

Is Warsaw the new London for Berlin?

24 October 2012

Summary

- Like other non-Eurozone EU states, including the UK, Poland faces a fundamental problem of how to deal with potentially being sidelined in an EU increasingly dominated by Eurozone issues and in which Eurozone membership is the basic measure of influence. Yet there are a number of reasons to suspect that Poland will be more than a marginal player here.
- First, Britain's self-isolation after the December 2011 Summit leaves Berlin looking for a new counterbalance to French influence on Eurozone developments. Warsaw will not immediately replace the UK in this traditional role, and not in the same way. But the odds are that in time these three - Germany, France and Poland - will emerge as a key political triangle in Eurozone policymaking.
- Second, Warsaw and Berlin - unlike Paris - share a basic view that further political and economic integration in the EU should be based on collective institutions. Berlin wants this to enforce fiscal discipline, Warsaw to protect the interests of smaller European states.
- Third, Poland knows that its existing commitment to join the Eurozone gives it leverage the UK does not have. Poland is effectively negotiating as if its Eurozone membership is inevitable, as a way of maximising its traction in debates on questions such as European Banking Union. The Poles have helped carve out the concept of a 'pre-in'; a member state that requires privileged treatment in Eurozone structures because of its political commitment to the euro, even while it does not use it.

For years officials in the EU institutions in Brussels have joked that the Poles were 'the new French'. Before 2010, this was usually shorthand for a certain kind of stropiness - for example, the kind that saw Warsaw veto new European carbon emissions targets for 2020 on a number of occasions in 2010 and 2011. More recently it has taken on a different meaning, reflecting an important political shift in the drivers of EU policy. At the heart of this is Warsaw's increasingly important relationship with Berlin, and Berlin's relationship with everyone else, especially Paris and London.

Driving this is a serious shift in Polish European policy under the prime ministership of Donald Tusk, and the lessons that Warsaw drew from its

experience of holding the rotating European Presidency in the second half of 2011. Like other non-Eurozone EU states, including the UK, Poland faces a fundamental problem of how to deal with potential marginalisation in an EU increasingly dominated by Eurozone issues and in which Eurozone membership is the basic measure of influence. This Global Counsel Insight looks at Warsaw's approach to turning a position of apparent weakness into new leverage.

Europe's biggest small new member

Poland's practical political logic on EU membership is relatively simple. Half of its exports go to the Eurozone, one quarter to Germany alone, much of this for processing and onward

export. One tenth of its GDP depends on this trade with Germany. Poland's comparatively healthy economic performance against a backdrop of general European recession over the last three years is significantly fueled by EU transfers. Poland is by far the largest net recipient of EU funds - around 3% of its GDP. Poland's post-1989 policy of integration within the EU remains the central tenet of its foreign policy

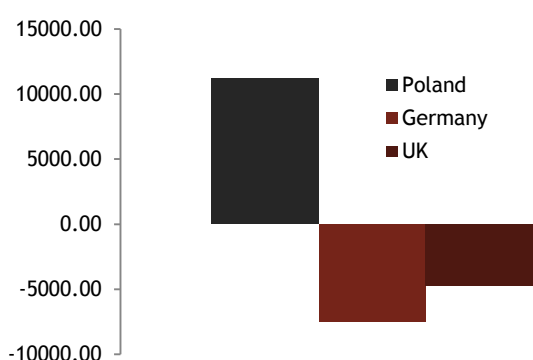


Chart 1: Net annual receipt of EU transfers (€mn)

Source: Eurostat 2012

It also stands out among the cohort of member states that joined the EU in 2004 by simple virtue of its weight. Poland may be half Germany's size, but alone it also accounts for half of the people of Eastern Europe who acceded to the EU in 2004, and it has often adopted the *de facto* role of representative of the 'new' European states. Its own EU policy has evolved confidently: persistent on keeping issues like relations with Ukraine and the EU's eastern flank high on the agenda, and downright assertive on Russia and energy policy.

After a period of confrontation with both Moscow and Berlin under Jaroslaw Kaczynski between 2006 and 2007, the government of Donald Tusk has self-consciously restored good relations with Germany, not least by toning down the rhetoric on Russia in a way that rebuilds bridges with Berlin. The German and Polish Foreign Ministers wrote a joint letter to the EU foreign policy chief Catherine Ashton in November 2011 urging stronger EU engagement with Moscow.

Warsaw has used stronger ties with Berlin to help ensure a strong EU focus on its 'eastern

neighbourhood', especially Ukraine, at a time when the Arab Spring has been pulling European attention and resources towards the southern Mediterranean. Berlin and Warsaw may disagree on NATO and the need for the Nordstream gas pipeline joining Russia and Germany under the Baltic Sea, but Poland also backed Berlin in refusing an active role in the bombing of Libya. Berlin is quietly fighting Poland's corner to ensure that the next seven year EU budget does not see Polish transfers cut.

But for Poland their 2011 EU Presidency was something of a lesson in the new realities of European high politics. With the rotating EU Presidency superseded in backroom dealing by the permanent office of the President of the European Council Herman Van Rompuy, the rotating presidencies have been reduced to something closer to a combination of a national advertising campaign and a meeting booking service.

No amount of diplomatic competence or professionalism could alter the reality that the Eurozone crisis has shifted the focus of attention to the issues of the currency bloc, and the explicit leadership of France and Germany in a way that left non-euro users like Warsaw sidelined. Even under its own presidency, Warsaw could not participate in the Eurogroup meetings that became the engine room of crisis policy-making.

