- Increasing the performance of management
- Building new political, financial, and legal infrastructure (Lis, Mazurkiewicz, & Zwierzchlewski, 2013).

When we have a look at the situation of CEE countries, the major privatization activities were completed between 1990 and 1995. That is why privatization activities in this period will be often mentioned under this section. Before the privatization process has started, 90% of total industrial capital was owned by the state (Lipton, Sachs, & Summers, 2003). After the fall of the Iron Curtain, the situation in CEE countries was analyzed in this regard. The ratio of state contribution in production to national income was pretty high in all post-Soviet countries. It was 82% in Poland, 86% in Hungary, 87% in Yugoslavia, 96%

in the Soviet Union, 97% in Czechoslovakia. “At an early stage of transformation, there were 8453 state-owned enterprises in Poland, whereas in 2012 that number plummeted to a mere 70 enterprises. This meant an incomparably wider scope of the so-called transformational privatization” (Lis, Mazurkiewicz, & Zwierzchlewski, 2013, p. 42).

In the literature, there is a debate on Poland’s transformation process including privatization. A group of academics states that Poland went through a “shock therapy” during the transformation process. But the privatization process of Poland was not exactly a rapid one but rather gradual, at least when it comes to privatization. Some researchers reflect that a “shock therapy” type of privatization would be more beneficial even if it causes diffuse ownership or firms in the wrong hands. And free privatization may be ideal to boost this process (Lipton, Sachs, & Summers, 2003). But the idea of free privatization had not been internalized by the Polish parliament. It caused deep conflicts on the political level and was reflected to the public as an intervention to create unearned income for a small group of people.

While this “transformational privatization” was ongoing for relatively large firms, small privatizations were handled by the municipal authorities with auctions. According to Grosfeld, this part of privatization activities was rather successful. Around 100,000 small and medium wholesale or retail shops were privatized which represents the 75% of those shops (Grosfeld, 1991).

Table 7: Size of the state sector, measured by output and employment

Country	Output	Employment
Command Economies		
Czechoslovakia (1986)	97%	...
East Germany (1982)	96,50%	94,20%
Soviet Union (1985)	96%	...
Poland (1985)	81.7%	71,50%
China (1984)	73.6%	...
Hungary (1984)	65.2%	69,90%
Market Economies		
France (1982)	16,50%	14,60%
Italy (1982)	14.5%	15%
Turkey (1985)	11.2%	20%
West Germany (1982)	10.7%	7.8%
United States (1983)	1.3%	1.8%

Source: (Lipton, Sachs, & Summers, 2003)

When we look at the table above, we see the percentage of the state sector's contribution to the national outputs and their share in the total employment in the selected countries. The table demonstrates a comparison between market economies and centrally planned economies. It is quite obvious that there is a dramatic difference between the two groups. The highest ratio of outputs among market economies belongs to France with 16.5%. On the other hand, in Poland, it goes up to 81.7% which is subsequently higher. When it comes to employment, the highest ratio of public workers among market economies belongs to Turkey with 20%. This number goes up to 71.5% for Poland. Those indicators show that centrally planned economies have much more to do during the privatization process.

Three things are essential for the privatization of the Eastern European Countries:

- Macroeconomic stabilization
- Liberalization of economic activity
- Privatization of state-owned enterprises (SOEs) (Lipton, Sachs, & Summers, 2003).

Even though the abovementioned criteria are essential for a healthy privatization process, Poland hoped to gain macroeconomic stabilization and a liberal economy by privatizing the SOEs. Therefore, action legislation took place at the first stage to start this process. The Act on the Privatization of State-Owned Enterprises was ratified in the Polish Parliament in 1990. This Act contained three regulations under:

- On July 13th, 1990: The privatization of SOEs.
- On November 9th, 1990: The extension of the operation of privatization of SOEs.
- On July 13th, 1990: The establishment of the office of the minister for ownership transformations Act.

This legislation was completed with the National Investment Funds and Their Privatization (NIF Act) on March 30th, 1993 (Rajski, 1994). There was no specific strategy behind those Acts. There were two main crucial points:

- There can be only two years between corporatization and privatization.
- The role of the foreign investors was limited. They were allowed to purchase only 10 percent of the shares. In order to gain more share, governmental approval was needed (Lipton, Sachs, & Summers, 2003).

As it can be understood from the abovementioned points, the Mazowiecki government was rather cautious when it comes to taking a risk for an open stock market. And yet, Deputy Prime Minister Balcerowicz outlined this Act and shared it with the public to accelerate the process as quickly as possible (Lipton, Sachs, & Summers, 2003).

Figure 2: Main privatization methods in Poland



Source: (Lis, Mazurkiewicz, & Zwierzchlewski, 2013) (re-designed)

When it comes to the privatization models, Lis and others categorized it under five main structures: Capital privatization, Liquidation privatization in the legal sense and economic sense, NFI, and Banking settlement procedures. (Lis, Mazurkiewicz, & Zwierzchlewski, 2013) All those models represent the

implementation of the privatization process in different ways. Capital privatization, liquidation privatization in legal sense and liquidation privatization in economic sense have been three major privatization pathways for Poland. As is reflected in the figure, capital privatization represents an open way of privatization that includes the public. Offers, tenders and negotiations are part of this type of privatization. On the other hand, liquidation privatization in the legal sense means "...disposing of all the financial components of a state enterprise by the Treasury" (Lis, Mazurkiewicz, & Zwierzchlewski, 2013, p. 43). Last but not the least, liquidation privatization in economic sense requires a solid economic justification to start the privatization process. In order to follow this way of privatization, necessary criteria should exist with an approved court sentence (Lis, Mazurkiewicz, & Zwierzchlewski, 2013). All of those methods were actively used in Poland during the privatization process. In the following table, exact numbers are presented to reflect the commonly used methods in privatization activities.

Table 8: Number of privatized enterprises in Poland between 1990-2012 according to the privatization methods

Years	Capital Privatization + Banking Settlement Procedure	Liquidation Privatization in the legal sense	Liquidation Privatization in the Economic Sense	NIF	Total
1990	6	32	18		56
1991	22	383	517		922
1992	23	281	318		622
1993	47	196	226		469
1994	36	131	160		327
1995	86	151	144		381
1996	55	197	97	512	861
1997	58	193	60		311
1998	41	135	44		220
1999	26	149	57		232
2000	26	164	57		247
2001	32	72	53		157
2002	22	44	44		110
2003	6	36	35		77
2004	11	52	23		86
2005	11	37	31		79
2006	6	10	13		29
2007	25	20	10		55
2008	10	14	8		32
2009	20	7	8		35
2010	97	0	5		102
2011	64	3	4		71
2012	34	1	2		37
Total	764	2308	1934	512	5518

Source: (Lis, Mazurkiewicz, & Zwierzchlewski, 2013)

The table shows that the most frequent way of privatizing method was liquidation privatization in the legal sense. 2308 enterprises were privatized via this method. Liquidation privatization in the economic sense is right behind this method with 1934 enterprises. We see that the capital privatization and banking settlement procedure are in third place with 764 enterprises. And finally, the NIF method was actively used only in 1996 and 512 enterprises were privatized with this model.

