Europeanization of development policy in Poland: comparison with the Chinese model of endogenous growth

Europeizacja polityki rozwoju w Polsce: porównanie z chińskim modelem endogenicznego rozwoju

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**Summary**
The purpose of the article is to compare Polish and Chinese development policies. Even though the countries are geographically remote and structurally dissimilar, it can be observed that their development Policies had the same starting point, namely, the turn from communist policy towards market economy principles and inclusion into the global economic exchange. The processes of Europeanization had key importance for shaping Polish development policy. Participation in the EU cohesion policy played a major role, as it shaped strategic directions and organizational principles of Polish development policy. In my article I am going to ponder the question whether the Europeanization of Polish development policy turned to be an advantage or, conversely, a development obstacle for Poland. I propose to study these matters in the context of selected characteristics of Chinese development policy.

**Keywords:** Europeanization, development policy, endogenous growth, Poland, China

**Słowa kluczowe:** Europeizacja, polityka rozwoju, rozwój endogeniczny, Polska, Chiny
Introduction

The purpose of the article is to compare Polish and Chinese development policies. Even though the countries are geographically remote and structurally dissimilar, it can be observed that their development policies had the same starting point, namely, the turn from communist policy towards market economy principles and inclusion into the global economic exchange.

The processes of Europeanization had key importance for shaping Polish development policy. They were connected to Poland's membership in the EU and adopting European institutional models. Participation in the EU cohesion policy played a major role, as it shaped strategic directions and organizational principles of Polish development policy. In my article I am going to ponder the question whether the Europeanization of Polish development policy turned to be an advantage or, conversely, a development obstacle for Poland. In particular, did it contribute to developing an independent strategic doctrine and national development policy? I propose to study these matters in the context of selected characteristics of Chinese development policy. External models (especially Western European) had a negligible importance for Chinese policy. Its major goal is building endogenous growth potential of domestic economy and preparing Chinese companies for successful competition on the global markets.

Development policy in the period of transformation

Development policy is targeted at long-term improvement of economic structure in order to ensure growth and competitiveness of the economy. It is also referred to as structural policy or supply-side policy\(^1\). When the special focus of the policy are less quickly developing areas, it is also called regional policy. The policy likewise supports restructuring of troubled industries and aims to modernize economy by introducing technological and organizational innovations. Popularization of neoliberal ideals in economics also led to a concurrent critique of development policy, because within the neoliberal paradigm it was believed that boosting economic effectiveness and structural adjustment are better mechanisms of encouraging economic effectiveness. It led e.g. to a departure from traditional interventionism with regard to industrial policy.

In the course of system transformation from socialism to capitalism, Poland favoured the neoliberal approach. Several factors contributed to this bias of the economic transformation, and prominent among them were the involvement of international financial institutions, of some European countries and of the US in

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the Polish transformation. To a lesser degree, European institutions also influenced this direction. In the period of transformation, Polish economic policy was characterized by gradual marginalization of the structural approach, especially in the field of industrial policy. Likewise, the accession to the EU has contributed to economic liberalization in Poland. An illustration of this process was the introduction of open trade exchange with the EU, including the obligation to lift trade barriers on the internal domestic market and adjustment to rules and procedures existing on the common market. Communal institutions also encouraged Polish authorities to put into motion privatization of state-owned enterprises and supported the policy of attracting capital and production investors. In this way, the processes of Europeanization in the accession period played a key role in supporting the liberal leanings of Polish economic policy.

Whereas the liberal approach gained prominence, the hope of gaining membership of the EU also contributed to gradual rebuilding of development policy in Poland, especially on regional level. It was connected primarily with the willingness to participate in the EU cohesion policy. This was the general objective behind the so-called pre-accession programmes, which were modelled on the cohesion policy programmes. These programmes laid out the foundations of future institutions and introduced new principles and methods of managing regional policy. The programmes also initiated directions of the said policy and inspired its core documents. Thus, the Polish development policy was rebuilt at the beginning of the 21st century. To a large degree, it was rebuilt thanks to European integration. After Poland’s accession to the EU, the policy became one of the chief components of the national economic policy.

Apart from cohesion policy, one can also mention other European development-oriented initiatives that contributed to Europeanization. Their instruments of influence were subsequent EU economic strategies and integrated economic and social policy guidelines. The effect of these instruments on shaping development policy was however less prominent than that of cohesion policy. Poland occupied a low position on the ranking lists of reforms, evaluating the


The processes of Europeanization can be divided into two principal stages. The first stage involves shaping of the contents of European policies on the EU level. It includes forming the content-related directions of these policies, their organizational principles and management methods. These solutions are arrived at by means of political process played between communal institutions within the group of member countries. At the same time, not all countries have the same say in shaping the EU decisions. Political scientists point out to the fact that the bigger and more experienced member states tend to dominate the discussion. In the case of structural policy, this is often the richest countries of the EU, who to a larger extent carry the burden of financing the EU budget. The second stage of Europeanization involves the actual processes of Europeanization, such as the transfer of patterns and regulations from the EU level to the member states. Experts highlight the fact that the influence of Europeanization on structural politics is conditioned both by the EU law and by formal guidelines of the European Commission, and by informal recommendations of the EU institutions (especially the Commission) that accompany the programme and operational documents.

