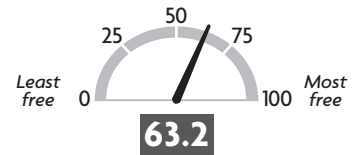


# POLAND

## Economic Freedom Score



World Rank: **71**

Regional Rank: **33**

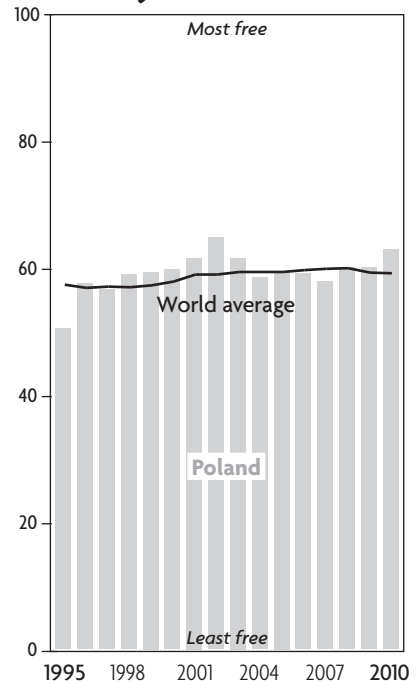
Poland's economic freedom score is 63.2, making its economy the 71st freest in the 2010 *Index*. Its score has increased by 2.9 points from last year, reflecting notable improvements in five of the 10 economic freedoms. Poland is ranked 33rd out of 43 countries in the Europe region, and its overall score is above the world average.

The Polish government has continued to enhance its entrepreneurial environment, achieving one of the 15 highest score improvements in the 2010 *Index*. In response, the economy has recorded annual economic growth rates of around 5 percent over the past five years. Monetary stability is well maintained, and the financial sector has weathered the global financial turmoil relatively well. Tax rates have become more competitive with implementation of a flat corporate tax rate and a reduction in individual tax rates. Poland has also made progress in strengthening its legal framework and reducing levels of corruption.

Relatively high government spending holds down overall economic freedom in Poland. The pension system is a target for further reform, and efforts to limit expenditures and reverse rising fiscal deficits are being made. Property rights could be further improved, and the judicial system, though fairly reliable, is inefficient.

**BACKGROUND:** Poland's struggle for freedom from Soviet control ended with the Solidarity movement taking control of the parliament in 1989 and the presidency in the following year. In the 1990s, Poland had a favorable investment climate, achieved rapid real income growth, and joined the European Union and NATO. In August 2007, the pro-business, center-right Civic Platform (PO) party defeated the conservative Law and Justice party. The Polish People's Party has joined PO as its junior coalition partner. GDP growth in 2007 reached 6.5 percent, the fastest pace in a decade, but the global financial crisis led to a significant slowdown in 2009.

## Country's Score Over Time



## Quick Facts

**Population:** 38.1 million

**GDP (PPP):** \$671.9 billion

4.8% growth in 2008

5.3% 5-year compound annual growth

\$17,625 per capita

**Unemployment:** 7.1%

**Inflation (CPI):** 4.2%

**FDI Inflow:** \$16.5 billion

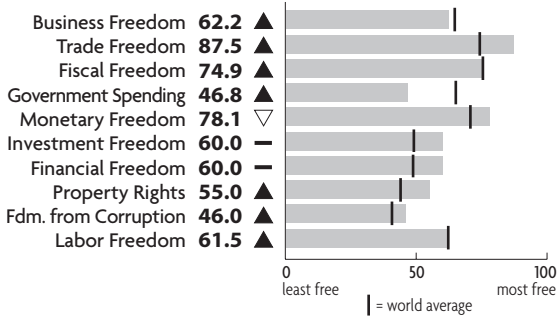
2008 data unless otherwise noted

Data compiled as of September 2009

## How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

## POLAND'S TEN ECONOMIC FREEDOMS



### BUSINESS FREEDOM — 62.2

The overall freedom to start, operate, and close a business is limited under Poland's regulatory environment. Starting a business takes an average of 32 days, compared to the world average of 35 days. Obtaining a business license requires more than the world average of 18 procedures and 218 days.

