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INSIGHT

# RISKS & TRENDS 2021

#RisksTrends2021

# In search of the right questions

A year ago, we forecast a year of uncertainty. Back in February, we talked about a mysterious virus, and the audience asked whether COVID-19 would be China's 21st-century Chernobyl. This seemed like an exaggeration at the time, yet later turned out to be a grave understatement.

One thing has remained unchanged these past 12 months. We still live in times of uncertainty. Therefore, let us beware of people who speak with conviction on what's to come. We must learn to speak less, listen more and let humility be the signpost to our future. In recent years, we have become overwhelmed with data, analytics and expertise. All these are most certainly called for, but it is equally important to be aware of the variability and complexity of the phenomena we experience.

The world we live in is not black and white, but contrarily, increasingly non-binary. The processes we observe have accelerated enormously. But they are still processes. The old world will not disappear, neither will a new one emerge over the weekend. Banks will not collapse, newspapers will not vanish, and the generation of politicians who remember the fall of the Berlin Wall will not throw in their towels and retire overnight.

This does not change the fact that a reevaluation is taking place. To understand it, a conversation is required, as well as a new language. Tools are needed to name these processes and grasp this moment in time and its consequences. Only when we understand our circumstances and accept the indispensability of change, will we be able to influence it. Without this awareness, we will struggle, sometimes accelerating the ongoing processes, possibly increasing their undesirable consequences.

Meanwhile, slowly and timidly, a germinating optimism is appearing - an understandable and natural reaction to 2020. A need to release our fears, uncertainties and closures grows in all of us. Let us remember however, where our recent anxieties, problems and threats came from. Our survival does not imply our immortality.

This is why, in the coming months, we invite you to jointly search for the right questions and carefully formulate hypotheses. If ever there existed easy answers, it is beyond a doubt that that time is long gone.

**Andrzej Bobiński**
Managing Director
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RISKS & TRENDS 2021

The publication is based on interviews recorded during the 6th edition of Polityka Insight's Risks and Trends conference.
This year, due to the pandemic unpredictability, the event was held exclusively online.
You can watch all of the discussions on our website www.risksandtrends.pl/en

We would like to thank the main partner of the conference, i.e. Orange Polska. Our partners: E.ON edis energy, IKEA Polska, Microsoft and Visa.
Our content partners: European Council on Foreign Relations and the German Marshall Fund of the United States, as well as TOK FM radio – our media partner.

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Warsaw, February 2021

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Media

# How to fix the public debate

2020 was marked by the transformation of the media (and, more broadly, the mass media). This was probably also the year when we also needed reliable information about the situation around us most.

The information revolution has been changing the traditional media in Poland and around the world. Will brevity, cheapness and tribalism destroy the media and deform public debate? Will this accelerate democratic decline? Or will new media and smarter means of communication emerge?

MODERATOR:

**Andrzej Bobiński**
Managing Director
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# Crisis of trust strains liberal democracies

Restoring public trust will be very difficult. The media has an enormous role to play, but it must change. To rebuild the public debate, we must respect the opinions of others, including people we disagree with.

**Ivan Krastev**
Chairman, Centre for Liberal Strategies

**Andrzej Bobiński: We are experiencing two intertwined processes: a crisis of trust and a crisis of traditional media.**

**Ivan Krastev:** This is worrying. One thing that has disappeared is a more unified public space in which people have different interpretations of events, but at least agree on the facts. This is no longer the case. Paradoxically, democracies are becoming the victims of the democratisation of public life. We have reached a point where mistrust has become totally generalised. We start with mistrust and this makes things very difficult; it disempowers people. In a system where you do not trust anybody, you cannot achieve anything.

**AB: Is there a way to rebuild trust or will we have to work around it because trust is out the window anyway?**

**IK:** Democracy is linked to self-correction. People who mistrust governments start to understand that this is a dead end. The pandemic has been one way of understanding this, because someone needed to be making decisions. When a decision is made, it is better to follow it, because if everyone decides to be his own government then we have a problem. More and more people are starting to realise that mistrust is a problem. A major societal crisis showing the cost of mistrust will probably change this. Yet it will not be easy – the media and social media space is so fragmented that, in terms of information, we are living in a different world.

**AB: In a couple of years, we will live in a completely different media environment. What will it look like?**

**IK:** It is interesting to see what happened in other markets. First there was a moment with huge fragmentation, many small companies here and there. But after that, you have a lot of big companies starting to dominate. We are starting to see this in the media sphere, too. People say: with the Internet,

> *In a system where you do not trust anybody, you cannot achieve anything.*
>
> Ivan Krastev

there are no gatekeepers. There are gatekeepers, obviously. Before, the government was the major gatekeeper; now, it is done by private companies to a much greater extent. In my view, the big question is: will there be a political decision on who should be the gatekeeper? Private companies or governments?