Initially, Poland was mostly on the receiving end of Europeanization patterns in the sphere of structural policy. It participated in shaping the solutions on the EU level only to a very minor degree. This is especially true with regard to the first years of Poland’s participation in cohesion policy, namely the 2004-2006 period. Because Poland’s accession to the EU happened in the middle of financial time horizons (which have a duration of several years), Polish government did...
not participate in the negotiations surrounding the shape of the cohesion policy for the years 2000-2006. Polish government only adopted the solutions which had been developer earlier and focused on their effective implementation on the national scale. As time went by, Poland started to participate more fully in creating the frameworks for the future cohesion policy.

Europeanization of Polish structural policy creates completely new conditions for pursuing economic policy. Firstly, a range of institutional, organizational and content-related solutions, as well as investment funds of structural policy, come from European institutions, and as such they have to be taken into consideration or implemented by Polish public authorities. Secondly, the national-level authorities – and especially the government administration – co-participate in planning and negotiating the final shape of cohesion policy on the EU level. On the whole, this creates favourable conditions for a multi-level management system, in which the EU and national levels play leading roles. However, local and regional authorities also participate in management. The system involves two directions of decision-making processes: hierarchical (from the top to the bottom layers of the structure) and grass roots (initiated by the bottom layers). This tendency is demonstrated by the influence which specific EU member states exert over shaping European solutions.

Another perceptible quality of structural policy in the period of Europeanization is the decision between European (cohesion) policy and domestic policy (which is referred to as domestic regional policy). There is a strong mutual connection between the two, which is proven by the fact that the dominant part of domestic regional policy in Poland is financed from investment funds earmarked for the implementation of cohesion policy. At the same time, the need to separate domestic and European policies serves two key functions. Firstly, the state’s own domestic development goals need to be specified, in order to effectively co-create policies on the European level. For example, domestic regional policy is indispensable in order to successfully negotiate the European directions of cohesion policy after 2013. Secondly, domestic development policies can help to fulfil the goals that will not be achieved by EU policies. Indeed, it is worth remembering that EU policies emerge through the process of negotiation between communal institutions (mostly the EC and the European Parliament) and between the 27 member states. They are, therefore, more often than not end products of diverse agendas and interests, which do not always fully match Poland’s needs. That is why domestic development policies become indispensable.

In the case of Poland, domestic structural policy plays without any doubt second fiddle to cohesion policy, and remains under the latter’s strong influence with regard to organization, contents, and financing. According to some experts, the prevalen-
ce of cohesion policy may lead to disappearance of independent strategic development thinking, and to the loss of strategic subjectivity in development policy. This can be illustrated by the Domestic Regional Growth Strategy (Polish: Krajowa Strategia Rozwoju Regionalnego, abbreviated KSRR)\textsuperscript{10}, the key document of domestic structural policy. The analysis of this document indicates that it gives minimal chances of implementation to projects that are not covered by EU funding. Until 2014, the strategy does not estimate that there will have been any changes in the system of financing regional policy in Poland. This means that the EU funds, earmarked for the purpose in the EU budget for the years 2007-2013, will remain the principal source of financing. Within this timeframe, domestic funds will almost solely be dedicated to supplementing EU funds. Also later (i.e. after 2013), EU funding will retain its dominant role in financing domestic regional policy. The authors of KSRR estimate that only approximately 10\% of domestic funds will not be linked directly to supplementary financing of European programmes. It will be possible to use these funds within the framework of the domestic system of regional policy, including implementation of regional contracts (which are the main instruments of the policy). The nature of the abovementioned declarations is very preliminary. They do not carry completion guarantees that would go beyond the year 2013. The hitherto prevailing experiences with functioning of voivodship-level contracts, and repeated but failed attempts to reform public finances, make it necessary to treat the said declarations with caution\textsuperscript{11}.

The above considerations lead to the conclusion that KSRR has in fact been subordinated to the implementation of the EU cohesion policy in Poland. Only to a very minor degree does it give guarantee of building domestic institutions and financial instruments that would be autonomous from European policy. In this respect, it remains a phenomenon similar to “a brainstorming session”, which generates interesting ideas, but in all probability will not have the causative power to implement them. In this situation, KSRR should not be treated as a document strengthening the system of domestic regional development policy. The document is little more than a catalogue of ideas. This is a telling illustration of weaknesses of state-level strategic planning\textsuperscript{12}.