The second important information that the table provides us is the annual distribution of the privatization activities in the country. As can be seen on the

table, there is a dramatic drop when it comes to privatization activities after 2000. Most of the enterprises and SOEs were privatized before the year 2000. The most active years were 1991, 1992, and 1996. The numbers of privatized enterprises in these years are (in the same sequence) 922,622, and 861. At the end of 2012 total number of 5518 enterprises were privatized with those five different methods.

Corporatization may be accepted as the most prioritized step of privatization. A corporate form is essential for all companies before the privatization. In order to establish such a system, there should be a corporate board of directors in each firm to manage the process and prepare the establishment for privatization. Since Poland was a centrally planned economy, at the first stage, those boards had to be appointed by the government. In the case of Poland, starting with the 500 biggest firms was a logical movement. Just to compare, during the German economic unification process, there was a special focus on corporatization. They called it the Treuhandanstalt which was “a government-owned but independent trust agency for the privatization of eastern German industry with wide powers of disposal” (Britannica, 2021). Treuhandanstalt aimed a wide range of privatization of Eastern Germany SOE’s to ease the unification process. Therefore, the German government picked up 8000 state-owned enterprises for the corporatization process. The main difference between those two numbers is that the Polish government did not take the risk of such large-scale privatization at the first stage. They were hesitant since strong workers’ councils existed in those institutions and also, they were hesitant to politicize the privatization process (Lipton, Sachs, & Summers, 2003).

Privatization is conceptually a political phenomenon. It is directly related to the distribution of economic and political power. Poland has been a communist country for a long time. Therefore, the workforce that the workers put on the table was precious. As it was mentioned before, with the Solidarność movement, the moral value of workers has increased dramatically. But this turned out to be a barrier during the privatization process. “Particularly problematic for Poland is the fact that workers’ councils are powerfully organized in many enterprises and are fighting for worker self-management against privatization” (Lipton, Sachs, & Summers, p. 295). Also, Rajski states that left-wing lobbies in the country were

strongly combating the pro-market reform programs. The Polish state was strongly forced to pay special attention to a pro-workers privatization process. Their participation was put in the center of the whole process, and they were prioritized in their own firms during the public offerings (Rajski, 1994).

“Employee participation in the capital ownership and management of privatized SOEs has been a highly sensitive political and social issue in Poland. Consequently, it has been the subject of heated discussion in parliament, as well as among political parties, trade unions and in the mass media” (Rajski, 1994, p. 772).

To sum up, the privatization process in Poland was fast enough to transform the country in a short period but also carefully gradual to be able to control the political and social outputs. When we look for the achievement summary of this process, it is easy to see the effect of this effort. 2571 state-owned enterprises out of 8441 were privatized between the period of 1990 and 1993 and 522 of those enterprises were transformed into corporations (Rajski, 1994).

“From 1990 through 1993, the privatization processes have led to a significant quantitative growth of the private sector. The number of individuals undertaking business activities has surpassed 1.7 million and the number of companies with foreign capital participation has reached 14,000” (Rajski, 1994, p. 778). With that being said, in two years, private activity reached 43.9% in construction and 16.3% in transport fields (Bolton & Roland, 1992). Warsaw Stock Market, as a complementary component of the privatization process and free market, started to be considerably more active between the years 1990 and 1999. It was founded in 1817 but did not operate during the Soviet period. In 1991, when it reopened, there were only five firms open for exchange. This number reached 215 in 1999 with new firms listed thanks to the privatization interventions in the country.

While mentioning the privatization topic, the process of public-private partnership (PPP) cannot be missed. It has been a popular way of cooperation in Europe for some time already. Even well-developed Western member states are still using this method to create better and more productive facilities/entities. It is particularly beneficial since this method elevates both sides' capacities to an upper

level. Deputy director in the Polish Ministry of Infrastructure Rafał Wójcik defines PPP as “a form of long-term cooperation between private and public sectors with offering services” (Wójcik, 2013, p. 2). Also, Mause and Krumm present the function of PPP as follows: “In a PPP, the public and private partner(s) contractually agree upon a certain division of labour in order to produce and/or finance certain public services or infrastructures” (Mause & Krumm, 2011, p. 527).

In the academic world, PPP received great attention on the scholars’ side and met with considerable skepticism in different countries (Krumm, 2016). It was often remembered with political disputes or even corruption regardless of the orientation of ruling political parties. I underline this point because PPP cannot be placed on a particular political polar. It belongs to neither right nor left-wing political parties’ point of view. It has been used by the EU member states in both East and West (Krumm, 2016). When it comes to Poland, this situation remains to be the same. This method has been used from 2007 till today although the different governments took the lead in the country.

PPP may take a lot of different forms depending on the situation. But it is good to mention two common methods. One of those types is the DBFO method, which is the abbreviation of design, build, finance, and operate. Usually, essential governmental facilities are constructed under this method such as schools, hospitals, or other public facilities. On the other hand, the conventional way follows a method of public procurement. With this method, those facilities are being financed and operated by the government. The private sector takes place only during the construction period (Mause & Krumm, 2011).

There are several advantages of PPP implementation in Poland:

- PPP creates an added value with innovations.
- It develops the market for the private sector and opens new opportunities.

For the government side, it is a key to a better quality of products and services.

- It provides a direct response to the need of Polish society.
- Finally, it solves the problem of accessing public funds (Wójcik, 2013).

“At EU level, the PPP approach has been adopted and adapted primarily by the European Commission” (Krumm, 2016, p. 15). On the Polish government

side, the Ministry of Development Funds and Regional Policy (MoDFRP) is the official entity that oversees any PPP activities. It has a dedicated PPP unit under the ministry to track and reinforce the part of PPP in total investments (MoDFRP, 2021). Before 2005, there were no regulations regarding the PPP in Poland. Therefore, other kinds of legal regulations were being used for the implemented projects such as the Act of the municipal economy or the Act of toll highways, and the National Road Fund. However, in July 2005, the Act on PPP came into force in the country and a minimal base for PPP was created (MoED, 2017).