**AB: Looking back at what happened in Congress at the beginning of January, do you think that the fact that Big Tech erased, or tried to erase, Donald Trump from the digital picture is a good thing?**

**IK:** No. What Donald Trump did was very much wrong, because he challenged the most important institution in any democracy – elections. But I do not believe that it is absolutely normal for a private company to erase a democratically-elected leader of a country. At one level, there is freedom of speech and, at the other, there is freedom of association. If the Big Tech companies want to ban somebody, there should be very clear rules. In my view, US Congress should decide on the scope of any big private tech company's power when it comes to silencing opinions. They are too big to be allowed to behave like a small newspaper that can decide whom to put on its op-ed page.

*The media should reward people who come with constructive dissent. We should not punish people who disagree with their community, because then democratic politics does not make sense anymore. Then you go back to a tribal type of politics.*

Ivan Krastev

**AB: Is this the direction that we are heading in? Do you think that what happens in the US will lead the way for other countries and the European Union?**

**IK:** In the US, this is very difficult, because both the Democrats and the Republicans had a problem with the position of big tech companies, for different reasons. The Republicans feel that their opinions are much more silenced and that there is a liberal bias within the big tech companies. On the left of the Democratic Party, and particularly after the 2016 election, there was the feeling that the big corporations took too much power, hurting the public interest. Theoretically, you could expect a certain consensus in the US, but the past few years have shown that they cannot reach one on anything.
Europe can lead, because here the idea is that controlling public space should be much more delegated to democratic governments – not because they are better, but because the people can affect their decisions. If you dislike how a government is regulating the public space, you can vote it out. You cannot vote out these big companies' CEOs. If Europe starts to regulate on its own territory, people will say: you cannot silence the chancellor of Germany or the president of Poland.

**AB: I am looking for ideas for how to build a new public debate in the 21st century. Do you have any ideas?**

**IK:** The risk of disagreeing with your own friends and community is becoming higher than that of disagreeing with a government. We self-censor, not because we fear the government – like 50 years ago, in a different system – but because we do not want to lose friends or start wars. People who are shaping opinions should take the risk of disagreeing with their community. When you believe that you should stop asking questions because of how they can be used by the other side, you become the other side. Of course, the risk is that if only one side does this, the other side will profit. But, in my view, we should take this risk; otherwise, we will reproduce the status quo that we do not like.

**AB: This brings us to Poland where, on the one hand, there is a very organised media presence on the right, which is very disciplined and pretty much repeats what it hears from the government and the ruling party. On the other hand, you have the so-called liberal or free media. There is a discussion about whether journalists, the media and public debate should be open or organised to fight a polarised war. Should the liberal media open up the debate or should the Polish opposition stay in its trenches and fight this war, and only then start building a new media sphere?**

**IK:** The biggest problem in highly-polarised democracies is that if you ask people "do you believe in the freedom of the media" or "do you believe in the rule of law", most will say "yes". But are you ready to punish your party if it breaks some of these norms? It is important to be curious about what the other side is doing and see distinctions, not just in policies, but also in why people voted for these parties. To do this, you should treat at least some of the voters on the other side like rational people with legitimate concerns. The moment you stop, you have a trench war. The problem with a trench war is that you are losing even when you are winning, because it is reproducing itself all the time.

The media should reward people who come with constructive dissent. We should not punish people who disagree with their own community, because then democratic politics does not make sense anymore. Then you go back to a tribal type of politics and the differences between the sides start to disappear; not only the positions they are defending, but also how they understand politics. If both sides adopt the idea that politics is a relationship between friends and enemies, liberal democracy cannot function.


**Ivan Krastev**
Chairman, Centre for Liberal Strategies


Ivan Krastev is a political scientist and philosopher. He holds several positions such as permanent fellow at the Institute for Human Sciences (IWM Vienna). He is a founding board member of the European Council on Foreign Relations, as well as a member of the Board of Trustees of The International Crisis Group and a contributing opinion writer for "The New York Times". He authored or co-authored several books including: "Is it Tomorrow, Yet? How the Pandemic Changes Europe" and "The Light that Failed: A Reckoning". He is the winner of the Jean Améry Prize for European Essay Writing 2020.

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# Do we need public media

There needs to be a place where we can publicly debate serious issues. We must create it. We need to believe that there is a truth about reality and that it can be told.