### TRADE FREEDOM — 87.5

Poland's trade policy is the same as that of other members of the European Union. The common EU weighted average tariff rate was 1.3 percent in 2008. However, the EU has high or escalating tariffs for agricultural and manufacturing products, and its MFN tariff code is complex. Non-tariff barriers reflected in EU and Polish policy include agricultural and manufacturing subsidies, quotas, import restrictions and bans for some goods and services, market access restrictions in some services sectors, non-transparent and restrictive regulations and standards, and inconsistent regulatory and customs administration among EU members. Biotechnology restrictions and pharmaceuticals regulations exceed general EU policy, and the enforcement of intellectual property rights remains problematic. Ten points were deducted from Poland's trade freedom score to account for non-tariff barriers.

### FISCAL FREEDOM — 74.9

Poland has a relatively high income tax rate and a relatively low corporate tax rate. The top income tax rate is 32 percent, down from 40 percent. The flat corporate tax rate is 19 percent. Other taxes include a value-added tax (VAT), an inheritance tax, and a transfer tax on items not subject to the VAT. In the most recent year, overall tax revenue as a percentage of GDP was 33.5 percent.

### GOVERNMENT SPENDING — 46.8

Total government expenditures, including consumption and transfer payments, are relatively high. In the most recent year, government spending equaled 42.1 percent of GDP. Privatization has stalled.

### MONETARY FREEDOM — 78.1

Inflation has been low, averaging 3.5 percent between 2006 and 2008. As a participant in the EU's Common Agricultural Policy, the government subsidizes agricultural production, distorting the prices of agricultural products. The

government monitors utility rates and sets official prices for pharmaceutical and medical materials, taxi services, and any other goods or services deemed necessary for the proper functioning of the economy. Ten points were deducted from Poland's monetary freedom score to adjust for measures that distort domestic prices.

### INVESTMENT FREEDOM — 60

Foreign capital and domestic capital are generally treated equally. The government does not screen investment and allows 100 percent foreign ownership in most sectors. All investors need government concessions, licenses, or permits to engage in certain activities including broadcasting, aviation, energy, weapons, mining, and private security services. Deterrents include regulatory unpredictability, administrative red tape, a slow court system, and numerous labor, health, safety, and environmental regulations. Residents and non-residents may hold foreign exchange accounts, subject to certain restrictions. Payments, transactions, and transfers over a specified amount must be conducted through a domestic bank. Capital transactions with non-EU nations may be subject to restrictions and government approval. Foreign ownership of land is subject to numerous restrictions and controls.

### FINANCIAL FREEDOM — 60

Poland's financial system continues to grow. Credit is available on market terms, and foreign investors can access domestic financial markets. Banking competition has become intense. Commercial banks control nearly 90 percent of assets, and majority foreign-owned banks account for two-thirds of that amount. The government maintains majority control in two banks and provides low-interest loans to farmers and homeowners. Privatization of the state-controlled company that controls 50 percent of the insurance market has been slow. Capital markets have become more sophisticated, and the Warsaw Stock Exchange is expanding. The impact of the global financial turmoil has been relatively mild.

### PROPERTY RIGHTS — 55

Property rights are moderately well protected. The legal system protects the acquisition and disposition of property. The judicial system is slow to resolve cases, and there can be unexpected changes in laws and regulations. Piracy of intellectual property continues despite government efforts to improve protection.

### FREEDOM FROM CORRUPTION — 46

Corruption is perceived as significant. Poland ranks 58th out of 179 countries in Transparency International's Corruption Perceptions Index for 2008. The government has established a central office to combat corruption, which reportedly has declined as a result, especially in public procurement.

### LABOR FREEDOM — 61.5

Labor regulations are relatively rigid. The non-salary cost of employing a worker is high, and dismissing an employee is difficult.