Implications of Europeanization for management

The experiences of South-East European countries show that Europeanization of structural policy leads only to surface-level of regionalization. New administrative units are launched on the regional level in order to service the EU cohesion policy, but they do not have broader competences or own funding. Meanwhile, the state government retains its dominant role in the sphere of management.13

The situation in Poland has been similar. Granted, in 1999 there were established independent regional governments in 16 voivodships. But *de facto* competences of these units are limited to servicing European programmes, and the bulk of the financial resources at their disposal comes from the cohesion policy budget. The autonomy of regional governments in Poland is especially limited by low level of own funding. This is in accordance with a tendency observed also in other EU countries, which is connected to the fact that central governments try to retain as much influence as they can over the public finance system and they tend to use the influx of EU funding to increase their control over investment policy in the regions.14 Under the influence of economic crisis, they increase supervision over territorial governments, especially with respect to public debt limits.15

Meanwhile, experts point out to a relatively high level of centralization in the management of cohesion policy in Poland.16 In the first period of participating in the implementation of the policy (2004-2006) there had existed only one integrated regional project, which had been managed by the central government. Later, sixteen separate regional programmes were introduced, in which regional governments achieved a significantly higher level of decision autonomy. However, the main programme directions were still decided on European and national level, and the role of regional administration was to a large degree limited to implementation. For this reason, experts argue that also in Poland the government’s

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15 This phenomenon is also observable in Poland. At the beginning of 2011, the Minister of Finance changed the method of calculating public debt in local government, and imposed new restrictions on deficits of budgetary units for the coming years. Confer: Por. Rozporządzenie ministra finansów z 23 grudnia 2010 r. w sprawie szczegółowego sposobu klasyfikacji tytułów dłużnych zaliczanych do państwowego długu publicznego, w tym do długu Skarbu Państwa (Journal of Laws, no 252, item 1692); M. Cyranekiewicz, (2011), *Rząd lata działy nie tam, gdzie powinien*, Rzeczpospolita, 09-03-2011.

role is manifestly that of a gate-keeper\textsuperscript{17}, which is connected mostly to the centralist administrative traditions dating back to the socialist period\textsuperscript{18}.

Indeed, an import ant quality of the Europeanization of development policy in Poland is the coexistence of two fundamental tendencies. On the one hand the said policy is strongly conditioned and inspired by the European integration, and especially by the models connected to the EU cohesion policy. On the other hand, local administrative traditions also play a major role, “filtering” and modifying the models of Europeanization and adopting them to local conditions in accordance with national mechanisms, interests and existing institutional solutions\textsuperscript{19}. For this reason, the effects of Europeanization of development policy in Poland are an end result of mutual interactions of the two abovementioned tendencies.

According to experts\textsuperscript{20}, Europeanization introduced a range of good governance practices into the administration of new member states. They are connected e.g. to programming actions within a strategic perspective, striving to ensure effective implementation, and regular monitoring and evaluation of structural policy. Also a majority of Polish experts stresses an improvement in quality, effectiveness, and transparency of the administration units servicing cohesion policy in Poland\textsuperscript{21}. At the same time, they also signal that while good governance principles and best practices are spreading from the EU-funds related administration units to other segments of public administration, this process is slow and ot very effective\textsuperscript{22}. This is connected to a strong local administrative culture dating back to the socialist period.

Another inherent problem of managing development strategy in Poland is the excessive complexity of bureaucratic procedures, which is one of the chief obstacles preventing effective implementation of EU funds\textsuperscript{23}. Experts\textsuperscript{24} mention frequently changing regulations, and accumulation of additional formal requirements and guidelines, which, instead of facilitating the fulfilment of goals, create a disorienting labyrinth of incomprehensible and excessively demanding regulations. An additio-
nal problem is the tendency to repressive and punitive measures, demonstrated by fiscal controllers, and an accompanying tendency of civil servants to focus on procedures and not on fulfilment of strategic goals etc. These phenomena are the results of low mutual confidence levels within Polish administration, and also of limited confidence in the administration on the part of the European Commission. These actions of civil servants are targeted chiefly at creating a comfort zone and guarding their own interests, but they are also linked to a broader phenomenon, which is the strong fear of corruption threats. The difficulties outlined above also result from the lack of accordance between EU policies, e.g. between the goals of cohesion policy and regulations of competition policy. Complicated bureaucratic procedures related to structural policy result therefore both from local administrative traditions and from the influence of Europeanization.