**Dariusz Rosiak**
Journalist, Raport o stanie świata

**Andrzej Bobiński: Do we need public media?**

**Dariusz Rosiak:** We certainly need a place for public debate on serious issues, with different rules from those in the identity-based media, where anyone with different views is strongly criticised. The venue would not be limited to a single institution, such as the BBC. The BBC is actually changing for the worse, because – in its attempt to remain objective – it is becoming increasingly politically entangled and prepared to compromise. At the BBC, objectivity used to be about balancing the views of the left and right. Now there is no left and right, political identities are mixed up and it is difficult to define what objectivity is. As a result, those kinds of institutions may find themselves on very thin ice. The second difficulty is financial, because people will rightly ask themselves why they should pay for that kind of institution.

I wonder whether we in Poland will create, via democratic procedures, a place that will organise debates on serious subjects for public money. For me, this sounds like a very positive proposal, but I am not sure that I am in the majority.

**AB: If you became the chairman of TVP or Polish Radio, what would you do first?**

**DR:** I am a public media man and, for a long time, I was their great defender. I believed that Poland should do everything to ensure their survival. However, I have lost faith in them. To me, it seems impossible for these institutions to survive in a way that justifies spending public money. If I were to become their chairman, I would dissolve them.

**AB: Should there be a civic-journalist fund to subsidise these kinds of institutions?**

**DR:** Yes, there should be a market for public goods in the media. Of course, we might ask who would decide what a public good is. Here, we return to the essence of the matter. It is not because of the Soviet Union, Germany or the US that we do not have a public media in Poland. We set it all up ourselves at the beginning of the 1990s. The people who made those decisions came from the democratic opposition. For them, the media in the 1980s was based on the idea that red is bad and we are good. Freedom in the media was about doing what we wanted and fighting lies by writing the truth. These patterns were transferred to free Poland and, until the beginning of the 21st century, the Gazeta Wyborcza daily decided on what was good in the media. It decided which subjects could be debated and which ones could not. For example, the question of Poland's future in the EU was beyond debate. In 2004, if anyone asked whether there were any negative consequences of accession, they were considered supporters of Andrzej Lepper. We created a world in which this Manichean divide between the good guys and the rest has functioned for a very long time. It did not begin in 2015, with the beginning of PiS rule. Under Jarosław Kaczyński's

*The biggest tragedy of Polish journalism is how, at some point, everyone decided that there is no such thing as objectivity and that everyone has an opinion, so let us not pretend that we can tell the truth about the world because everyone is lying.*

Dariusz Rosiak

party, the situation has grown astronomically. The difference between the current situation in the public media and the one I mentioned earlier, created by "Gazeta Wyborcza", is considerable. However, the reasons for what PiS did to the media after 2015 go back to the 1990s.

**AB: How can we get out of this situation that we created ourselves? I wonder whether we can refashion the meaning of "pluralism" and "objectivity", and develop a different way of communicating? I feel that you have already given up.**

**DR:** In terms of so-called success, I have been very successful. I am not part of the identity-based journalism, which I consider a disaster. The biggest tragedy of Polish journalism is how, at some point, everyone decided that there is no such thing as objectivity and that everyone has an opinion, so let us not pretend that we can tell the truth about the world because everyone is lying. This is much worse than hypocrisy; it is cynicism. This was brought into Polish journalism by people from different parties who decided that this is how the media should function. I would never say that PiS has done anything good, as that would mean that I am a "hardcore PiS supporter". And, if I were on the other side, I would not say that Donald Tusk has done anything good. This is a disaster.

I have no idea whether objectivity exists; that is a philosophical question. As a journalist, the key thing is that I believe that there is a truth that can be told. My task is to strive to tell that truth – without ideological, party or metaphysical bias. There are no criteria other than my desire to present the world as it is; that is my task. Whether I am objective is less important.

**AB: What can be done to make this attitude more present in the Polish public debate? How can we get the public to expect this attitude from journalists? Do we need money, institutions or some kind of national debate? How can we move forward?**

**DR:** Money, certainly. Crowdfunding has been very popular recently. Perhaps it is an answer to human needs that we have not recognised until now. People clearly want to pay for things; they want to be part of some kind of joint venture. When I published the "State of the World Report", I managed to create a milieu of people who not only enjoy listening to this kind of broadcast, but also consider it worth paying for. So, in a way, I am creating identity-based media too, but it is a slightly different identity from being a PiS supporter, or a supporter or opponent of gay people.

