

Economic transformation and evolution  
of industrial policy - examples of a  
highly and less successful policies and  
main challenges in the context of  
Lisbon strategy.

The case of **Poland**.

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# Economic transformation

1. Starting position – deep economic crisis in Poland in the late 80-ies
2. Shock therapy approach – 1989/1990
  - price liberalization (only 5% of prices reminded under the State regulations)
  - Polish currency depreciation
  - foreign exchange liberalization
  - foreign trade liberalization
  - limitation of subsidies (hard budget constrains)
  - salaries control
  - restrictive monetary policy (increase of the interest rates).

# Implication for the industry

- New price structure (including the new price of the capital and energy)
- Foreign competition
- Decrease of the domestic demand (as a result of restrictive income policy)

**In 1991 a deep crisis of the enterprise sector started in Poland. The need to change the structure of the industry – the goal to make it more competitive:**

- Privatization
- FDI
- Development of the Polish private sector

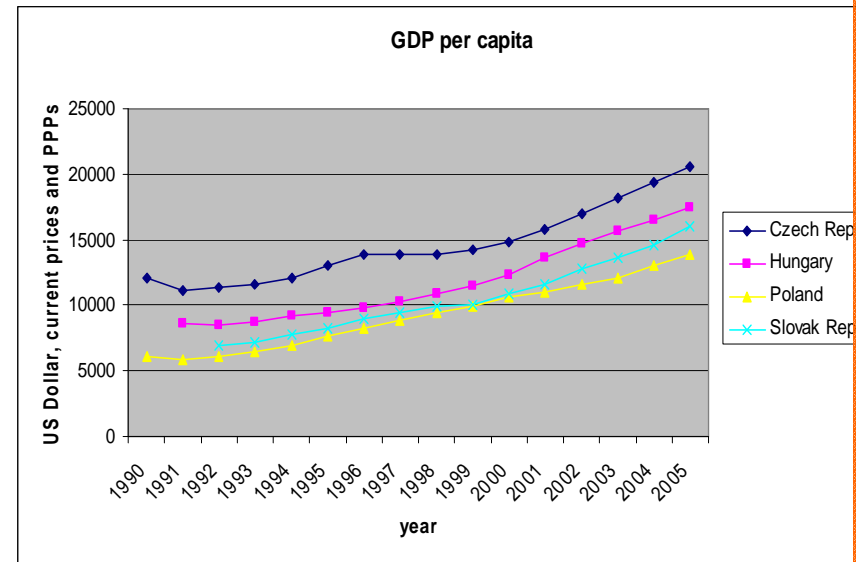
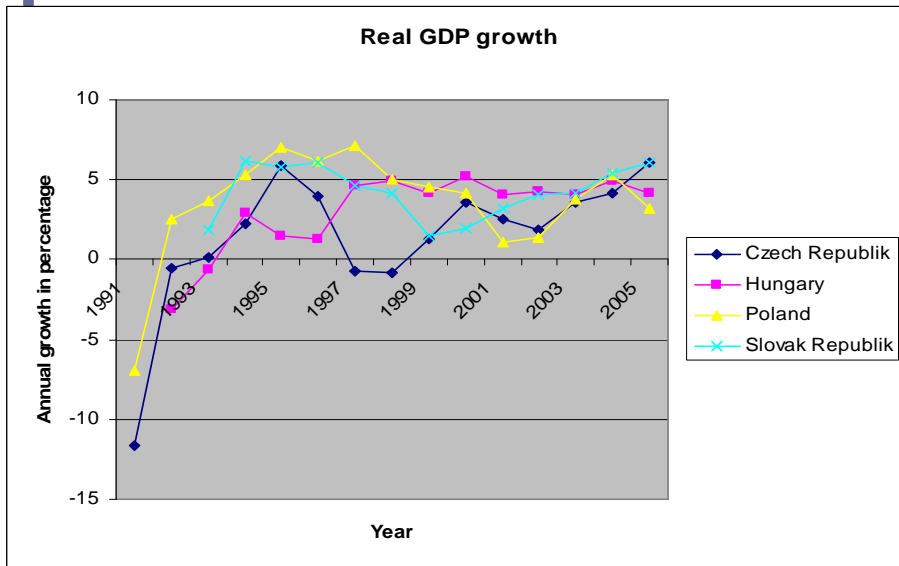
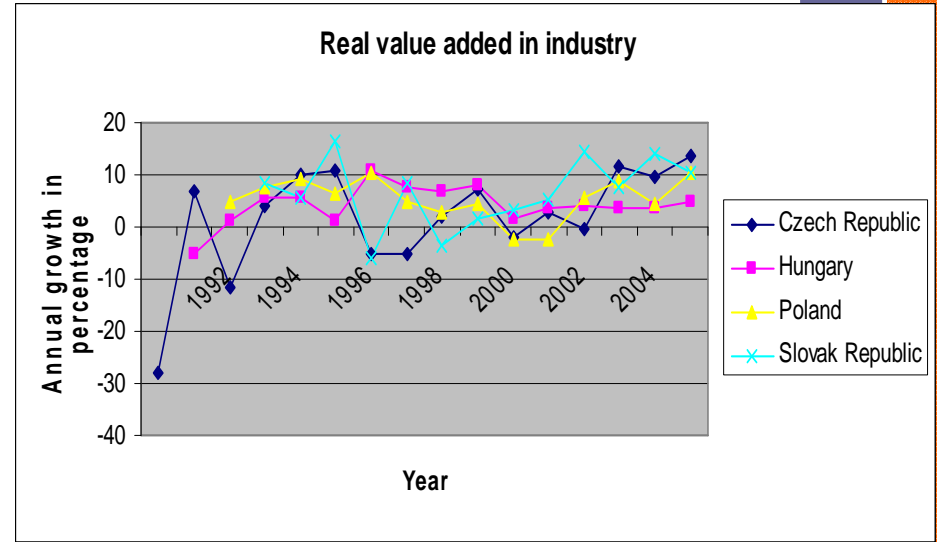
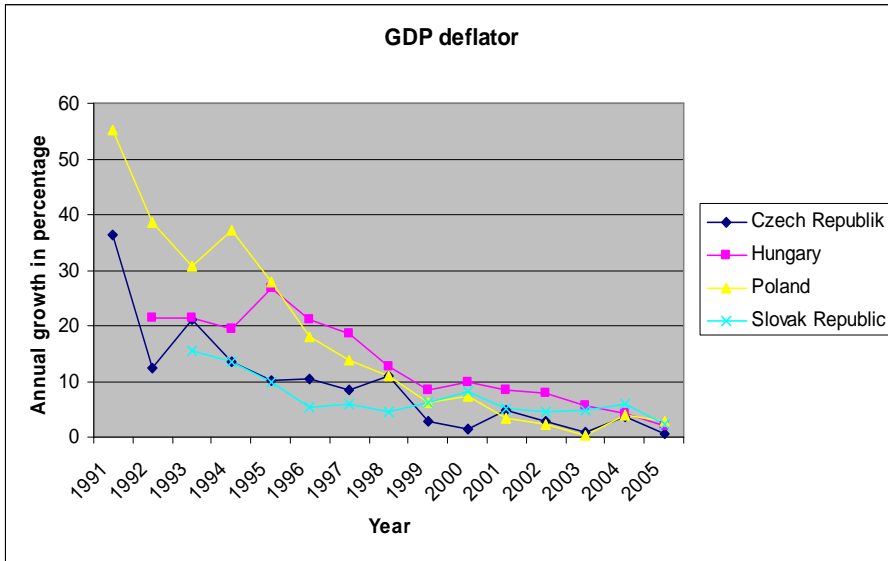
# The main adaptative activities of the Polish companies at the beginning of the 90-ties

- export reorientation (depreciated currency)
- production capacity and employment reduction
- restructuring of organization's structure (e.g. creation of marketing departments, strengthening of accounting departments, outsourcing of some activities – security)
- development of distribution channels

