

Healthy Fundamentals

Waldemar Pawlak, deputy prime minister and minister of the economy, talks to Andrzej Jonas and Andrzej Ratajczyk.

■ **Do you think the government will begin to play a more important role in the economy following the latest financial crisis around the world and the resulting decline of public trust in financial institutions?**

I think the current turmoil on financial markets will revise a number of theories and help restore rationality. The crisis has shown that the market is not more important than God himself and cannot regulate everything. It is a useful mechanism, but definitely not the only one. The same applies to ownership issues. There are different forms of ownership, such as private property, state property, and cooperatives. Each of these forms has its upsides and downsides. If private ownership were unambiguously better than other forms of ownership, there would not be so many private corporations going bankrupt.

In the EU, the economy and all its sectors related to financial instruments are subject to much more regulation than in the United States. For this reason, the EU has been unable to become as dynamic as the United States, but on the other hand, it has turned out to be much more stable economically. This experience is well worth using now. The conclusion for Poland is not to seek risky and dangerous ways, but follow promising albeit safer development paths.

■ **Many economists say the healthy fundamentals of an economy are the best shock absorber for the financial market. Is the Polish economy in good shape?**

The Polish economy has been growing very rapidly in the past several years, driven primarily by domestic consumption and investment—factors tied to the local market. These factors promote economic growth. In 2007, Poland's GDP was \$500 billion according to the exchange rate at the time, and the country's trade exceeded \$300 billion. Industrial production is on the rise and unemployment keeps declining, testifying to the healthy foundations of the Polish economy and its resilience.



■ **In recent years, foreign investment has contributed strongly to Poland's economic growth. Aren't you worried that international financial institutions and other investors will pull out from Poland because of what is going on around the world?**

Poland is the largest country in the region, and its economy and political situation are stable, which holds out a promise of successful long-term investment. Poland is a powerhouse in terms of economic growth in Central and Eastern Europe, a region that encompasses 11 countries, including nine EU member states with a total population of 156 million and a combined GDP of over \$1.1 billion. This potential is larger than that of Russia, and offers excellent prospects for investors. Poland accounts for 24 percent of the region's population but generates almost 40 percent of the GDP. These figures show just how powerful the Polish economy is.

Poland has a host of other assets, such as well-educated citizens, an extensive system of incentives for investors, and special economic zones. In September, the government approved a document drafted by the Economy Ministry and entitled *A System to Support Investment of Special Importance to the Polish Economy*. The measures proposed in the

document had been adapted to the expectations of investors and are competitive with regard to similar systems in the Czech Republic, Hungary and Slovakia, the countries which compete with Poland for foreign direct investment.

■ **You have said many times that Poland should pursue a development strategy that relies on knowledge, competence and innovation. Has Poland become a leading producer in any hi-tech sector?**

Thanks to support for investment, over the past several years Poland has become the leading producer of TV sets and LCD screens and a major European producer of new cars and car parts. Poland has attracted promising projects in the aerospace industry from the United Technology Group—Sikorsky and Pratt and Whitney, mainly in the Rzeszów region. Polish companies are partners in projects involving aircraft such as Airbus 380 and Boeing 787. It is said that almost every jet engine has at least one part that has been made in Poland. This shows that Poland stands for quality and solid production, that it provides investors in this demanding sector with the right conditions, subcontractors and science and research staff.

The world's largest IT corporations have chosen to invest in Poland as well. Gdańsk is home to an Intel research and development center, and IBM has an accounting center in Cracow. Another large area of modern production in the motor car industry is based in the Katowice and Bielsko-Biała Economic Zones. Such projects draw the attention of potential investors.

■ **At the end of October, you met in Moscow with Igor Sechin, the deputy prime minister of Russia, and Russian Energy Minister Sergei Shmatko. What issues did you discuss? Is there a chance that Polish-Russian economic relations, which are far from perfect today, will improve one day?**

Moscow was hosting the 8th International Energy Week and so the talks with members of the Russian government mainly concerned the energy policy, the future of bilateral economic

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cooperation in the energy sector, and Poland's stance on the EU energy-climate package. I also met with executives from Russian energy corporations such as Gazprom, Rosneft, and Transneft. The meetings strengthened my belief that the Russians are interested in extending long-term cooperation with Poland and can guarantee stable supplies of energy resources. It is good to see that at a time of turmoil on financial markets, the economy is governed by a practical approach that may bring tangible effects.

■ **Does this mean that Russia can be a trustworthy economic partner for Poland nowadays, at least as far as energy security is concerned?**

So far, Russia has been a reliable supplier and as far as I remember, over the past decade or so there have been no serious problems in relations between Poland and Russia when it comes to the delivery of energy resources. Whatever misunderstandings there are result from political rather than economic issues. Consequently, in the present situation, it is important to avoid emotions and focus on actual economic problems instead.