**AB: I was thinking of a slightly different approach, inspired by a conversation with Ivan Krastev. He spoke of how new technologies are changing reality. Sometimes, they lead to defragmentation that allows new people, ideas and ways of doing things to emerge. Investors reorganise things and, through that, something new is created. If institutions that offer information in a more reliable way emerge outside the traditional media and demand for this increases, the big media corporations might have to create these kinds of projects, too. They will build identity-based media, in a good sense.**

**DR:** It would be the media creating a community, not communities creating media. Those are two different things. What you say might happen, or big companies (not necessarily media ones) might decide to join these kinds of projects and support them because they feel that they could be profitable or that they are participating in something good, even if it is not a long-term investment.

**Dariusz Rosiak**
Journalist, Raport o stanie świata

Dariusz Rosiak is the founder and host of a radio program which he ran for 13 years on the Polish Radio channel "Trójka". In 2020, thanks to audience funding, he successfully migrated it to streaming platforms where he now publishes the program in the form of a podcast. He has been associated with the media since the 1980s. During his career, he has worked for, amongst others, the Paris RFI and the London BBC. In Poland, he has collaborated with the Polish Press Agency, "Newsweek", "Przekrój", "Forum" and "Polityka". He is also the author of books on foreign and domestic issues.

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Politics

# How will 2020 change Polish politics

For Poland, 2020 was the most difficult year since 1989. Various social ties were broken, or at least weakened, and state institutions were put to the test.

The pandemic and resulting lockdowns have plunged society into a state of deep anxiety. One strategy for handling it have been mass social movements. This is also the case in Poland. It could change politics permanently.


MODERATORS:

**Wojciech Szacki**
Head of Political Desk
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Managing Director
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# On rebellion, the state and society

The previous year was turbulent for Poles, from the lockdown to spontaneous mass demonstrations. Sociologists Marta Bucholc and Michał Łuczewski discuss whether the state has failed us, how we have managed to breathe and what the new normal might look like.

**Marta Bucholc**
Sociologist, University of Warsaw

**Michał Łuczewski**
Sociologist, University of Warsaw

**Wojciech Szacki: How has the pandemic affected our society?**

**Michał Łuczewski:** In 2020, a new kind of social dynamic emerged, based on an unprecedented level of anxiety. Because of that anxiety we stopped recognising ourselves and sought ways to deal with it. The first was to introduce a global lockdown. However, it soon became apparent that it was not reducing anxiety. Instead, it amplified it because people were unable to go to the park or see their family. They realised that they were unable to breathe normally, so they built their own strategies to cope with the anxiety. These were strategies that involved breaking the law. This is how the Black Lives Matter movement in the US, which involved doing everything that had been forbidden before, came about. The same can be said about the Women's Strike in Poland and the protests in Russia, Belarus and Germany.

There have been three phenomena in our social reality: the pandemic, the lockdown and attempts to get out of it by breaking the law. Yet none of them has enabled us to breathe normally again.

**Monika Helak: The epidemic has forced us to review our carefree indifference to how the state operates. What do you make of this confrontation between citizens and the state?**

**Marta Bucholc:** The pandemic has presented us with a vision of the state similar to the one in Hobbes' Leviathan; a massive entity that is the last resort in times of danger. The state was encouraged to significantly interfere in citizens' lives, to an extend unprecedented in liberal democracies. It has proven ineffective – just a few countries handled the situation well, especially New Zealand. This has prompted a new examination of the state's role and a new level of dissatisfaction with how it operates.

**WS: With this turn towards the state, will Poles become more interested in public affairs?**

**MŁ:** Regardless of their slogans, all the recent social movements – the women's liberation marches, the anti-racist movement in the US and the emancipatory initiatives in Belarus – were built on the basis

*Regardless of their slogans, all the recent social movements – the women's liberation marches, the anti-racist movement in the US and the emancipatory initiatives in Belarus – were built on the basis of opposition to the state and breaking the restrictions it imposed.*

Michał Łuczewski

of opposition to the state and breaking the restrictions it imposed. Each of them was met with state resistance and led to counter-movements, which resulted in a growing social conflict. This conflict drew citizens' attention to what was happening around them. On the one hand, this compounded the community's disintegration and increased polarisation. On the other hand, it allowed people to define what is at stake. In Poland, the position of the state, law and religion is at stake – these issues kept coming up during the protests. More and more people wanted to take sides and articulate their beliefs through various slogans.

**MB:** The pandemic situation set in motion many national stereotypes. It was said that the Poles would not wear masks as consistently as the Chinese, and that the Swedes would go their own way because they trust their rationality. This abnormal situation allowed us to recognise our deepest – and therefore normal – habits as they became visible and differentiated us globally. It could be a formative experience but, above all, it perpetuates what was already present in our culture.