According to the European Court of Auditors (ECA), There were four major projects that were completed between the years 2000 and 2014. The total cost of those projects was €388 million and the EU contribution for those projects was €272 million (ECA, 2018). This basically shows us that €116 million was co-financed by the Polish government or private sector. So, approximately 70% of those projects were supported with the EU funds, which is a considerable share. With that being said, “Poland is a leading country in Europe in realisation of road projects in the PPP system” (Wójcik, 2013, p. 12). Till 2013 112 km of motorways and 272km of expressways were built by using the PPP method. Furthermore, a massive plan was created to build 473 km of motorways, 1980 km of expressways, and 428 km of city bypasses with the PPP method. It was also used for renovation projects in the country: 1560 km of national roads were planned to be strengthened and rebuilt with PPP projects. All those implementations used four main sources: budgetary funds, ISPA (Cohesion Fund), European Regional Development Fund(ERDF), and the national road fund (Wójcik, 2013).

As is presented above, implementing PPP projects is a fruitful opportunity for Poland to construct/reconstruct national infrastructural facilities with the help of national and international funds. Therefore, it is hard for Poland to give up on this implementation regardless of its ruling party or political orientation.

4.3. CONCLUSIONS

As was explained in chapter four, the three most substantial funds received by Poland were PHARE, ISPA, and SAPARD. PHARE covered a broader scale

of investments and developments while SAPARD was more about uplifting the agricultural and rural conditions. On the other hand, ISPA was focusing more on a specific field which was transportation and environmental infrastructure. European Union was additionally voluntary since those road constructions were also beneficial for the Trans-European Network. All those programs were planned as a pre-accession intervention however, they continued to be provided after obtaining the EU membership in 2004.

A report published by the European Commission states that €5.7 billion was provided to Poland under those three broadscale programs (BSE, 2015, p. 252). On the other hand, as a local academician, Miecznikowski points out that the total amount reached €7 billion which is even more impressive for that date period. (Miecznikowski).

Privatization was the second crucial pillar while explaining the concrete outputs of the Europeanization process in Poland. There was a rather fast but cautious privatization process in Poland that took place between 1991 and 1997 (see Table 7). There were 3893 privatized firms in total between those years and this was considered to be a big step forward in transforming from a centrally planned economy to a free-market one. (Lis, Mazurkiewicz, & Zwierzchlewski, 2013)

Public-private partnerships were a new but popular phenomenon in Poland. This was a new way of cooperation between the public and private sectors which was more long-term and collaborative (Wójcik, 2013, p. 2). At the beginning of the 2000s, this period became a popular approach, and four main projects were completed by 2014 with a €272 million budget in total (ECA, 2018). That shows us that Poland has been seeking also alternative ways to standard privatization methods to increase the speed of transitioning process to the market economy.

To conclude, starting from the pre-accession period, Poland has been benefiting from the beforementioned funds approaches provided by the West, mainly the European Union. Since the fall of the Iron Curtain, the country aimed to keep up with the West and elevate the living standards to their level. EU was

also willing to support the country on this journey because a Westernized or Europeanized Poland was a far better option than all the other possibilities.

5. AN EVALUATION OF THE INDUSTRIAL PRODUCTION AND FOREIGN DIRECT INVESTMENT IN THE POLISH CONTEXT

Political economists often focus on the relationship between economic progress, political incidents, and domestic regulations. Therefore, in this chapter, the change in country dynamics and its effect on the selected economic variables are going to be examined in an explicating manner. Upon the conducted literature reviews, I have seen that industrial production and foreign direct investment (FDI) are the most distinguished and interrelated indicators to measure the beforementioned changes. Those two points are going to be specially examined and crucial points will be underlined for the reader.

The main reason for choosing industrial production over other sectors (service sector, financial sector, etc.) is that the industry sector in Poland had fundamental changes, especially after fall of the Communism. The style and the strategy of production have changed, foreign direct investment became possible in Polish territory and production technology faced a remarkable change. As a result, in 2020, 28% of Poland's GDP consists of industrial production and related activities (O'Neill, 2021). The service sector, which is nowadays the biggest sector in the country, did not exist or was highly limited during the Communist period. But today, over 57% of the contribution to national GDP is coming from the service sector (O'Neill, 2021). On the other hand, the financial sector turned back to live with the re-establishment of the free market economy in the country. Therefore, those two sectors are less convenient to demonstrate an evolution in the country's history. On the other hand, the evaluation of the country's FDI activities is going to be a complementary component of the evolving style of industrial production in Poland.

Another purpose of this chapter is to also assess the position of Poland against the Europeanization process and how this process affected the country's

overall economic development. We are going to see if the essential EU acquis like freedom of speech, free press, or independent judiciary has made a progressive or regressive movement. And how those movements affected the course of developments on foreign direct investment, therefore the industrial production and finally the economic development on overall. The general timeframe is selected between 2000 and 2020 which covers both the previous and after the EU accession process.

5.1. THE CHARACTER OF INDUSTRIAL PRODUCTION IN POLAND BEFORE AND AFTER THE MARKET ECONOMY

Economic development is a complex phenomenon that has a wide range of variables such as foreign direct investment, domestic industrial production, the success of the functioning internal market economy, and many more. All those variables have their own dynamics that affect one another. Among those variables, industrial production is an important component to dwell on. According to OECD, “[i]ndustrial production refers to the output of industrial establishments” (OECD, 2021, p. 1). The system of those establishments usually depends on the countries' adopted political systems.

As explained in the previous chapter, Poland went through a rather fast economic transition that brought pros and cons alongside. When the centrally planned economy, as known as Communism, was introduced in 1947, a fast and effective expropriation process started in the country. Almost all independent entities/companies were expropriated regardless of their function or operation of field. In Communist systems, to maximize the number of outputs, states promote mass production activities in a country's industrial production system. However, this mass production is not a strategic one that produces output based on exact needs. It is mostly about creating a wider and stronger proletariat or working class. Similar to most other Communist implementations, after 1945, Poland started to follow this way of industrial production which is not very

productive. That is why a baseless economic growth was observed during the first three decades. However, in the 1980s, major political crises arose, and consequently, economic upheavals started (Bukowski & Novokmet, 2021). Even if the political crises did not appear, such a nonstrategic production would have caused a major product surplus in the internal market.

The main issue with Communist production was the lack of productivity and innovation. Especially towards the end of the Communist era, this gap widened between the Communist and Capitalist systems. “At the end of the central planning period, their industrial enterprises had highly depreciated fixed assets which did not enable them to manufacture competitive products in the new conditions of a market economy. Deep technological changes were only possible in those firms which had sources of financing the modernising process” (Gierańczyk & Rachwał, 2012, p. 86). Once Poland has involved in the Europeanization process, its habits towards industrial production and therefore economic growth changed as well. But how Poland has been dealing with this change and how successful it was are two important questions to ask.

With the change of the political system in Poland, its understanding of industrial production has changed radically. Nonstrategic mass production came to an end and efficiency and profit were put at the center of production. The country became also an important foreign direct investment destination in the region (see section 5.2). Due to this fact, with few exceptions, there was no recession experienced by Poland after the EU membership. In 2018, this real GDP growth rate reached 5.4% which is remarkable in the whole international arena (Eurostat, 2021). Suddenly, Poland started to appear in economic news, magazines, and websites with its achievements and this situation was perceived as a strong economic development in the country. Yet, there is a fact that economic development is only sustainable with innovation and technology. At this point, a question comes to the minds of researchers like me: has Poland been successful to reach a high technology (high-tech) driven economic development?