Another quality of development policy management in Poland is excessive concentration of absorption of EU funding, while at the same time neglecting due care for their optimal implementation in order to solve domestic development problems. This is accompanied by low effectiveness of strategic planning within Polish administration. These qualities likewise result from both local administrative traditions and the influence of Europeanization. They stem from the dominance of cohesion policy over domestic regional policy, and also from insufficient ability to identify domestic development interest by the Polish administration. Difficulties in strategic planning also result from the lack of continuity of programming public policies by the administration. This is connected to frequent changes of governing coalitions, which follow subsequent elections. This lack of stability has especially negative effects for planning and implementation of domestic public policies. In contrast, European policies are implemented within longer timeframes, which results e.g. from long-term horizons for the policies defined in the EU budget and from relatively higher stability of European regulations in comparison with Polish legal system.

**Influence of Europeanization on the programmes**

Cohesion policy is too little concerned with encouraging competitiveness and innovativeness of less quickly developing regions of the Community. Instead, it is limited to redistribution of financial resources which undoubtedly improve the standards of life of inhabitants, but are not instrumental enough in creating permanent and long-term resources for the development of local economies. This weakness tends to widen the gap with regard to developing innovative economy, which exists between Central and Northern Europe and peripheral countries of Southern and Eastern Europe. According to some experts, it is connected with excessive concentration of investments on the development of core

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infrastructure, and the ensuing neglect of development of human resources, and of supporting competitiveness and innovativeness of local enterprises\textsuperscript{26}. As a result, the funds often generate a short-time supply bubble (local consumption is increased), which dies after the European funds cease to flow.

Additionally, cohesion policy introduces a specific categorization of European regions with regard to their development level and choice of modernization objectives. This leads to a division between EU activities, directed at developing innovative economy which are focused on the best-developing countries and regions within the EU, and activities targeted at providing core infrastructure which are implemented in less developed regions. In this way, cohesion policy paradoxically contributes to widening the gap with regard to levels of innovativeness in economy, which exists between Central and Northern Europe and peripheral countries of Southern and Eastern Europe\textsuperscript{27}.

A good illustration of this problem is the distribution of cohesion policy funds in Poland. In accordance with Community Support Framework (CSF) for years 2004-2006, only approx. 17\% of public funds (EU funds and connected national funds) were directed to the support of innovative economy. The main instrument of the said support was the Sectoral Operational Programme “Improvement of the Competitiveness of Enterprises, years 2004-2006” (Polish abbreviation SPO WKP). At the same time, approx. 65\% of the funds was directed towards building technical infrastructure. The report\textsuperscript{28} evaluating the influence of structural funds on improving the competitiveness of enterprises clearly demonstrates that in spite of massive need of Polish enterprises for encouraging innovativeness (when compared with situation in Europe), the volume of funds directed towards this end within EU funds was negligible. It did not exceed 2 \% of all investments made at that time in the business sector. Additionally, these marginal funds were dispersed over all Poland, which further limited their potential of business support.


\textsuperscript{28} Ocena wpływu funduszy strukturalnych na zwiększenie konkurencyjności przedsiębiorstw, PSDB Sp. z o.o. Warsaw 2008, p. 119-121.
What was lacking in particular was a coherent policy of supporting business clusters, or in other words national and regional growth centres.

This diagnosis is substantiated by another report. European funds were not linked to a broader policy of supporting clusters and shaping the state’s innovation policy. The development of clusters was limited to financing one entity (e.g. cluster coordinator) or common-purpose investments realized by that entity. What was manifestly lacking was a broader approach, that would ensure that funds would be used for a limited number of centres that had prime strategic importance for the country and for individual regions, and that would coordinate diverse support instruments intended for companies, targeted at developing infrastructure, human capital and research and development. It is worth noting that cooperation between entrepreneurs and the Academia is one of the requirements of effective functioning of industrial clusters. Meanwhile, the actions taken within the Operational Programme “Improvement of the Competitiveness of Enterprises” that were targeted to encourage such cooperation have spectacularly failed. Over a half of projects were implemented by only one entity. This is corroborated by experts who point out to a growing devaluation of the idea of regional clusters in Poland, both in terms of lowering the expectations concerning innovations and of insufficient encouragement for building networks between business and science.

In this context one should draw attention to research results that prove low interconnectedness of Polish clusters. This fact stems from lack of trust between partners (both business vs. business and business vs. the Academia). Rare examples of cooperation are limited to lobbying and marketing initiatives. Polish cluster – in contrast with European standards – are few and small, they demonstrate low level of technological innovations and have negligible connection to export. It appears that cohesion policy funds are not helpful enough in improving the international competitiveness of Polish clusters.