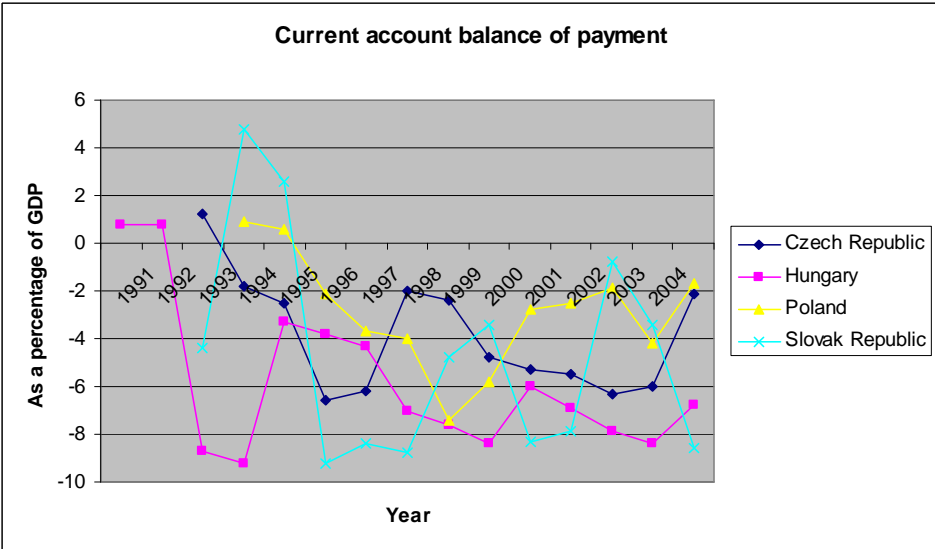
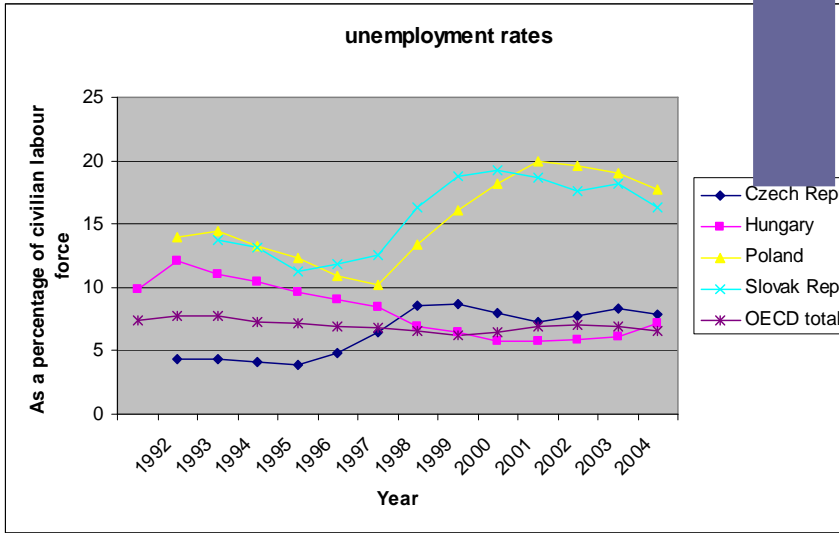
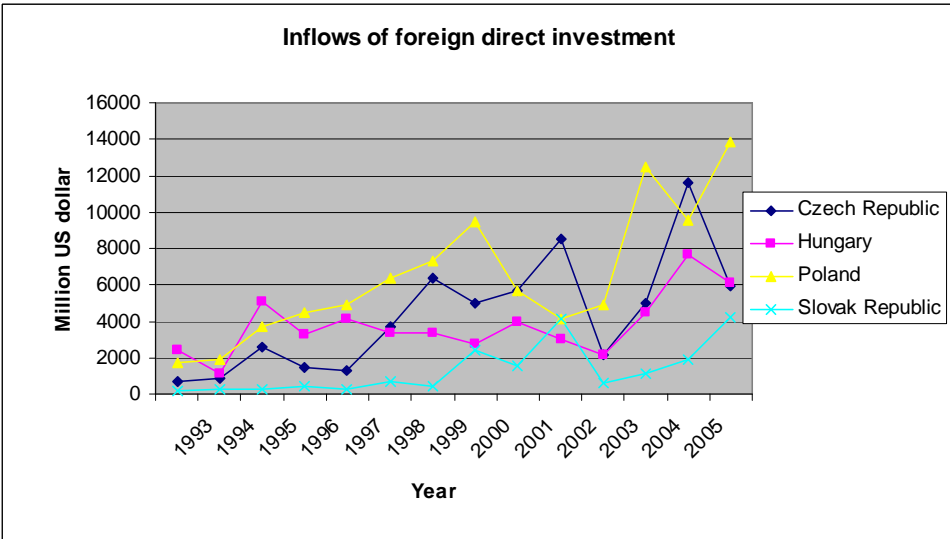
**That was not enough.... - according to W. Carlin that was only a „defensive restructuring”, while the „strategic restructuring” was needed – know-how and capital inflow as well as the implementation of effective corporate government**