In the mid-1960s, high technology as a new word joined the technology specialized literature. It was a period the modern manufacturing branches were launched in many locations. In the progress of time, high-tech became

the major indicator of modernity and competitiveness. (Gierańczyk & Rachwał, 2012). In order to achieve this level, each country has to go through an effortful and constant process called research and development (R&D). Each state is ought to make a serious investment in this field to make a progress on valuable production and therefore, a sustainable economic development.

“...[h]igher education is a legitimate strength of innovation in transition economies. However, this effect is significantly lower for companies from Eastern European countries. Studies also suggest that the access to the European Union has not affected this issue by much” (Zwolak, 2016, p. 156). Nearby this negative statement, it is also possible to see positive ones coming from the official authorities in Poland. “Poland is third in the EU and first in CEE by the number of tertiary education graduates and by the number of graduates in the hard sciences, mathematics, IT, engineering, manufacturing, construction per 1,000 people aged 20-29” (Przeździecka, 2020, p. 3). Zwolak and Przeździecka make those statements four years apart. So, one could say that the Polish youth is being more competitive over time. When the current situation of the EU or the World is observed, each individual youngster has to focus on self-improvement to compete in this competitive business environment. According to the Polish Ministry of Science and Higher Education, between 2008 and 2018, the number of Polish adults who completed a higher education increased by 37,5% (Zdziebłowski, 2019). When the increasing number of students attending international exchange programs or complete degrees abroad was taken into consideration, Zwolak might have been painting a black picture.

However, if we get back to Poland’s condition in research and development activities, not a positive scene appears. “... investment in research and development in our country are far too low and amount less than 1% of GDP, while the EU average is 2% of GDP. As a result, Poland is in the 25th place in the ranking of innovativeness of EU countries and it is called country of innovative stagnation” (Ślusarczyk, 2015, p. 100). There are two main reasons for this unfortunate direction:

- The first one explained with the *limited financing* of innovative activities in the country. Neither influential actors nor the Polish government has been

financially supporting the R&D work field in the country.

- The second appears to be the *foreign direct investments*. An important part of the total Polish industrial production belongs to foreign investors. This situation causes a problem in the decision-making process. The country may be considered dependent at this point to boost the R&D activities. This fact even determines the decision of upgrading the machinery in a production unit (Gierańczyk & Rachwał, 2012).

In 2008, when the global financial crisis (GFC) hit the world, it shed a new light on evaluating industrial production. During the crisis period, a large number of firms or financial institutions were subsidized or nationalized by the national governments. Freeze of the global credits was inevitable. Only some firms with solid financial policies or risk management procedures survived or were affected less (Erkens, Hung, & Matos, 2012). When we have a look at the situation of Poland in this period, we see a step forward in terms of macroeconomic indicators. “In 2009, while most of the EU was wallowing in a recession, the GDP of Poland actually grew by 1.7%” (Reichardt, 2011, p. 39). These kinds of numeric achievements were presented and promoted by the government officials in front of the public. Prime minister Donald Tusk stated:

“The results of the previous year is a symbol of the difficult, but globally perceived success of the Polish Economy, the data are better than expected even by the most optimistic - they build the pride of Poles” (Reichardt, 2011, p. 39).

The above statements show that Poland has been enjoying a constant economic development since its full membership in the EU in 2004. But European Union was aware of the situation of the industrial production in the Union and started to take action for making room for development. Lisbon Strategy was the first step of those actions. Since the strategy was adopted in 2000, the value of a knowledge-based economy has gained importance. Finally, with the 2008 crisis “[p]eople understood that it is not possible to built a strong economy without a strong industry” (Ślusarczyk, 2015, p. 95). This statement might be correct because, during the Great Recession, industrial production was the most affected sector compared to other sectors. For instance, the service sector as the predominant type of sector in well-developed economies demonstrated a more

stable picture worldwide compared to the industry. This fact revealed the fragile side of the industry and produced products (Schnorbus & Watson, 2010).

For Poland, regardless of the orientation of the political party, a concrete intervention to the regulation of industrial production hasn't been really a prominent topic for the government. After obtaining full membership in the EU, Poland was highly dependent on the EU regulations about industrial production regulations. However, those policies were not fitting with Poland's reality. It was more applicable for advanced industries with good resources and assets (Ślusarczyk, 2015). As a result of those facts, today "[o]nly 2.7% of Poland's exports consist of high tech products, a proportion that is the lowest in the EU. Countries like Lithuania and Italy have an export ratio ten times as high" (Arogyaswamy & Nowak, 2009, p. 66). Nowadays, high-tech is being used more in knowledge-based industries such as data and programming, advertisement, fashion and industrial design, or architecture and interior design in Poland (Wróblewski, 2014). These types of industries are relatively new, and their operations cannot be maintained if the high-tech is not on the stage anyway.

When the current Polish industrial production is reviewed, there is almost no change in the importance of three fields of production:

- The first major production area is the manufacture of food products and it did not change since the EU membership period. This demonstrates the importance of Poland in pork and pork-based nutrition production in Europe. It is still a ruling export item for the country.
- The second one is the manufacture of motor vehicles, trailers, and semi-trailers. This field has been more influential over time. Thanks to a relatively low workforce and cheaper production costs, many international car producers preferred Poland for the continuation of their mid-products.
- And last but not the least, electricity, gas, steam, and air conditioning supplies are on the third line in terms of the most produced items. Just like motor vehicles and trailers, Poland has been a popular destination to produce these kinds of mid-products (Rachwał, 2015, p. 592).

Although the situation of Polish industrial production does not look great, official statements of the Polish government is not reflecting a pessimist scene. In

fact, it is too optimistic. There are several news or reports that promote the “outstanding achievements” of the Polish economy. For instance, a report has been published by the National Bank of Poland (Narodowy Bank Polski) with an ambitious headline “[p]oland’s exceptional performance during the world economic crisis...”. There are a variety of positive reflections on the macroeconomic indicators including GDP growth rates, utilizing human capital, or the composition of the capital flow. And yet, other crucial evaluations are missing such as productivity and the competitiveness of produced products.

An important statement from the report is as follows: “[o]ur results imply that the recent recession has not exerted any significant impact on the efficiency with which economic resources are being used for production purposes in Poland, and the exceptional performance of the Polish economy in 2008-10 was largely a positive coincidence, an effect of a range of favorable circumstances. For instance, unlike other European countries, it recorded both a marked increase in capital deepening and an improvement in workforce composition” (Gradzewicz, Growiec, Kolasa, Postek, & Strzelecki, 2014, p. 38). This is a partially correct but rather ambitious statement. There is a mention regarding the efficiency, but no detailed explanation of this fact is given. More importantly, there is no mention of a lack of progression in the high-tech products in the country.