At the December 2011 summit most of the key Polish aims - avoiding a new intergovernmental treaty, avoiding the self-alienation of the UK, a clearer prospect of ECB action and a roadmap to Eurobonds - were unfulfilled. Arguably Poland's single biggest impact on the agenda was Foreign Minister Radek Sikorski's eloquent, widely-reported (and uncleared) November 2011 speech in Berlin urging a more federalised Europe and German action to save the single currency. But this was the power of the public soapbox rather than the conference room.

At the table or on the menu

Yet there are a number reasons to suspect that Poland will be more than a marginal player here. First, Britain's self-isolation after the December

Summit leaves Berlin looking for a new counterbalance to French influence. Second, Warsaw and Berlin - unlike Paris - share a basic view that further political and economic integration in the EU should be based on collective institutions, preferably within the current institutional structures of the EU. Third, Poland knows that its commitment to join the Eurozone gives it leverage the UK does not have.

Warsaw and Berlin both favour common European institutions and a federalised Europe, but for different reasons. Berlin wants centralised control to keep a grip on member state spending. Poland is concerned that in a French-style Eurozone of nation states, 'intergovernmentalism' will cede too much power to the larger European states over smaller ones. "You are", Prime Minister Donald Tusk apparently said after the December 2011 Summit, "at the table, or you are on the menu".

With the judgment of the Karlsruhe Constitutional Court hanging over it, Berlin is probably more concerned than Warsaw about new democratic mechanisms at the EU level. Poland is more interested in speed and an open German mind on the role of the ECB and collective debt mechanisms such as Eurobonds. But fundamentally the German and Polish versions of the next phase of EU development are the same.

This helps explain why the traditionally strong relations between Warsaw and London have been strained by the events of the last nine months. Warsaw and London share a general bias towards liberal openness in the EU. They have both favoured European expansion over the last decade, although the UK has done this as a check on closer integration, whereas Warsaw has generally seen the two things as compatible.

But London and Warsaw are now diverging on their basic EU strategy. Poland is effectively negotiating as if its Eurozone membership is inevitable as a way of maximising its traction in debates on questions such as European Banking Union. For example, Warsaw wants clear influence over the supervisory powers of the ECB even while it remains outside the single currency. In Brussels-speak the Poles have helped carve out the concept of a 'pre-in'; a member state that requires

privileged treatment in Eurozone structures because of its political commitment to the euro, even while it doesn't use it. The UK, needless to say, is an 'out'.

Warsaw has absolutely no desire to see the UK isolated in Europe. But it also sees no long-term strategic advantage whatsoever in endorsing or encouraging the UK's ambivalence about integration in the Eurozone and stronger European rules and institutions, especially not where this brings it out of alignment with Berlin. This is in large part why Sikorski's follow up to his November 2011 speech in Berlin was a speech in England in September 2012 that warned the UK of precisely this Polish position.

If strategic choices are pushing Warsaw closer to Berlin they are doing little to improve already testy relations with Paris. From Warsaw's point of view, Paris has spent a decade opposing Polish Euro-Atlantic ambitions, from NATO and EU membership to participation in Eurogroup meetings during the Polish presidency. The persistent trope in parts of the French commentariat that the Eurozone's current woes are a function of unsustainable enlargement has always irritated Warsaw.

At some level, relations have never really recovered from Jacques Chirac's 2003 comment that in the debate over the second Iraq war the European enlargement states had "missed a good opportunity to shut up". In Poland there is still a perception that this comment reflects a deeper French view of the balance of power between the larger and smaller European states. Hence the suspicion of the French model of a rebooted Eurozone with weaker shared institutions and stronger governmental prerogatives. Warsaw has worked to improve the chemistry with the new Hollande administration, but the deeper structural divergence will continue to niggle, and Paris will ultimately continue to resist the development of a stronger role for Warsaw alongside France and Germany.

A good opportunity to step up

Nevertheless, this is what is likely to happen. Warsaw needs Berlin, and to a lesser, but nonetheless critical degree, Berlin needs Warsaw to balance French influence and to corral the influence of the EU10 (the predominately eastern European new member states which joined the EU in 2004) behind a German preference for deeper integration and stronger institutional governance in the Eurozone. Angela Merkel's hints that she would support Donald Tusk's candidacy for the next Presidency of the European Commission in 2014 - an idea that has considerable traction in Brussels - are another sign of Germany's desire to see the position and standing of their Polish partner reinforced.

This underlines the basic fact that Poland's greatest asset in Berlin and Brussels, at least in contrast to the UK, is its steady and comparatively strong popular pro-Europeanism. Poles may be in no hurry to join the Eurozone, but they remain comparatively pro-European in a way that the British are not. Where the UK has been a net contributor to the EU in every year since it joined, Poland's status as a huge net recipient of EU funds no doubt helps with public and political opinion.

Where Berlin has in the past looked to London for a counterbalance to France, British ambivalence to the aim of a more federalised European structure has inevitably diminished its ability to play this role. Berlin knows it needs Paris, but it also needs a counterweight to Paris. Will Warsaw replace the UK in this traditional role? Perhaps not immediately, and not in the same way. But the odds are that in time these three will emerge as a key political triangle in Eurozone policymaking.

Obviously a lot can happen to deflect this shift. Donald Tusk and Angela Merkel have a good personal relationship. Good enough, for example, to keep a focus on long-term strategic issues and not be deflected by the summer 2012 tension over whether the German Chancellor might boycott the Euro 2012 football tournament in Poland and Ukraine. There is no guarantee that future leaders will maintain the same level of amity. Poland's current strategy is predicated on its ability to

deliver Poland into the Eurozone - something Polish public opinion may take issue with when the time arrives. But for now Warsaw and Berlin remain one of the more interesting political partnerships defining the future of the Eurozone.

38 Wigmore Street
London
SW1U 2HA
info@global-counsel.co.uk
+44 (0)207 656 7600

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