# Privatization

- Starting date: 1990
- Main goals: systemic (ownership change of the economy) and economic (increase of the effectiveness of the privatized companies)
- Speed priority: not so important
- Sectors excluded from privatization (part of the infrastructure and mining industry)
- The role of insiders: important
- Main methods of privatization: direct sales, MEBO, mass privatization
- Finish date: ? – there are still more than 2000 companies partially or fully owned by the State



Source: OECD



# Examples of highly and less successful policies – perspective 1990-2008

- FDI attraction – partially successful
- Special economic zones – partially successful (only four zones are considered as successful cases)
- R&D policy – failure (no restructuring of the State R&D sector)
- Stimulation of new private sector development - success
- Internationalization of Polish companies activities – not satisfactory results
- Development of the secure and stable financial market in Poland – success
- Restructuring of the mining sector – not satisfactory results
- Stimulation of the cooperation among the firms (networking or clustering activities) – not satisfactory results

***The policies that were successful 10-15 years ago are not necessary successful now***

- ***different stage of industry and economy's development***
- ***progressing economic integration and globalization***



# Achievements

- macroeconomic stabilization
- progressing economic integration with the EU
- rapid development of the private sector
- sound banking system
- flexible and competitive sector of Polish private enterprises
- well functioning capital market – e.g. Warsaw Stock Exchange

# Failures

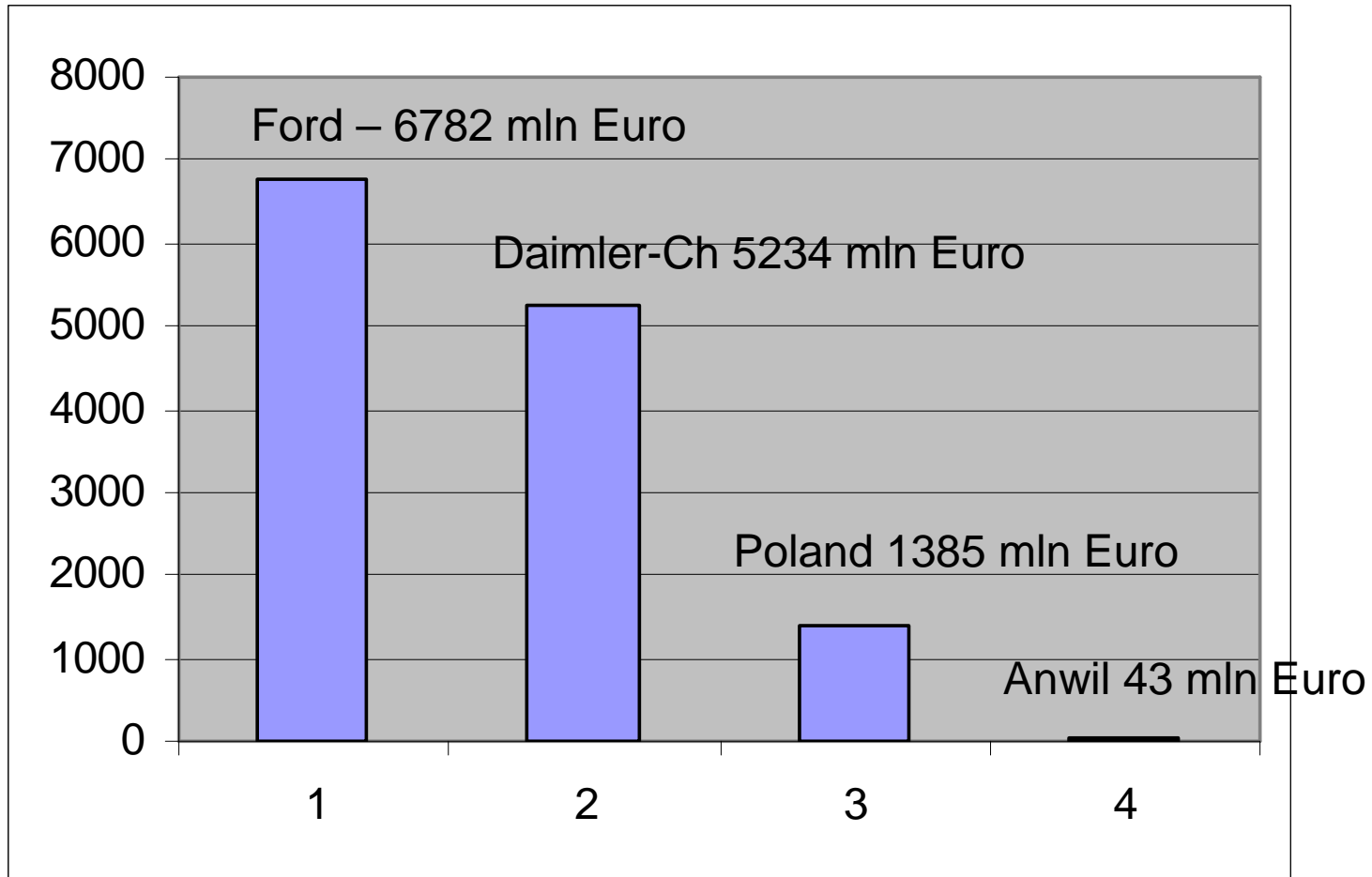
- high unemployment rate
- low innovativeness of the Polish economy
- not enough level of internationalization of Polish enterprise sector
- “weak” SME sector – small number of “strong” SMEs
- slow pace of liberalization of the infrastructure’s sectors
- undeveloped infrastructure