Table 9: Polish export and import data for the years 2000-2020

Variables	Currency	2000-2004	2005-2010	2010-2020
		Period I	Period II	Period III
Export of Commodities	in mln USD	47.222,30	134.334,30	218.602,60
Import of Commodities	in mln USD	62.097,70	154.911,30	222.677,50
Balance of foreign trade turnover	in mln USD	-14.875,40	-20.577	-4.074,80
Trade volume deficit	%	13,61	7,11	0,92

Source: (Statistics Poland, 2021) (and own calculations)

Although the reviewed literature shows that the Polish industry has issues regarding high technology and innovation, data gathered from the National Statistic Office of Poland shows an absolute increase in exports between 2000 and 2020. In table 12, I have created three periods that represent the pre-accession process to the EU (2000-2004), the five years process after the accession (2005-2010), and finally the upcoming ten years of the Polish export and import activities. With the full membership in the EU, we see a huge improvement in both export and import activities in the country. That demonstrates a clear contribution of this membership and therefore the Europeanization process. It would be fair to say that fulfilling the EU acquis during and after the accession process made also an important improvement in the competitive market economy. When we look at the balance of foreign trade, we see a well-controlled process. There is an increase in terms of imports of goods and services between periods I and II. However, in period III, an outstanding improvement attracts attention. Balance of trade drops more than \$15 billion and takes the trade volume deficit to 0,92% which is a big step forward in export activities.

Table 10: Major export and import items of Poland in 2018 (EUR)

Name of the Exported Good	Export Value (million Euros)	Import value (million Euros)	Balance
Machinery and mechanical appliances	54.220	54.699	-479
Transport Equipment	30.659	26.328	4.331
Base metals and articles thereof	22.303	24.714	-2411
Plastic and rubber and article thereof	16.051	17.160	-1109
Prepared foodstuffs	15.267	8.233	7.034
Product of chemical industry	14.981	21.203	-6222
Live animals, animal products	9.562	5.680	3.882

Source: (Statistics Poland, 2019) (re-designed)

It makes sense to have a deeper look at the most exported items to assess the type of production and to see the competitiveness of Poland in the international arena. A yearbook was published in 2019 by the National Statistical Office of Poland that demonstrates the main export and import products. I have chosen seven major export and import items to demonstrate their trade balances and the type of the items. According to the table, machinery and mechanical appliances are the by far leading export items in the country. However, we see that even a bigger import is happening in this field. Therefore, the high-tech components of those items may be imported from different countries which makes Poland dependent on other countries in this sense.

In order to maintain the production of those machinery/appliances, Poland imports a high number of raw materials like base metals, chemical products, and plastic and rubbery. Nearby the machinery imports, other imports of those raw materials cause foreign trade deficit in the country as well. When it comes to foodstuffs and animal products, Poland presents a different story. Those lines bring a revenue instead of a deficit that is approximately €10.1 billion. In this case, it would be fair to say that Poland's success in export items is limited to live animals and processed food products. As regards the machinery and appliances that can be seen as competitive products, there is a big potential for international trade however, the deficit shows that the dependency of the country is still ongoing.

At the end of the day, it is hard to say that the Polish industrial production today is competitive in the international arena and the number of exported high-tech items shares a high percentage. Regardless of changing governments, there were no major regulations proposed by the official authorities since the beginning of the modernization process and the process of Europeanization has not been effective on this crucial point. Even though some structural changes took place between 2000 and 2007, they were too slow, and the main target was the advancement of the lower technological facilities (Gierańczyk & Rachwał, 2012).

5.2. THE RELATION BETWEEN THE POLISH POLITICAL COURSE AND FOREIGN DIRECT INVESTMENT

There is an absolute postulated idea regarding foreign direct investments. It is thought that FDIs are highly related to political stability and the existence of concrete regulations in a country. CEE countries are attracting foreign investors due to these criteria. (Matysek-Jędrych, Götz, & Jankowska, 2018). But before coming to conclusions, it is better to make a definition on a broader scale. United Nations Conference on Trade and Development (UNCTAD) defines FDI as follows “[f]oreign direct investment (FDI) is defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate)” (UNCTAD, 2007, p. 245). On the other hand, it is also important to mention offshoring. According to Oatley, “[o]ffshoring occurs when a firm based in one country moves all or part of its production to a second country and then uses this new location as a platform from which to export back to its original home” (Oatley, 2019, p. 131).

Foreign direct investment has two types: vertical investments and horizontal investments. “Vertical FDI is usually trade creating, since products at different stages of production are shipped between different locations” (Shatz & Venables, 2000, p. 6). Since international transactions became flawless and instant, this type of investment gained more attention. In this sense, there were no more boundaries to produce a type of item in several different countries (Shatz & Venables, 2000). Aizenman and Marion provide a fruitful explanation for both FDI types: “[v]ertical FDI takes place when the multinational fragments the production process internationally, locating each stage of production in the country where it can be done at the least cost. Horizontal FDI occurs when the multinational undertakes the same production activities in multiple countries” (Aizenman & Marion, 2001, p. 1). To make the long story short, Shah and Alam summarize the differences on a basic level: Horizontal FDI is preferred to subsidize products in the local market and Vertical FDI is more often takes place

to create low-cost inputs (Shah & Alam, 2013). That shows us that the relatively less developed countries attract more vertical investments and well-developed ones are preferred for the horizontal FDI (Matysek-Jędrych, Götz, & Jankowska, 2018).

“FDI is positively associated with employment growth, technology transfers, and therefore, indirectly with the overall economic growth...” (Matysek-Jędrych, Götz, & Jankowska, 2018, p. 154). In the longer term, FDI is also beneficial to boost the competitive market in a country. When it comes to measuring the relation between foreign direct investments and political changes, due to the intangible essence of this topic, there is no remarkable research conducted. However, many researchers assume that “[p]olitical uncertainty, economic instability and cultural distance hinder venturing abroad by imperfectly rational decision makers” (Matysek-Jędrych, Götz, & Jankowska, 2018, p. 155). When the vertical and horizontal foreign direct investments are compared, vertical investments are usually more fragile compared to horizontal ones when it comes to social/political upheavals or predatory actions from the host government side (Aizenman & Marion, 2001).

The selection process of a potential country to invest in depends on several criteria such as location, potential cheap labor, political stability, institutional capacity, etc. Location selection is a unique topic that mostly relies on the type of production and cheap labor opportunities. However, political stability and institutional capacity are broader and more detailed. Especially political stability has different variables. “Obviously, it should be accompanied by other important features: transparent and efficient government, high enough level of political participation, as well as democratic political culture, which should support mechanisms and institutions of democracy” (Matysek-Jędrych, Götz, & Jankowska, 2018, p. 161).