33 Ibid., p. 65-68.
Some evaluation reports\textsuperscript{34} claim that there is a range of benefits for businesses who become beneficiaries of EU funds. These findings demonstrate e.g. increase of expenditure on research and development, improvement of financial results, growing numbers of customers, launch of new products, acquiring of new product markets, increase of assets. However, taking into consideration the small volume of available resources in the years 2004-2006, the reports\textsuperscript{35} stress, that benefits for particular companies did not translate into an improvement of competitiveness of Polish economy as a whole. Other experts\textsuperscript{36} argue that companies who received EU funding, in comparison with those who did not, have improved their competitiveness and export capabilities only to a marginal extent. This proves that the effect of EU funding on the improvement of international competitiveness of enterprises is in fact insignificant. The influence of the funds over rise in the net employment level (e.g. employment statistics that take into account seasonal labour turnover not connected to the influence of EU funds) was also low. Yet other experts\textsuperscript{37} point out to the ephemeral character of actions taken to improve innovativeness, to their insufficient complementariness and weak links between different support programmes. These opinions are confirmed by press articles that report that the effects of actions taken to support innovativeness are for the most part transitory or superficial\textsuperscript{38}.

A comparison between strategic and operational documents establishing the cohesion policy framework for the years 2004-2006 and those documents dating from the period 2007-2013 leads to similar conclusions. On the level of documents prepared (and implemented) by government it is not possible to see any significant change in the field of targeting cohesion policy towards aiding economic innovativeness. Whereas the number and value of investments financed from EU programmes grows exponentially (including R&D projects and knowledge transfer from the Academia to business), proportions between different expen-


\textsuperscript{35} E.g. Wpływ realizacji Sektorowego Programu Operacyjnego..., p. 5.

\textsuperscript{36} Cf. Ocena wpływu funduszy strukturalnych..., p. 123.


\textsuperscript{38} A good illustration are the effects of actions1.4-4.1 „Support for research and development Project and implementation of R&D Project” functioning as a component of the Innovative Economy Operational Programme. In practice, the main cost burdens of this activity were connected to implementation of external solutions (e.g. purchase of new machinery and technology), and not developing own research and innovations.

Diture categories do not change significantly. The National Strategic Framework (Polish abbreviation NSRO), which constitute the chief document establishing the priorities of cohesion policy implemented in Poland in the years 2007-2013, expenditure connected to building innovative economy grows only by 19.8% (whereas the figure for the years 2004-2006 was approx. 17%). R&D expenditure also grows in a negligible degree, to the level of approx. 4-5-% (whereas the figure for the years 2004-2006 was approx. 3%). Infrastructural projects remain prominent, their costs reaching approx 65% of the NSRO.

An example of China’s development policy

The chief goal of Chinese economic policy is accumulation of capital and endogenous growth of domestic companies. In the initial stages of the transformation, it was important for China to be incorporated into the global economic system in such a way as to fulfill the abovementioned goal. This included e.g. opening up the country for foreign investors – especially coming from the circles of the Chinese diaspora39, but also for large corporations operating on an international scale. This strategy focused on using the assets of Chinese economy, e.g. cheap workforce and enormous buying power of the Chinese market. The challenge was to incorporate China into trade exchange and industrial production system existing in the region. In the 1970s and 1980s, when China opened to the world, the economy of East Asia was dominated by Japanese cooperative networks. These networks included also the Four Asian Tigers, i.e. South Korea, Singapore, Taiwan and Hong Kong. The characteristic feature of this network was the high level of internal cooperation, whose end products would be offered on American and European markets. Japan played a leading role in the network, practically coordinating the functioning of regional cooperation, and it also reaped the benefits. For this reason, the system in which Japan spearheaded the group, was picturesquely named the flying geese formation.

China not only did not join the system, but gradually succeeded in its reorganization, practically replacing Japan in the role of the leader and chief coordinator of the economic exchange between East Asia and the West40. Currently, export activities of many Asian countries centre on China, where the end products are manufactured and in turn exported to the USA and the EU. This is a good illustration of Beijing’s systemic thinking in geoeconomic categories. The goal is not only achieving short-term gains from the export, but also creating stable mechanisms

of trade exchange that ensure the accumulation of capital. These mechanisms are strengthened by political cooperation, whose signs are e.g. closer cooperation between China and the ASEAN\textsuperscript{41}, and the launch of the Shanghai Cooperation Organization in 2001.

The result of the processes described above is the trade deficit between the EU in China, which has been increasing for many years. In 2000 the deficit had amounted to 46 milliards Euro, and in 2007 it quadrupled to 160 milliards\textsuperscript{42}. At the same time, it should be pointed out that the EU trade deficit is not distributed equally between all Asian countries, but concentrated on the exchange with China. The EU tries to impose numerous protective barriers against Chinese exports and initiates anti-dumping procedures. Doing this, the EU is trying to exploit China’s status of a non-market economy, assigned when China entered the World Trade Organization in 2001. This status shall hold until 2016, even though Beijing is energetically lobbying for an earlier re-evaluation. Should this scenario occur, protecting the European market will prove more difficult and possibilities for Chinese export to and investments in the EU shall be increased.

