

XXVI Economic Forum in Krynica-Zdroj, Poland

The 26th Economic Forum was held in Krynica 6-8 September, 2016

The theme of this year's meeting
«Europe facing challenges - united or divided?»
reflected the current situation on the Old Continent.
There were over 3500 participants at 26th Economic Forum and nearly
600 journalists from dozens of countries

Over this year's Economic Forum in Krynica the important economic statements were given by the members of the Government. The Prime Minister **Beata Szydlo** said: «The next year the Government will prepare a large package of deregulation, which is meant to help entrepreneurs». The Prime Minister also announced that the first Congress of Innovators will be held in Warsaw in June 2017. The Congress will promote Polish start-ups. The Deputy Prime Minister, Minister of Development **Mateusz Morawiecki** supported the initiative of trade unions and social organizations on the ban on Sunday trading. In addition, Deputy Prime Minister positively assessed the phenomenon of a new polonization of banks, provided that the transactions will be based on market parameters. In addition, **Mateusz Morawiecki** revealed the name and details of the operation of a new government agency designed to support Polish exporters - Polish Trade and Investment Agency, which is to replace the Polish Agency for Information and Foreign Investment (PAIIZ). The Deputy Finance Minister **Wieslaw Jasinski**, in turn, announced a tightening up of the VAT. The Polish Minister of Energy **Krzysztof Tchorzewski** declared in Krynica that the decisions on the construction of two power plants built in the clean coal technology will be presented on the turn of the year.

The distinguished representatives of political life of Europe also attended the Forum, i.a.: the EU Commissioner for Health and Food Safety **Vytenis Andriukaitis**, the EU Commissioner for Education, Culture, Youth and Sports **Tibor Navracsics**, the President of the Parliament of Lithuania **Loreta Grauziniene**, the Deputy Prime Minister for European Integration of Ukraine **Ivanna Klymush-Tsyntsadze**, the Minister of Energy of Lithuania **Rokas Masiulis**, the Minister of Energy of Ukraine **Igor Nasalyk**, the Minister of Labour, Family, Social Protection and Ageing of Romania **Nicolae Dragos-Pislaru** and Prince **Michael von Liechtenstein**.

CEO of **PERN SA Igor Wasilewski** referred over the Economic Forum to the need of completion of the construction of the third pipeline «Friendship». In turn, the President of **Grupa LOTOS SA Robert Pietryszyn** presented his company purchasing plants. He also stated that his company is not closed to the Baltic Sea and the Norwegian Sea. The Vice President **Mirosław Kochalski** informed about the search of new oil supplies sources by **PKN Orlen** outside Russia. The head of **PGNiG, Piotr Wozniak** informed in Krynica about the planned by 2021 five-fold increase in production of gas in Norway. The President of **Enea SA Mirosław Kowalik** teamed up with the Polish Real Estate Holding for the sale of electricity to the property of the Capital Group Polish Real Estate Holding. The President of **PGE Polish Energy Group SA Henryk Baranowski** presented the company's business strategy update for 2020, according to which the company plans to invest 34 billion over the next four years. The President of **KGHM Polska Miedz SA Krzysztof Skora** over the Economic Forum in Krynica predicted a strong rebound in copper prices. The company PZU SA Krynica announced the acquisition of another large insurance company Enea. «We want to get new markets in the future» - **PZU CEO Michal Krupinski** said during the signing of an agreement with Enea. In turn, the President of the **PKO BP Zbigniew Jagiello** proposed three recipes to improve the economy and their structure.

Review of the panel discussion «One Eurozone or an EU of multiple currencies?»

Oldrich Dedek (the Czech Republic),
Chief Coordinator for Euro Adoption,
The Ministry of Finance of the Czech Republic

There are many ongoing threats for the European monetary system. The main risks are currency wars and competitive devaluation of currencies. It is considered that waving of exchange rate or devaluing the national currency in order to support domestic producers is a bad practice from the long-run perspective. That is why levelling of possibilities for such policies realisation was a right choice for the EU-28. It was easy to realize common approach towards macro-economic stabilisation within the European monetary union due to the fact that about 70% of the EU output comes from the Eurozone countries.

Analysing monetary policy of the Czech Republic which has not yet entered the Eurozone, Oldrich Dedek outlined that crisis of 2008-2009 had been severe with over 4% of GDP loss. Since the times of recession, Czech trade-unions have started blaming the Government and the Central Bank for stronger Czech Koruna, though anti-devaluation monetary policy is the best for the interests of the citizens.

Nowadays, introduction of euro in the Czech Republic would be an issue of the political dispute mainly, considers Oldrich Dedek.

Barnabas Virag (Hungary),
Executive Director for Monetary Policy,
Financial Stability and Lending Incentives,
The National Bank of Hungary

Some stated that internal devaluation was not an option for Hungary, however, a flexible exchange rate appeared to be a good choice for the country at the time of crisis and afterwards, said Barnabas Virag.