Table 11: FDI Inflow as a percentage of the total selected GDPs

Periods	World	EU28	Czech Republic	Hungary	Poland
2000-2003 Period I	2,39	4,08	7,25	5,03	3,07
2004-2010 Period II	2,31	2,73	4,13	3,86	3,36
2011-2015 Period III	2,13	2,20	2,00	4,97	2,02

Source: (Matysek-Jędrych, Götz, & Jankowska, 2018) (and own calculation)

Table 14 demonstrates the ratio of FDI inflows on the GDP of the listed countries. Just like in Table 12, three periods are assigned for each period. According to the given information Poland has a rather balanced FDI inflow compared to other countries. When the net amount of FDI inflow is taken into consideration, after the EU membership, Poland's performance appears to be the most remarkable one among other CEE countries. A decline is observed in Poland in terms of FDI to GDP ratio but the main reason for this situation is the constantly growing total GDP amount of the country. A numeric difference is also visible between Poland and other countries because compared to Poland, the GDPs of the selected countries are much more humble. These inferences show that the country has been an attraction hub for investors between the years 2000 and 2015. "During 2000–2008, the composition of Polish IFDI flows improved, reflecting the growing attractiveness of Poland as a business location" (Zimny, 2010, p. 2).

A different source states that the highest FDI inflow among CEE countries belonged to Poland in 2009. The total inflow of FDI stock reached \$182 billion in that year (Zimny, 2010). EU accession of the country made a positive contribution in terms of being a foreign investment hub. There were ups and downs between years, but they were rather modest. Stabil economic growth also helped to keep the balance on FDIs. "The average annual growth rate in the value of capital invested in Poland over the last 15 years was about 7%, compared to just under 5% in all of CEE" (Przeździecka, 2020, p. 7).

Once the FDI inflow started, many international investors like Metro Group Germany, IKEA, Toyota, American International Group, and Dell Computer were not too late to start an operation in Poland (Zimny, 2010). Just to give a concrete example “[p]oland is the world’s second biggest manufacturer of IKEA furniture” (IKEA, 2020, p. 6). By the end of 2019,

- There were 16.140 staff employed by IKEA and its sub-companies,
- The total investment reached almost €1.25 billion in the country,
- The export value of the produced products reached €3,15 billion (IKEA, 2020).

Toyota is another international brand that prefers Poland for its investments. The company started to produce hybrid car components (such as transaxles) in 2018. In 2021, Toyota planned another €70 million investment in the country to start the production process for electric motors that are part of Toyota’s hybrid powertrain system. With this recent investment, the total amount of Toyota investment in Poland is going to reach €1.2 billion (Toyota, 2019).

In 2018, a report was published by the Polish Investment & Trade Agency which is the official agency that is responsible for FDI movements in the country. According to this report, Poland received foreign direct investments in three major sectors:

- industrial processing €3.6 billion,
- the professional, scientific, and technical activity €2.4 billion.
- information and communication €2.2 billion (Polish Investment & Trade Agency, 2018).

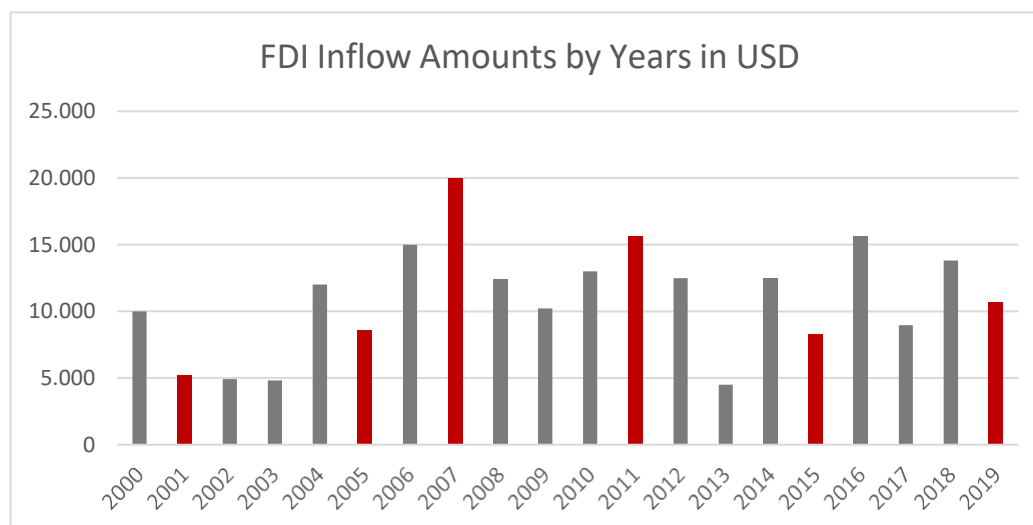
When we have a look at the other subsidiary factors of FDI like social and political stability in Poland, the Democracy Report published in 2021 says a lot. Poland finds its place under the “decliners” section in terms of democratization progress. The report even states that Poland has first place among the top ten decliners which also includes Brazil and Turkey (V-Dem Institute, 2021). When it comes to press freedom, a striking headline attracts the attention of a respected CEE regional news website: “[p]oland falls to lowest ever position in World Press

Freedom Index” (Tilles, 2020). According to this article, Poland ranked 62nd out of 180 countries in World Press Freedom Index conducted by Reporters Without Borders (RSF). He mentions that Poland has been declining last five years in a row. “...all of which have taken place under the current Law and Justice (PiS) government that came to power in late 2015” (Tilles, 2020, p. 1). When the PiS came into power in 2015, Poland was in 18th place on this index. In just five years, it regressed to 44th place on the list. This is a serious regression when we think that Poland has fallen behind Papua New Guinea and Niger.

To underline those rankings are especially important to present the country’s progress in the Europeanization process as well. So to see, depending on the topic, Poland is going through both progression and regression on European Union acquis. Economic reforms are still being implemented in the country to have a better functioning market economy. Ruling parties are trying to make room for international investors both to create employment and attract foreign currencies into the country. On the other hand, an obvious regression is being observed in some surveys like the RSF conducted. This unique mixture of progression and regression presents a great example of a Differentiated Integration case like Poland. Poland takes a step forward especially in economic breakthrough however demonstrates the biggest decline in terms of human rights and freedom since its obtained membership in the EU.

As another subsidiary point, institutional capacity and transparency are two crucial criteria to attract foreign investors. “Institutions should ensure the fairness of any changes and safeguard the values of the society. If they fail to uphold the integrity of the system, the perceived political risk increases” (Matysek-Jędrych, Götz, & Jankowska, 2018, p. 156). In this sense, Poland has been relatively a trustworthy country in the region. Because there is a good balance and combination between constantly improving policy and regulatory framework in Poland and institutional capacity improvement. Whenever a decline was observed, this fact has been showing the signals of recovery for Poland (Zimny, 2010).