Industrial policy is an important element of Chinese long-term approach to endogenous growth\textsuperscript{43}. It not only creates general conditions of growth, but also actively directs the processes of increasing competitiveness of the domestic economy\textsuperscript{44}. The elements of the system involve e.g. flexible regulation of different sectors and industries and centralized control over growth processes. The state gradually introduces conditions of market competition, which however vary strongly from sector to sector. In some sectors, competition is consciously restricted to only a handful of entities (in order to build industry champions), or only exists between state-owned companies, or Chinese (state-owned and private) companies. This way, property is also controlled, as an element of power over a selected segment of economy, and that ensures easier oversight over growth processes on the part of the state.

The division into strategic and non-strategic sectors is of key importance to Chinese industrial policy, and the definition of strategic sectors is relatively broad. They entail not only activities connected with national security (e.g. technolo-

\textsuperscript{41} ASEAN (Association of South-East Asian Nations): An illustration of this cooperation is the development of ASEAN+3 formula, developed in 1997 as an answer to the economic crisis in Asia, which involves cooperation between ASEAN countries and China, Japan and South Korea.

\textsuperscript{42} N. Cesarini, (2009), Remaking Global Order. The Evolution of Europe-China Relations and its Implications for East Asia and the United States, Oxford University Press, Oxford-New York, p. 59.


gies that have military application), but also industrial security (and for this reason, energy sector and financial sector are recognized as strategic). Furthermore, Beijing considers all industries that build the technological basis for the domestic economy as strategic. This shows how much importance is accorded to the development of innovations and modern technologies. Likewise, industries in which domestic companies are palpably less competitive than foreign corporations are recognized as strategic.

The state is much more controlling when it comes to growth processes in strategic sectors. With regard to other sectors, economic management and state supervision are often decentralized, also in their regulatory aspects. The state is much more supportive of restructurization, research and development and innovation in the strategic sectors than in others. The banking sector is especially significant in this context, because it is the source of cheap financing for new investments or for companies’ restructurization. Precisely for this reason, it is recognized as strategic for the development of endogenous economy and it remains under strict regulatory and proprietary control of the state. Many loans handed to companies are unprofitable, especially on local and regional level. However, this seems to be the price for very dynamic investments that are initiated by the rank-and-file on the local level. The government periodically recapitalizes the banks or decrees central financial institutions to take over their “bad debt”.

Market competition is limited in foreign sectors, and similarly limited is private and foreign ownership of companies (e.g. the government makes it possible to operate on a given market only for state-owned companies, and acts as a gatekeeper, limiting chances of new players to enter the market). The access of foreign investors and competitors to the market is also strictly controlled. For example, foreign corporations can invest in China mostly only when they strike up joint ventures with domestic companies, and under the condition that they make available their knowhow and technologies. The percentage of foreign investments does not as a rule exceed 10% of value of a given company, and it has no significant effect on management of the enterprise. Foreign investments do not for the most part involve the main spheres of activity in a given sector, public infrastructure or public utility services.

As I argued before, Chinese authorities attach great importance to technological growth of Chinese companies. This involves creating innovations and new technological solutions. Measures taken to that effect include strict scientific and innovation-centred policies and development of education and human resources promotion systems, whose elements is e.g. the presence of numerous Chi-

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Chinese students at the world’s top universities. Apart from that, Chinese economy also absorbs foreign solutions. International corporations are the most popular source of these innovations, as their willingness to share technical expertise and knowhow with local partners is a condition of their presence on the Chinese market. This is an example of a policy that is meant to trigger diffusion of innovations and bring new solutions to slower developing local companies. For Chinese authorities, attracting the world’s most innovative companies and persuading them to build research centres in the country remains a top priority (currently, research centres of Microsoft, Oracle, Motorola, Siemens, IBM and Intel among others are located in China).

An important method of acquiring technologies are foreign investments of Chinese companies or funds (e.g. China Investments Corporation. Many of these investments are located in Europe, and the economic crisis of the Euro-zone increases possibilities of cheap takeover of companies who possess resources important for the Chinese side. Additionally, academic exchange programmes can also become a source of technologies. This includes programmes connected to the cooperation surrounding the Galileo system, which are partly funded by European framework programmes. According to some sources, the Chinese also tend to buy foreign technological solutions in bulk, without respecting intellectual ownership rights, and use industrial and economic espionage (also via the internet).