# Key challenge in the light of the Lisbon Strategy

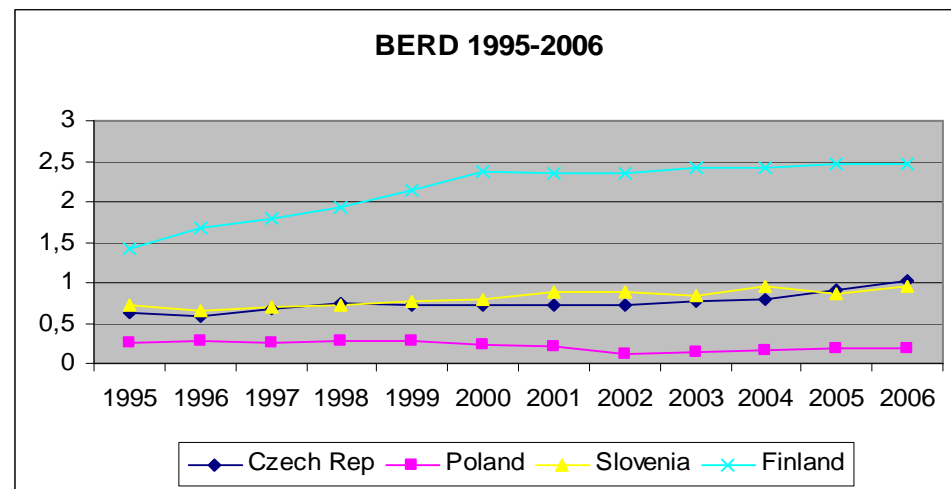
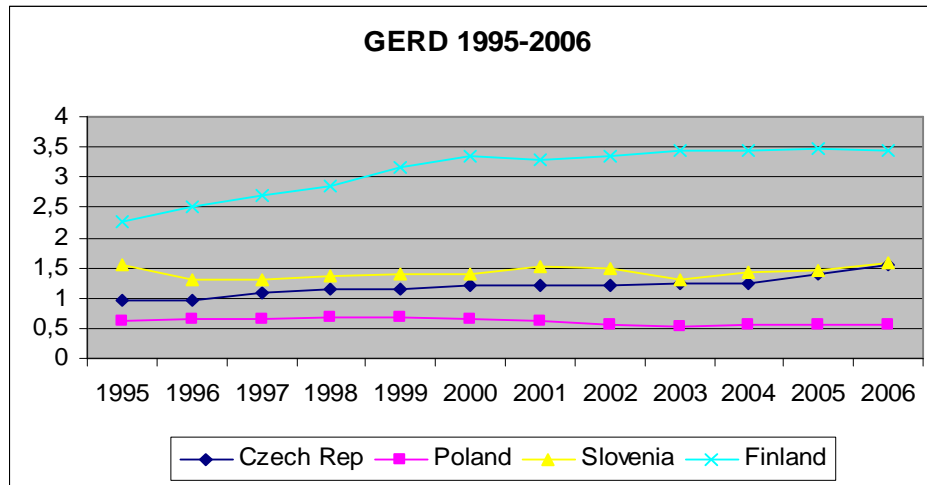
- No more „hidden” and simple reserves to increase the competitiveness of the Polish companies
- Progressing global economic integration
- Globalization
- Increase of the cost of inputs