Table 12: FDI inflow amounts by years and parliamentary election periods (USD)



Source: (Matysek-Jędrych, Götz, & Jankowska, 2018) (and own calculations) see also FDI data (2016,2017,2018,2019) of the National Statistics Office of Poland.

Table eleven is placed above to demonstrate the correlation between political changes and FDI inflow. The figure covers the years 2000 to 2019, which are before and after the EU accession period. The red-colored years indicate the parliamentary elections in the country. When we have a look at the figure, we see that after the EU membership was obtained, the country has reached the highest level of FDI inflow (2007). This provides a fact that full EU membership has made an important contribution to the attraction of the country. In 2011, the center party Civic Platform won a remarkable victory in elections. This victory was seen as a positive result in the international arena. However, when we check the table, there is a substantial decline after 2011.

Although there are no major handicaps for that date, in 2013, we see a rock bottom which is a similar level to 2003. According to Reuters, there has been a recession period in the years 2012 and 2013 (Gocłowski, 2016). Lower FDI inflow may have triggered the effect of the recession. At last, in 2015, a moderate decrease has been reflected in the table. 2015 is the year that the PiS government was elected but the decrease is not as dramatic as 2013's rock bottom. Moreover,

after the PiS party came into power, a great recovery takes place in 2016 and 2018. These contradicting fluctuations demonstrate an important fact: in the case of Poland, FDI inflow has been changing regardless of the political incidences, parliamentary elections, or international crisis.

As a contrary argument, major economic changes in the world effects this table. The most crucial incident is the Global Financial Crisis that took place in 2008. “On September 15,2008 at 1:45 A.M., Lehman Brothers filed for bankruptcy, something that nearly caused a meltdown of the world's financial system” (Swedberg, 2010, p. 71). After Lehman Brothers’ bankruptcy, American International Group (AIG) couldn’t survive as well. As a result, AIG was nationalized by the U.S. government. Surprisingly, economists and political scientists were not able to foresee such a disruptive financial crisis. It started in the U.S.A but gradually caused a decline in international trade (Helleiner, 2011). This situation directly affected the FDI inflow in Poland. Due to the limited international trade volume in the world, a sharp decline is visible in Table 12 after 2007.

FDI in Poland reached €236.5 billion in 2020 which means one-third of total investments consist of foreign investment by 2020. The most dominant sectors appear to be real estate and motor vehicles/accessories (Przeździecka, 2020). Compared to the beforementioned achievement in 2009, this is a substantial improvement for the country. This shows us, once again, that the political changes and crises do not really affect the FDI inflow for the selected case. According to the American Chamber of Commerce in Poland, there are different determinants in Poland that takes the attention of foreign investors. Some of those determinants are the central location for easier logistics, the broad and deep market created by its 38 million inhabitants, and the high quality of current workers (Przeździecka, 2020).

It was mentioned at the beginning that the FDI inflow is considered to be highly dependent on a country’s political and social stability. But the provided information shows that there are many contradictories in the case of Poland which prove that these variables are not applicable. During the selected period, Poland went through serious government changes and even a move towards an autocracy. On the other hand, there were serious social movements in the society such as the

period of abortion negotiations and the country received serious warnings/concerns from the EU side. But provided scene shows that the FDI inflow hasn't changed in line with those social and political irregularities.

5.3. CONCLUSIONS

To conclude this chapter, it would be possible to state that Poland has been progressive when it comes to industrial production, foreign direct investments, and economic development overall. There are several issues regarding industrial production such as lack of research and development investments or constant dependency on exported technologies. The production of high-tech products is limited with the investment of foreign companies. For the time being, Poland doesn't seem successful in transferring those foreign technologies to its national production standards. Nevertheless, there is a substantial progression in this field after the Communist period. Together with the full membership in the EU, Poland's industrial production became more strategic and productive. Many international investors entered the country with their well-established systems and technologies and opened a new horizon for the country's domestic production.

When it comes to FDI, the attraction of the country increased in time and reached a very respected level in the world. As mentioned before, many foreign companies like IKEA, Toyota, Dell Computer, and others still prefer the country for further production and deepen their investments in this means. As I tested in the chapter, political incidents and changes did not decelerate the flow of foreign direct investments. No correlation was found between the FDI decline and the election of the PiS party. Although the Europeanization process of the country is being sabotaged by the actions of the right-wing parties, foreign investors still tend to invest in Poland.

A strong argument for that contradiction would be the geopolitical context of Poland. Although right-wing parties are being elected for a while in the country, Poland is still a European Union member state. This fact provides a positive perception to investors and creates a relatively safe environment in their risk assessments. So, would it be the same if Poland was a totally sovereign country placed out of the European Union? I guess we cannot know that for the time being, but I strongly assume that the story would be different in such a case. Poland with

no membership and too many political upheavals would be a serious alert for many foreign investors.

6. DISCUSSION AND CONCLUSION

In this thesis, I aimed to present the Europeanization process of Poland from a political economy perspective and how this process was affecting its overall transitioning economic development. Here in the conclusion, firstly it is important to present an overview of the findings and make an interconnection between those essential points to create a discussion.

After World War II, Poland was devastated in every respect. The country had a Communist period during the recovery process. The new system brought an isolation period that disconnected Poland from the West and the advancement which was taking place there. That is why Poland's Europeanization process started with the fall of the Iron Curtain. Since then, there has been a considerable progress in terms of domestic regulations and reforms, economic development, and the overall Westernization process.

With the obtained membership in 2004, the country's breakthrough has started in the field of market economy, infrastructure, and other fields. The country received several EU funds such as PHARE, ISPA, and SAPARD. All those funds supported different fields of advancements in the country including rural and urban areas, farming, infrastructural development, institutional capacity building, and many more.

PHARE program was a comprehensive one that supported multiple essential areas for an overall development before and after the EU accession. 2004 is an ideal year to present the best outputs of the program. Approximately €50 million was spent in 2004 on five different fields which are the administrative capacity, internal market, justice and home affairs, environment, and agriculture and fisheries. Over €40 million of the total budget was spent on the first three fields which are the essential areas to transform the country and reduce the Communist heritage (CEC, 2004).

ISPA was an infrastructure-focused fund to construct, reconstruct, and restore the roads, highways, and railways. €15.3 billion was donated in total to 18

different countries and €2.7 billion was utilized by Poland throughout the implementation period. A remarkable step forward took place in constructing new transport facilities. More importantly, a considerable contribution was made to the Trans-European Network (TEN-T) which was seen as the main route back then for inter-country transport and trade in the European continent. Those transport facilities were not just an infrastructural investment in Poland but also a part of establishing a concrete connection with the West. Thanks to those constructed roads, it was easier for Western people to reach Poland to establish bonds and trade. Same for the Polish people, it was a chance to discover a new World in the West and speed up the overall Europeanization process of Poland together with its society.