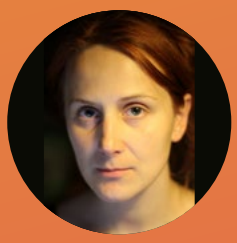

I wonder to what extent this abnormal situation will have a long-term effect on our model of citizenship. Will our attitude to the law change? In Poland, being a good citizen is difficult because how can you obey law when its validity is questioned? If PiS had not made such far-reaching changes to the Constitutional Tribunal after 2015, its recent ruling on abortion would have sparked far fewer protests. Now the pandemic has strengthened people's willingness to challenge the law's legitimacy. However, this does not mean that our civic engagement will increase – it could fall even further as we return to normality.

**WS: Will what has happened in Poland change the political scene in the next few years?**

**MB:** Recently, we have observed a re-evaluation of the role of the Polish intelligentsia. Various groups that do not fit into our social order and are harmed by it – the Woman's Strike and non-heteronormative people – took to the street last year. The pandemic was the impetus that led to the system's overload under pressure from them. One can respond to this overload in different ways – with anomic behaviour and breaking the law, or with innovation. I hope that we will respond with constructive innovation, which will create a new order that includes more social groups. Yet I doubt whether these movements will result in any innovation on the Polish political scene.

**MH: With the situation tense and the crisis of authority, behaviour could get more radical. Are different social groups about to start smashing shop windows?**

**MŁ:** The limit of violence has always tempted participants of social movements. It was even crossed a few times; for example, when Klementyna Suchanow invaded the Constitutional Tribunal. Yet the Poles always stopped at some point. It will be interesting to see whether some new political force emerges from this social discontent. So far, old political forces have been quick to manage new problems. Rafał Trzaskowski from PO has been trying to participate in the Women's Strike, moving his party to the left. I do not know whether Marta Lempart will be able to head any party. There is a lot of spontaneous, explosive activity in her, which is managed in a more orderly way by politicians. She says that this war is directed against everyone, including Szymon Hołownia. But Hołownia tries to focus this social unrest on just one person, Jarosław Kaczyński, and use it to build up his own power. The current situation will affect the political constellation, but not necessarily benefit the protests' organisers. In the long term, it can even prove formative for the younger generation. Perhaps, in a few years' time, a new emancipatory Polish left will have emerged from this.



**Marta Bucholc**
Sociologist, University of Warsaw

Marta Bucholc is an assistant professor at the Faculty of Sociology of the University of Warsaw and associate researcher at the Political Science Research Center of the Université Saint - Louis in Brussels. She is a graduate of MISH in the field of sociology and philosophy, as well as the Faculty of Law and Administration of the University of Warsaw. She obtained her doctorate and habilitation at the Faculty of Sociology of the University of Warsaw. Between 2015-2020 she was a professor of sociology at Käte Hamburger Kolleg "Recht als Kultur" at the University of Bonn. She is a translator of scientific literature from English, German and French.

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**Michał Łuczewski**
Sociologist, University of Warsaw

Michał Łuczewski is a sociologist, psychologist, cultural manager as well as creator of documentaries and exhibitions. He is employed at the Faculty of Sociology at the University of Warsaw and is the editor of the periodicals "Stan Rzeczy" and "44/Czterdzieści i Cztery". Michał Łuczewski is the author of scientific books and publications, and the publisher of the Solidarity Step by Step textbook. He is a member of the board of the Polska Wielki Projekt Foundation.

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# Another polarization is possible

The previous year revealed growing social frustration. Poles want a different country, but politicians have nothing concrete to offer them. Polarisation still dominates the scene, but the axes of contention are changing and new actors are emerging.

**Andrzej Bobiński**
Managing Director,
Polityka Insight

**Wojciech Szacki**
Head of Political Desk,
Polityka Insight

**Andrzej Bobiński: The epidemic started a discussion about the role of the state. In the 1990s, the dominant thesis was that there should be as little as possible of the state. Later, a longing for a strong state emerged. I wonder where we are now. Do politicians know what narrative about the state will help them win the next elections?**

**Wojciech Szacki:** This is easiest to answer in PiS's case. PiS has decided to be even more PiS-like. Everything is national, state-controlled and centralised. Even at the local level, PiS emphasises the role of voivodes, not local governments. At the government level, we have the prime minister's chancellery taking over ministers' competences. Its head, Michał Dworczyk, has become the man in charge of everything, from the hospital at the National Stadium to the vaccination programme. There is also a lot of Mateusz Morawiecki, although he likes to hide behind ministers when something unpopular needs to be announced.

