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Analysis of today
Assessment of tomorrow

By: Marcin Piatkowski

Central European experience could help EU to revive growth

European policymakers have spent the past few years asking how Europe can become economically more like the United States or China.

But they are overlooking the European Union's fastest-growing members: Poland and the wider Central and Eastern European (CEE) region.

The EU remains the envy of much of the world, but there are good reasons to be anxious about its economic future.

The bloc is de-industrializing, losing global market share, and growing far more slowly than the US and China.

If the trend continues, Europe's share of global GDP could soon return to levels last seen in the Middle Ages.

Former European Central Bank President Mario Draghi's 2024 competitiveness report offers the most compelling blueprint yet for reviving Europe's economic dynamism. Its recommendations can be distilled into three Is: invest, integrate, and innovate.

That prescription is largely right but incomplete. Strikingly, the 401-page report doesn't mention Poland's transformation even once, despite it being Europe's greatest economic success story in recent decades.

It also ignores the sweeping reforms that turned the CEE's moribund communist economies into dynamic exemplars of democratic capitalism.

Central Europe's three Cs

If Poland and the rest of the CEE countries were invited to update the Draghi report, they might complement its three Is with Central Europe's three Cs: converge, compete, and coordinate.

Convergence is arguably the single most successful European policy of the last five decades.

Poland, Europe's growth champion since 1990, has increased its GDP faster than South Korea and the other "Asian Tigers" over the past 35 years.

Its income per capita (at purchasing power parity) has almost quadrupled over that period, compared with a roughly 50% increase in the eurozone, and is projected to surpass that of Japan and Spain this year.

But despite Poland's dynamic growth, its income per capita remains below the EU average.

The same is true of almost two-thirds of the EU's 27 member states, including Italy and Spain.

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Few of the reforms now being debated by EU policymakers promise such a large payoff.

And Europe can close this gap without beating America or China at their own game, simply by helping poorer European economies become as productive as richer ones.

What would this mean in practice? For starters, it would mean shifting public spending away from consumption and toward growth-enhancing investments.

That includes integrating the continent's infrastructure, going all-in on energy independence, achieving technological sovereignty, and, above all, accelerating AI adoption across European industries.

It also means keeping the door open to new member states, especially Ukraine, whose accession would strengthen the EU's economy and security.

Barriers in the single market

Helping poorer countries catch up is not charity. Germany's net contribution to the EU budget was less than €20 billion ($23 billion) in 2024, some 0.4% of its national income.

Yet German exports to Poland alone have increased more than 25-fold since 1990 and now exceed €100 billion annually—more than its exports to China.

German companies also earn billions of euros each year from their investments in the region, including €5 billion from Poland alone.

Their competitiveness has benefited enormously from shifting production to CEE countries, which offer a predictable operating environment, high-quality human capital, and low labor costs.

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But convergence can only take Europe so far without stronger competition. Services account for almost 75% of the EU's GDP and are its least contestable sectors.

Liberalizing them is the cheapest way to boost productivity. Polish and other CEE companies encounter barriers in the single market every day, often erected by Western European incumbents.

The obvious response is stricter enforcement of EU competition policy, coupled with a rejection of naive free-trade fundamentalism and greater reciprocity in trade and investment.

Coalitions of the willing

The EU also needs to learn how to act through coalitions of the willing instead of waiting for unanimity.

Poland, Germany, and France, for example, could be the first to pilot a genuine "28th regime" for companies, offering an EU-wide alternative to 27 competing national rulebooks through a single corporate code and tax framework, starting with AI startups.

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The same principle should apply to Europe's labor market. Professionals who earned their credentials in one EU country shouldn't be forced to jump through bureaucratic hoops to qualify in another.

While most of the Polish plumbers who migrated west have already returned, plenty of other CEE professionals are struggling.

Becoming as competitive as the US and China is worth attempting, but that ambition should not distract Europe from what it already does better than anyone else: create prosperity and then spread it.

Roughly two-thirds of the countries that have achieved high-income status over the past half-century are European.

Draghi's agenda rightly aims to push the EU's most productive economies toward the global technological frontier.

But Europe should act on two fronts at once, using industrial policy to accelerate innovation while helping the rest of the continent catch up.

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