On the other hand, SAPARD was a fund for the rural areas of the country to support farmers and agricultural facilities. It reached its highest donation amount in 2003 with €183 million and an approximate total amount of €708 million was dedicated to this program between the years 2000 and 2003 (EIF, 2005). This was the total donation amount for the CEE countries and Poland had received €168.6 million on annual basis (EIF, 2005). As was mentioned in chapter four, the received fund was utilized in the rural areas in the country and made a considerable difference in terms of modernizing agriculture overall.

At the end of the day, it was estimated that around €5.7 billion was donated to Poland by the European Union between 1990 and 2003 under PHARE, ISPA, and SAPARD programs (BSE, 2015). All those funds and financial aids have helped Poland and other CEE countries to boost their development and therefore the Europeanization process. The main aim was to elevate those countries to the Western standards in material and moral means. Support for infrastructure, rural and urban development, and agriculture was a contribution to the development process in material means. On the other hand, providing funds for institutional capacity building, justice and home affairs, and other social areas were promoting the moral means of Europeanization in the country. As was detailed in chapter four, the whole process was rather beneficial and constructive for those countries that just left the commune lifestyle.

The transitioning to the market economy has been also controversial during this tough process. In this sense, privatization was one of the first steps to take and it was pretty essential and crucial. When the Iron Curtain fell, the state contribution to outputs was quite high for both Poland and other CEE countries. The overall ratio was 82% for Poland (Lis, Mazurkiewicz, & Zwierzchlewski, 2013). This required a deep and rapid privatization process to adjust already existing institutions/firms for the new system. Between the years 1990 and 2012, 5518 small and big firms were privatized in the country (Lis, Mazurkiewicz, & Zwierzchlewski, 2013). Additionally, between 1990 and 1993, the number of people who run private businesses passed 1.7 million which is a remarkable breakthrough in terms of free-market activities (Rajski, 1994).

As a relatively new but effective approach, Public-Private Partnerships were successfully implemented in Poland. PPP activities started after 2005 in the country with a dedicated act (MoED, 2017). But this was rather a kick start for the country however, Poland became the forerunner country in Europe when it comes to the constructed road projects with this system (Wójcik, 2013). Part of those projects was financed by the ISPA fund and applied as a PPP project which is an efficient combination for Poland to practice the fund utilization and PPP at the same time.

With all those funds, regulations, and project implementations Poland started to increase its economic attraction in the international arena (Eurostat, 2021). In 2008, the country's real GDP growth rate reached 5.4% and took a great attention in the international arena. As the Polish Ministry of Science and Higher Education states, this economic development was supported by a remarkable increase in overall education performance. The ratio of people who graduated from a higher education reached 37,5% of the total population and this was reflected as a positive output of successful regulations in the education system (Zdziebłowski, 2019). With this being said, I have argued under chapter five that the so-called increment in higher education did not reflect the overall production of high-tech goods in the country. One of the main reasons for this fact appeared to be the low investment in R&D activities (Ślusarczyk, 2015). As a result of this

negative output, according to the data provided in 2009, only 2.7% of the exports consist of high-tech products in the country (Arogyaswamy & Nowak, 2009).

When it comes to the major export products, appliances and equipment take the lead in the country. However, the production of those types of equipment requires also a high level of imported materials. Therefore, the profit from producing and exporting those items is not substantial for the country. When the current data is analyzed, three export categories appear to be profitable for Poland; prepared Foodstuff, transport equipment, live animals, and animal products (StatisticsPoland, 2019).

According to my evaluation, the most considerable achievement of Poland is its good performance in reducing the trade volume deficit. Before the EU accession (2000-2004), the country's international trade deficit was 13,61% of its total trade volume. However, with the transition process from a centrally planned economy to a market economy, this ratio dropped to 0,92% (Statistics Poland, 2021). This reflects a remarkable trade balance for the country. In the conclusion, it is possible to say that Poland currently may not produce a large number of Hi-Tech products in the country, but it managed to find a good balance between its export and import amounts.

Foreign direct investment was taken as an important variable in this thesis and it was seen that Poland makes a difference in the CEE region in this means. In 2009, Poland was top of the list in this region with its \$182 billion FDI stock (Zimny, 2010). As a result of the established market economy and other regulations, Poland was able to take the attention of many international companies like IKEA, Toyota, DELL Computer, and many others (Zimny, 2010). Even though it is limited by the facilities that are established by international companies, it enabled the country to meet the world standards in the production field.

All those positive incidents created a concrete improvement in the Europeanization process. On the other hand, this process was not purely smooth and uninterrupted. Negative incidents were happening at the same time and pulling the country back. Those points were used in this thesis to pull the attention

of readers to the differentiated sides of this integration process. The most concrete examples were found in the period of the PiS government. When the controversial PiS came to power in 2015, the country started to take a totally different direction than where the EU was heading with its values and *acquis*. There were times that Poland received serious warnings from the EU side. Political tension has risen between both sides. That is why I focused on the foreign direct investment data which might be affected by this process.

Special attention was paid to the relation between the FDI inflow and domestic political upheavals in the country. The FDI inflow and national parliamentary elections were configured, and results were compared. According to my findings, Poland went through many elections between 2000 and 2019, there were times that the Polish society elected different parties from different wings or orientations. It was mainly assumed that any controversy in the political arena would be effective on the amount of investment received from foreigners. There were periods that a drop was observed after the 2015 elections but contrarily, there was a remarkable recovery right after the PiS party took the lead in the country (Matysek-Jędrych, Götz, & Jankowska, 2018). Also, serious drops have been observed during politically stable and rather peaceful periods. This shows that, in the case of Poland, the relation between the political upheavals and FDI inflow is rather weak.

At this point, it is important to put a finding on the table. After this research, my assumption towards this unrelated result between FDI inflow and political upheavals would be the obtained EU membership. Doesn't matter how politically imbalanced Poland is, it is still a member of one of the most stable unions in the World and this opens a room for tolerance on the investors' side. But of course, its ideal location, relatively low labor cost, and lively domestic market are other important factors that keep investors interested in this country. Since this is an interesting fact, it could lead to many other types of research in the future. A non-member state with similar political issues may be chosen to compare the FDI inflow trends with Poland. Therefore, it would be possible to see whether EU membership is the core reason for FDI stability in Poland or not.

In the last instance, since Poland turned its direction to the West after the fall of the Iron Curtain, the Europeanization process started for the country. There have been ups and downs during this long and tough path. Those “ups” are mostly related to infrastructural and formal areas and “downs” with the essence of European Union acquis and values. But at the end of the day, it is also important to underline that changing a nation on appearance is rather easier and takes less time than changing its character or world vision. But in time, with the help of the transformative power of the European Union, it is not impossible.

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