**AB: What kind of state does the opposition want?**

**WS:** There are several oppositions. Konfederacja's approach is probably the easiest to describe. They don't really believe in the epidemic; to them, the coronavirus is like an unpleasant cold that sometimes gets complicated, but generally does not justify shutting down the economy. These views probably appeal to a niche of voters. When it comes to the main opposition forces, I have a problem. In Borys Budka and Rafał Trzaskowski's speaches during a party event a couple weeks ago, there was a diagnosis of the state's weakness. But the remedies didn't suggest cures that corresponded with the diagnosis. There was talk of a referendum to dismiss an MP, of enlarging the Białowieża National Park and of a ban on garbage imports. This was not a clear vision of how the state should be improved or what relations between the central and local governments should be. PO's thinking about the state is still in its early statges. As far as Hołownia is concerned, we are waiting for his proposals.

**AB: This surprises me because a vision of the wise state could be a response to 500+. If the opposition wants to respond to 500+, it should propose to strengthen institutions.**

**WS:** On the one hand, this is a problem with what is in the minds of opposition politicians and, on the other hand, a problem with reality. Numerous weaknesses of the state are difficult to fix because they result from the weakness of civil service staff. Working as a civil servant at a ministry, for example, is not seen as prestigious and is not what teenagers or students aspire to.

**AB: In terms of the reaction to the state's actions, 2020 was a year of protests. What can that anger bring to politics?**

**WS:** This question could have also been asked at the height of the KOD demonstrations in 2016 and 2017. There were many demonstrations then too. What happened from parties' point of view? That rebellion was partly absorbed by them and partly disappeared, perhaps because there were no upcoming elections. The situation is similar now. With the next elections almost three years away, we must not presume anything about the future of these forces. I would not be surprised if they are absorbed by the parties. PO is already talking about abortion in a language similar to that of the protests.

*Experience shows that this "politics of love" works best between elections. When campaigning begins, the logic of battle prevails. I don't believe that building a peaceful centre and community will be the slogans that win an election.*

Wojciech Szacki

**AB: I wonder to what extent anger and frustration reinforce polarisation in our political and social life, and to what extent they break it and create new fields of dispute.**

**WS:** It is a tempting thesis, but I think that the world will stay more or less the same – that is, PO versus PiS, unless PO is replaced by Polska 2050. That would not be a fundamental change, though. Hołownia's milieu includes many former associates of Donald Tusk. The transfers in the Sejm are also mainly from KO.

**AB: But back in 2001 PO wasn't a replica of Unia Wolności, though was it? Every new political movement in Poland, except perhaps Samoobrona, was created by people who had been involved in politics before.**

**WS:** Ok, but I am not at all convinced that PO will disappear like UW. It is protected by subsidies, by its power in local government. As far as the dispute over programmes is concerned, I would struggle to point out five points that clearly distinguish Szymon Hołownia from Borys Budka.

**AB: Will this polarisation organise our political scene in the years ahead?**

**WS:** This polarisation has changed, though. In 2015, Jarosław Kaczyński, the greatest expert on polarising Poles, divided the country into "social Poland" and "liberal Poland". This division won him several victories. Yet it has changed since the European Parliament elections in 2019. Now, we have the "traditional Poland" versus the "Poland of the civilisation of death". This worldview axis serves PiS for now; the opposition is unable to turn it into a dispute between "modern Poland" and "narrow-minded Poland."

**AB: We are talking about a war that has already taken place. Wasn't the presidential election of 2020 its final chord? Don't all these revolts and Hołownia's appearance herald a bump? Won't the search for community be the antithesis of polarisation? Won't a politician who tells Poles "I have another idea for how to organise our political life. I know how we can stand together again and move forward" win?**


**WS:** Experience shows that this "politics of love" works best between elections. When campaigning begins, the logic of battle prevails. I don't believe that building a peaceful centre and community will be the slogans that win an election.

**AB: If this logic of polarisation continues, won't anti-government energy become stronger than the government's?**

**WS:** This government's term has hardly begun and I feel like it is already coming to an end. I have talked to politicians in PiS, Solidarna Polska and both camps in Porozumienie and I do not see the energy there. Since they took power, I have not seen them in such a bad mood; with no ideas, without faith, without trust in themselves. I do not believe that it can still be put together, especially with the losses in the polls. Things seem to be going better for the opposition, although not all the parties like it to the same degree. We might not see PSL in the Sejm anymore, PO could fall to 10-15 per cent and Hołownia might be the leader of the opposition. A lot could happen, but at the beginning of 2021, times are getting better for the opposition as a whole and worse for those in power.