All these diverse actions result in systematically making the Chinese economy more innovative and technologically advanced. Research conducted under the auspices of the European Central Bank proves, that the technological content of Chinese production is rising exponentially, and surpassed that of European production in 2007. Chinese companies not only move towards more the technologically competitive end of scale (higher up on the production ladder), they also attempt to encompass the totality of production system, from the design stage, through controlling subsequent stages of production and assembly, to organizing own distribution chains. In some industries, Chinese companies therefore occupy a leadership position on many stages of the production chain. Capitalizing on low production costs or occupying a niche position were however viewed by the Chinese authorities as their final target. It was only a transitory

48 A. Y. So (2009), p. 56.
50 Quoted from N. Cesarini, (2009), p. 64.
stage, whose objective was gathering experience and amassing potential necessary for further expansion. The final goal is gradual achievement of economic domination, and changing economic co-dependence into hierarchical relationship that makes China’s trade partners dependent on Beijing, and allows China to write the rules of the game.

Development policy conducted by the Chinese government is on the opposite extreme to neoliberalism. Some experts\textsuperscript{52} class the Chinese economic transformation as a combination of Keynesianism with the Asian model of a developmental state. In the case of China, this model was more heavily decentralized than in other “Asian tigers”. The goal was to free the grass-roots potential and to integrate the less rapidly developing regions of the country into the modernization process. This policy was expressed by significant decentralization of the public finances and by introducing a range of incentives and controlling mechanisms that force local authorities to get involved in grass-roots investments. An example of such activity was a programme of supporting entrepreneurship in smaller towns and rural areas called Town-ship and Village Enterprises\textsuperscript{53}, which encompassed a range of fiscal incentives, a system of evaluation and development of local and provincial human resources that was tied specifically to economic results etc. Chinese development policy uses various instruments to support the less-growing provinces and autonomous regions, as well as diffusion processes of the growth from the fastest-growing east coast to central and western areas. It creates the incentives for business development in the weaker regions, which include preference among credit from the state banks\textsuperscript{54}.

In my view, the geoeconomic strategy was the heart of the Chinese transformation. The strategy, through its reliance on endogenous development, was targeted at raising China’s international position, both on the economic and political plane. This entails first of all the attempt to dominate external economic relations. Such stance builds a potential of assertiveness in view of foreign political pressures. An example of this strategy is China’s long resistance against pressures to devalue Chinese currency. Monetary policy remains an important tool of supporting competitiveness of domestic economy and promoting export (and as such, it helps to accumulate capital). At the same time, Beijing’s political autonomy allows it for the most part to play down external pressures. Thanks to that China’s policy has avoided the tendency to excessive dependence on external patterns and funding. National development strategy is adapted to local conditions, focused on the objectives of the endogenous development and is funded mainly

\begin{itemize}
\item[52] Por. A. Y. So, (2009), p. 50, 55.
\end{itemize}
from national funds. It is worth quoting the results of econometric studies which show that long-term GDP growth in China is not the result of external capital investment and relatively little (compared to other developing countries) is due to the inflow of foreign direct investment (FDI). It is also not related to foreign debt (which is less than 20 percent of Chinese GDP). It is, however, driven mainly by strong domestic investment⁵⁵. These results describe the success of endogenous development policies pursued in the China.

**Conclusion**

Concluding the above analysis one should point out two characteristic features of the Europeanization processes in the field of development policy in Poland. Firstly, the policy is strongly subordinated to European models and to EU cohesion policy. In spite of this, local administrative tradition also plays an important role, visible e.g. in the high level of decision centralization, low competences in the sphere of strategic planning, and high level of distrust inside bureaucratic structures. Secondly, national-level public administration is for the most part only the recipient of European models; its active role in shaping policies on the European level is minor. And thirdly, it is difficult to talk about the development of domestic structural policy that would be autonomous from or dominant over the EU cohesion policy. This is a clear manifestation of the weakness of national strategic thinking and lack of ability to identify valid priorities, interests and objectives on the national level. It is also an effect of the lack of reform of the public finance system, which would enable to establish investment funds earmarked for domestic development policy. Furthermore, a relatively strong neoliberal bias present in Polish politics since the systemic transformation of 1989 constitutes another obstacle for drafting a structural policy.

Under the influence of cohesion policy, development policy implemented in Poland is overly directed towards traditional infrastructural goals, especially towards realization of communication and environmental projects⁵⁶. The resources are not sufficiently directed towards structural changes that would encourage competitiveness and innovation. It is specifically for this reason that Danuta Hübner – the former EU Commissioner in charge of cohesion policy – had seen fit to caution Polish government against repeating the mistake made by Spain, who


used the EU funds in order to improve traditional infrastructure, while neglecting research and development\(^{57}\).