He mentioned that in light of big fluctuations and structural changes in the global trade the nominal devaluation of the Hungarian Forint towards euro improved the trade and services balance of the country.

Xavier Vidal-Folch Balanzo (Spain),
Member of the Board, Foundation «Alternativas»

Spain is a case of brutal crisis of internal devaluation after entering euro and because of a significant overestimation of the real estate sector. Spain still did not recover after the crisis, emphasized Xavier Vidal-Folch Balanzo.

Simultaneously generated financial bubbles were a result of enormously high liquidity and very low interest rates in the world. We observed, mentioned Xavier Vidal-Folch Balanzo, pretty much the same behaviour of the different institutional and business agents among the world, though for different reasons. Thus, real estate bubble occurred not only in Spain, but also in the United Kingdom and other EU countries.

Xavier Vidal-Folch Balanzo concluded that abovementioned and many other examples show that the Eurozone and non-Eurozone countries had the same events at the markets and faced similar consequences.

Gediminas Simkus (Lithuania),
Director of the Economics and Financial Stability Service, The Bank of Lithuania

Latvia and Estonia already introduced euro and overcame the crisis as a part of the euro system. Lithuania turned to euro on 01.01.2015.

Nowadays, reduction of interest rates is taking place in Lithuania, and the country again faces excessive credit growth in the financial sector. However, this time macroprudential authorities are present in every Eurozone state, which supports effective monetary policies, Gediminas Simkus argues, and there are new instruments and strategies in place for early prevention of serious imbalances.

Positive business expectations in Lithuania for new investments are directly connected to the real estate sector growth as well as other economic effects of recovery.

Roberto Sommella (Italy),
Head of the Directorate for Foreign and Institutional Relations,
The Guarantor Authority for Competition and Market

Today, stated Roberto Sommella, the main question arisen is whether to be in the Eurozone and the European Union itself or not. It has become topical after the fact of Brexit and taking into account weak GDP growth in the Eurozone, which, due to the Eurostat forecasts, is expected at the level of about 0.4% a year.

In modern conditions, staying together in the united Europe is an issue of not winning the competition battle in the world, but much more about building the fair states in Europe with common values and standards of living, considered Roberto Sommella. The main reasons to stay in the unite Europe to be mentioned are peace, freedom of movement and, of course, a single currency - euro.

Macroeconomic situation in Italy is characterised, on the one hand, by moderate tax burden, low inflation rate, availability of skilled workforce, but on the other hand, by lack of market and industrial flexibility which resulted in a fact that Italy still has not recovered after crisis.

Dr. Nadiya Matviychuk-Soskina,
Editor-in-Chief of Economic Annals-XXI,
the media-partner of The Economic Forum

Does the Welfare State Have a Future?

The Plenary Session entitled «Does the Welfare State Have a Future?» closed the 26th Economic Forum in Krynica. Over the closing session representatives of the political world debated on when, to what extent and in which areas governments should intervene in economy running and how much should they allow market mechanisms work alone.

As it was noted by the Session moderator - **Zygmunt Bedrychowski**, the Chairman of the Economic Forum Program Council, the dilemma of state's involvement in sharing welfare in the formation of the economic systems has been controversial for many years. Depending on your political views, but also the financial condition of the country, governments carry out different activities in the state's involvement in economic policy. However for many the welfare state is of key importance in co-operation of capitalism and democracy.

Sergei Stanishev, Bulgarian Prime Minister in 2005-2009, the Chairman of the Party of European Socialists (PES) is of the opinion that «the welfare state is an important achievement of civilization.» He pointed out that the aim of the government is to ensure the protection of society in such a way that no one in need is excluded.

As the former Prime Minister stated the economic, social and political development in Europe stood on the way to conducting cost-effective policies directed against the welfare state.

Stanishev also pointed to the problems of the youth. He stressed that his political group has created a new aid plan for young people, based on four pillars: employment, education, culture and protection of children.

Piotr Glinski, the Deputy Prime Minister, Minister of Culture and National Heritage admitted that the

idea of the welfare state has no future in the traditional form. There is a need for a welfare state in a modified form in two ways. Firstly, taking into account the pro-development - the welfare state, which is more economy-oriented care that should support most effective companies and more talented people. Second, the solidarity of the working societies. This means that the welfare state can help build social capital, which is also important for the development - said Glinski.

On the other hand, **Konstanty Radziwill**, the Minister of Health agreed with Zygmunt Bedrychowski that currently no one is able to imagine the state not spending on health care. He wondered, however, to what extent the state should support the citizens in this regard.

George Balan, Moldovan Deputy Prime Minister stressed that his country is suffering from the problems of poverty and corruption, which has its roots in Soviet times. In his opinion the problems have been transferred to the times of the current democracy. Corruption restricts the scope of investments in the area of economic development, he said. People want to try and change the situation. If there is a high level of corruption in the country there is a big gap between the corrupt part of society and the rest; there is a narrow group of privileged, who have access to multiple services - he stressed.

Press-Centre of The Economic Forum