**AB: Finally, when will the next elections be held, who will run and who will win?**

**WS:** I suppose that the current term of the Sejm will last until 2023, in accordance with the election calendar. PiS will run in the elections, though I do not know in what configuration. There is unlikely to be a United Right. On the opposition's side, Hołownia's fate is the biggest mystery. We have seen parties soar in the polls without a powerbase. Hołownia seems strong now, but in a year's time we might be talking about PO having the best chance of taking power. There is also Konfederacja, which links several different milieus. I would not be surprised if it splits.

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Europe

# Is a sovereign Poland possible in a sovereign Europe

Despite closed borders, last year brought a new opening for the EU. The challenges of 2020 have not ended the debate on European sovereignty – they have rekindled it. At stake is the EU's ability to decide on its own destiny in an increasingly unstable world in which mechanisms based on international cooperation are giving way to confrontation.

How do we build European sovereignty without falling into the trap of protectionism? What is member states' role? And who bears responsibility for decisions made in Brussels?

MODERATORS:

**Agnieszka Smoleńska**
Senior Analyst
for European Affairs
Polityka Insight

**Piotr Buras**
Head of the Warsaw office
European Council on Foreign
Relations

# Between strategic autonomy and protectionalism

The pandemic is rapidly testing Europe's new self-proclaimed sovereignty, which was meant to be the hallmark of its coming of age. It should not be an excuse for protectionism or isolationism.

**Konrad Szymański**
Minister for European Affairs of the Republic of Poland

**Alexander Stubb**
Director, School of Transnational Governance,
European University Institute

**Agnieszka Smoleńska: From a European perspective, 2020 was a year of fundamental change due to the pandemic, Brexit and geopolitical shift. We decided on the new EU budget and a new EU Green Deal. We took unprecedented decisions regarding the common management of the pandemic. The question is whether these changes will stick or whether they will be temporary. Will they advance integration in a lasting way or do they increase the risk of disintegration?**

**Alexander Stubb:** I am much more relaxed, sometimes even a little agnostic, about how the EU is developing. There is often a functional spillover effect. Integration in one area leads to pressure to integrate in another. At the same time, I am the first to admit – pro-European as I am – that the EU will never be perfect and never was. By that, I mean that we have advanced in three stages. Stage one is crisis, stage two is chaos and stage three is a suboptimal solution.

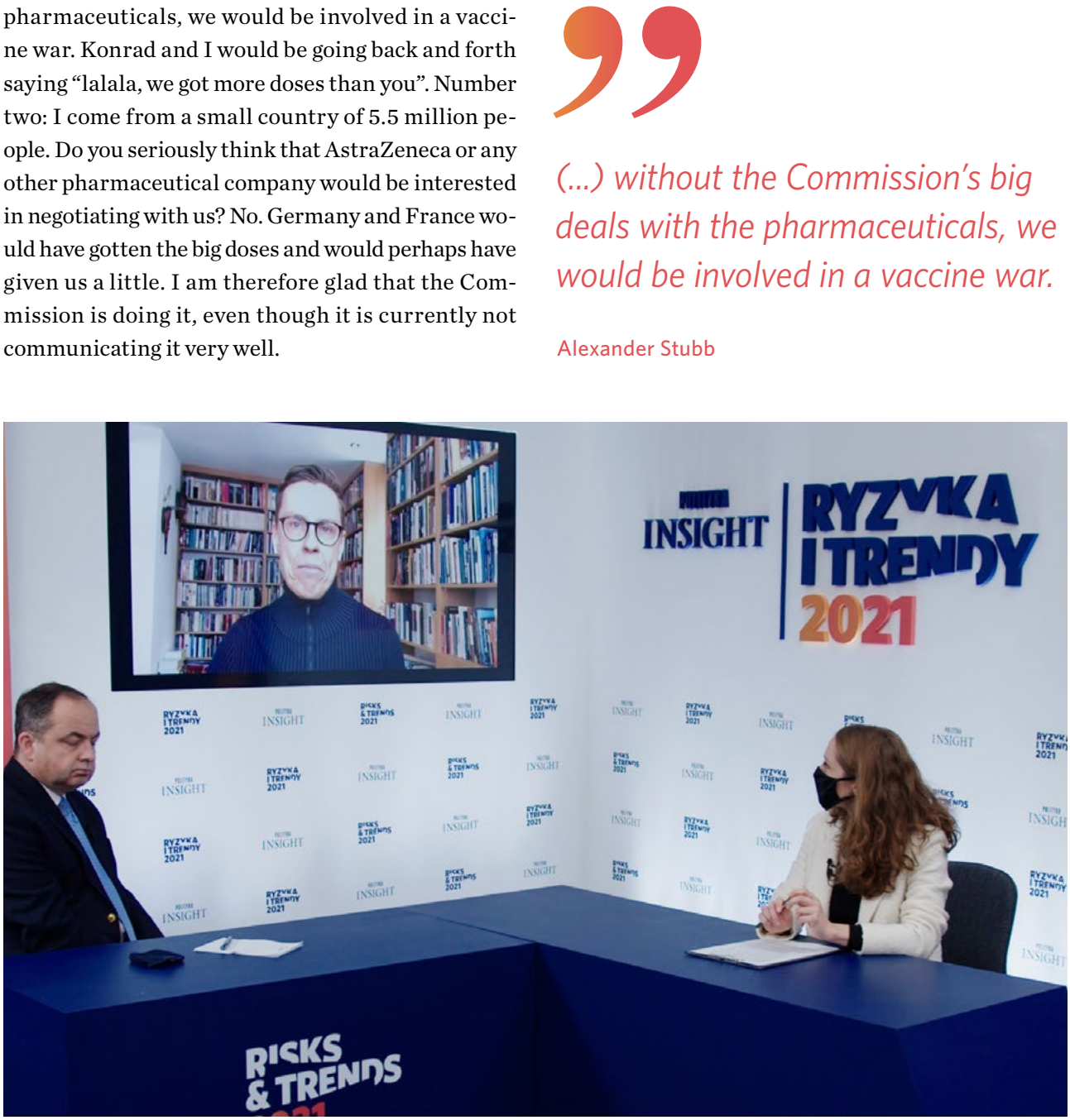
**Konrad Szymański:** I agree that it is worth doing our best to preserve integration. We should remember that we created an answer to the pandemic crisis, especially in economic terms, with the instruments we already had. Adjustment and treaty change is not the most urgent thing at the moment, although, since Brexit, Warsaw has been pretty open to discussing it. We invited all the capitals to talk about fundamental change in the EU, because Brexit is a warning. It should not be viewed as accidental. The mechanism that pushed Britain out of the EU is present in many member states. The scale might be different, but the nature of the mechanism is the same.
We have to confront budgetary populism because, on average, the benefits of the common market are ten times higher than so-called national contributions. The national contributions take up 99 per cent of our attention when we talk about the EU budget and, in the end, we have a crisis like this. We have to do something about this – otherwise, we will lose other countries.