The extant proprieties of cohesion policy in Poland are in line with the established Polish economic model, shaped in the period of system transformation and EU integration. This model is based on significant presence of external investments (both public and private). Opening the economy for foreign investors is a common practice in the era of globalization, but in order to ensure long-term growth of the local economy it is crucial to choose the right method of joining the international trade exchange. This problem is analyzed in depth in the seminal book edited among others by the Nobel Prize winner Joseph E. Stiglitz\(^{58}\), which compares mechanisms of economic transformation in Latin America and East Asia. The study demonstrates the key significance of priorities of the industrial policy of the domestic government, which should be oriented towards building competitiveness of the local economy. Likewise, the influx of external capital and direct investments should be subordinated to this superior goal of the country’s development strategy. One can also quote here another study which draws attention to risks relating to excessive reliance on foreign savings while encouraging growth\(^{59}\). Pereira’s book draws attention to the key importance of the country’s autonomous development strategy, based on building the country’s competitive advantage, in the era of globalization.

The model of economic policy adopted in Poland can be denoted “exogenous” because it develops domestic endogenous resources only in a relatively small degree. It relies heavily on external investments that are oriented towards using and encouraging the domestic demand potential. The main actors of modernization of Polish economy were supposed to be foreign investors, the process was in fact left in the care of automatic market processes. The influx of foreign capital, and import of external economic institutions (including organizational and technological solutions) has indeed balanced the Polish deficit of experience and capital, but has only insufficiently taken into account Polish economic and social reality and internal development objectives. In this way, it created a development model dependent on external capital sources, and subordinated to the interests of Western investors, which inevitably are more focused on short-term economic speculation (e.g. on the currency market or real estate market) and on tapping into local consumption potential, than on long-term investments that would help to modernize the economy\(^{60}\).


\(^{60}\) A similar opinion was expressed by J. Staniszkis, (2003), Władza globalizacji, Warsaw: Scholar, p. 22.
The directions of cohesion policy in Poland are strengthened by the internal demand which e.g. encourages importing of consumer goods. The demand also stimulates production investments which are targeted at selling to the local consumers on the internal market. Simultaneously, development of transport infrastructure boosts the trade exchange, especially import and export of components produced by international corporations. No wonder that cohesion policy implemented in Poland has brought a range of direct and indirect benefits for Western European countries. Experts believe that approximately 5% of all financing from EU funds in Poland was spent on Project submitted by companies originating from EU-15 countries, who applied for funding on Projects within cohesion policy framework\(^61\).

In the years 2000-2008 these companies fulfilled orders to the total sum of 1.1 milliard Euro. And we should remember that indirect benefits, connected to encouraging trade exchange, are much greater still. In the years 2004-2009 they were estimated to amount to 4.5 milliard Euro, i.e. 27% of all resources coming to Poland under cohesion policy. An estimate of total benefits of Western European countries for the years 2004-2015 reaches the amount of 37.8 milliard Euro, i.e. approximately 46% of EU funds directed to Poland during the period. Some countries register a much higher level of benefits. This is especially true in the case of German, French and Italian economy. For example, for every Euro that Germans pay into the EU budget towards implementing cohesion policy in Poland, they get back (in the form of direct and indirect benefits) over 85 cents (!).

The final results of development policy in Poland are influenced on the one hand by the Europeanization, and on the other by local administrative tradition. This does not diminish the towering importance of European models for the directions of structural policy in Poland. It is the reason behind the perceptible tendency towards basing the development more strongly on exogenous factors (and foremost on the resources on foreign investors) and on cohesion policy funds\(^62\).

Interesting is the comparison between Polish and Chinese experiences. A characteristic feature of Chinese economic transformation is the gradual approach, which directly opposes the “shock therapy” approach, constituting a characteristic feature of the transition from communism to capitalism in Central European countries\(^63\). The goal in China was not to quickly implement free market economy models, particularly those that are linked to neoliberal economic doctrine. To the contrary, it was targeted at gradual introduction of mechanisms of free market


competition on the internal market in order to consistently build the competitive advantage of Chinese companies on the global economic scene. At the same time, the decision makers were trying to prevent excessive reliance of the economy on external actors. The goal was to strengthen endogenous economy and to build the most profitable mechanisms of trade exchange in the region and globally. This approach is in stark contrast with the transformation model adopted in Central Europe, where transformation policy led to heavy dependence of the domestic economy on outside factors – a fact that is not without serious economic and political consequences.

As it appears, one of the causes of different results of transformation of the post-communist countries in Central Europe and China was a different geo-economic perspective. The Chinese way led to accumulating capital which was indispensable in order to achieve its goals in the field of foreign policy, and especially in order to raise China’s status on the international arena. Within this perspective, maintaining the state’s control over the growth processes and supporting endogenous growth of domestic companies were conditions of success. Meanwhile, Central European countries, striving to be admitted into Western European structures, have uncritically accepted neoliberal models and accepted the domination of external actors in many strategic sectors of economy. Geopolitical goals also played a primary role, but economic policy was not an instrument of building internal competitive advantages in the long-term time horizon. More often, it served to create the most beneficial conditions for foreign investments, in order to strengthen political links through economic dependence.

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