**Key challenge: to increase the innovativeness  
of the Polish industry**

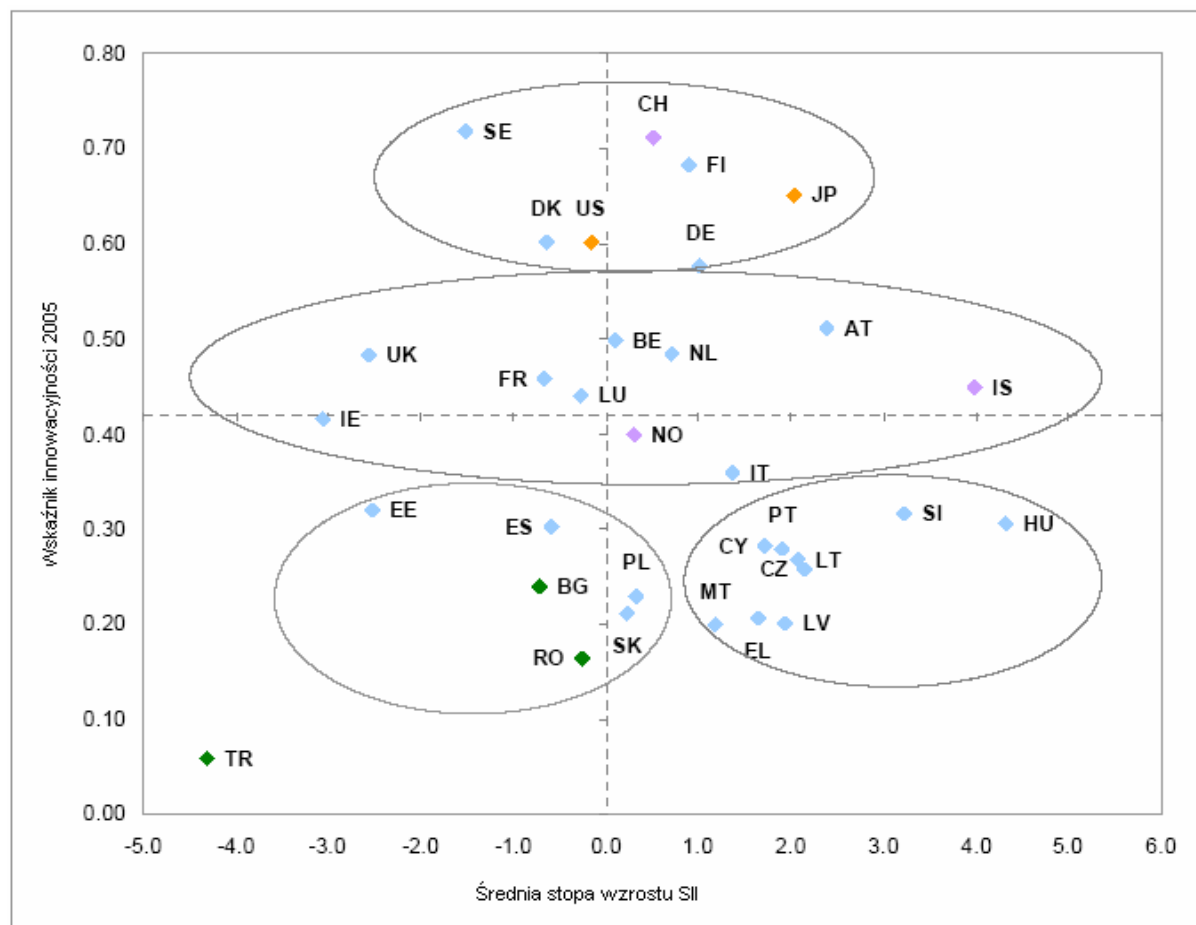
# R&D expenditure 2006



# R&D expenditures 1996-2006

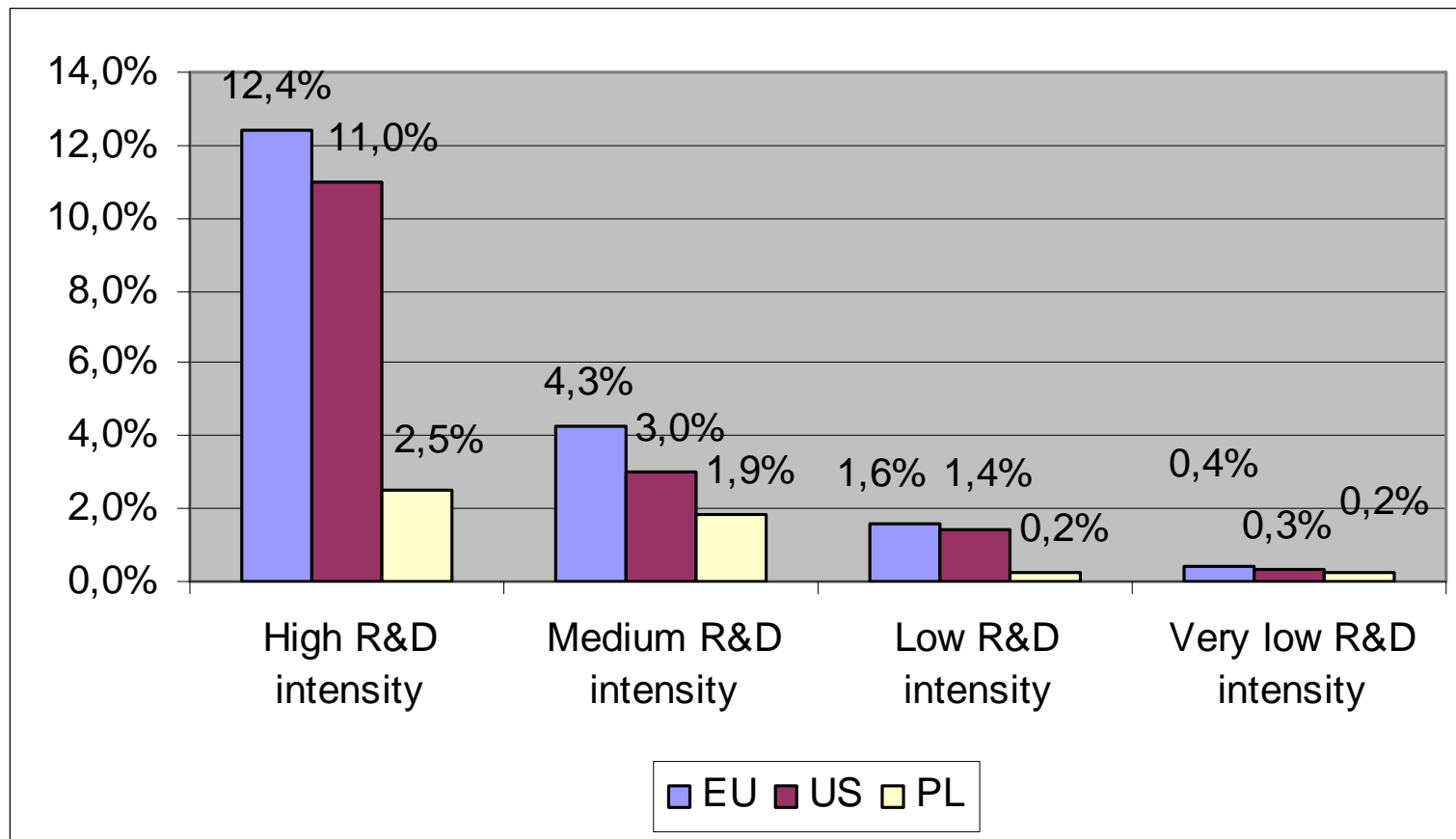


# Innovativeness of EU countries



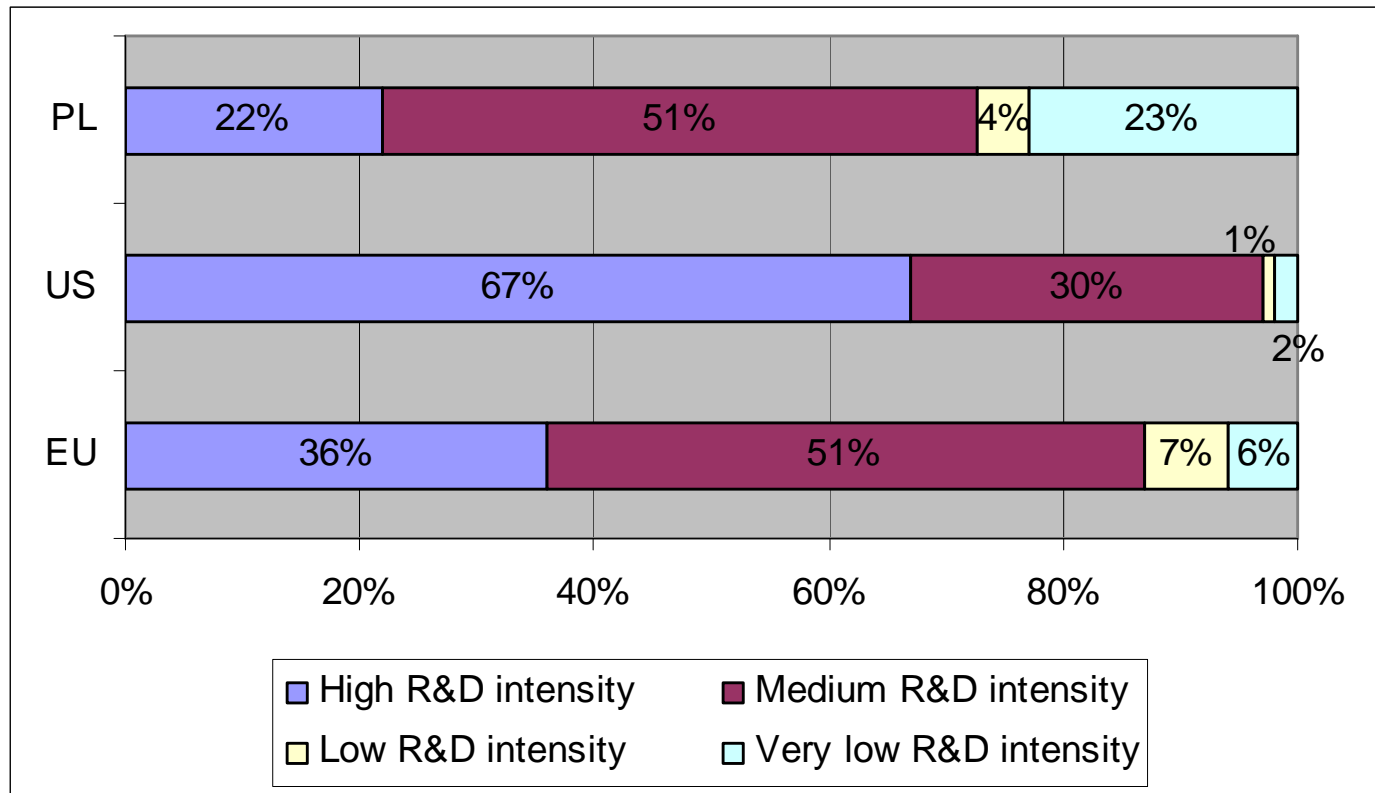
Source: European Commission (2006), *European Innovation Progressing Report 2006 – Trendchart*, DG Enterprise, Luxembourg.

# R&D intensity of the most R&D investing companies from Poland, EU and US by sector in 2005



Source: EU and USA according to the Industrial R&D Investment Scoreboard – IPTS, for Poland – own estimations basing on ranking of the most innovative Polish companies of CASE and Rzeczpospolita

# Sector's composition of most R&D investing companies from Poland, EU and USA



Source: For EU and US – EC (2006 a), for Poland - own calculations based on CASE and Rzeczpospolita survey



# Does Poland have a chance to catch up EU average level?

- Yes, but not so fast...
  - weak economic potential of Polish companies
  - no firms operating on the global level  
(creation and implementation of international standards)
  - lack of absorption capacities (identification of new technologies)

# Thank you for your attention

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