**A. Stubb:** I agree with Konrad. A lot of the public discourse in the EU at the moment is about communication. The Catch 22 – not only in Warsaw, but in every European capital – is that it is very difficult for democratically-elected leaders to give Brussels any credit for anything it does.

**AS: The EU's vaccine strategy is a perfect example of the confusion and complexity that EU policies can create.**

**A. Stubb:** It is extremely good that the European Commission is doing it, for two reasons. Number one: without the Commission's big deals with the pharmaceuticals, we would be involved in a vaccine war. Konrad and I would be going back and forth saying "lalala, we got more doses than you". Number two: I come from a small country of 5.5 million people. Do you seriously think that AstraZeneca or any other pharmaceutical company would be interested in negotiating with us? No. Germany and France would have gotten the big doses and would perhaps have given us a little. I am therefore glad that the Commission is doing it, even though it is currently not communicating it very well.

**KS:** I agree that an alternative to common purchases of all the vaccine could be more harmful than the situation right now. Yet if you take responsibility for the process, like the European Commission has, you have to be ready to accept criticism, too. The criticism is not concentrated on the purchases, but on the effective execution of the contracts. It is not only the Commission's responsibility, but this is how it works. If you take responsibility and power, you have to face accountability. It is not always very fair – that is the nature of politics.




*(...) without the Commission's big deals with the pharmaceuticals, we would be involved in a vaccine war.*

Alexander Stubb

**AS: Let us turn to the European Commission's export restrictions on vaccines produced in the EU. Isn't the EU, which presents itself as a defender of multilateralism and global partnerships, risking its image? Today, we talk a lot about European sovereignty; here, we have a concrete example of the risks that it creates. It can antagonise partners, create legal uncertainty and lead to accountability problems for the Commission.**

**A. Stubb:** You should not be speaking in the present tense. You can already speak in the past tense; the Commission really screwed this up. The damage is already done when it comes to communication. It was a double whammy: the export restriction and the issue relating to the hard border between Ireland and Northern Ireland. Andnow they have an uphill battle to try to fix the problem. My argument is that the vaccine deal negotiated was originally good. Now they need to roll it out right.

**KS:** I think that the vaccine incident – the possible restriction of international trade of the vaccine – is just a small example, perhaps bright and colorful, of the problem that we will face during a crisis of multilateralism. It is impossible to defend multilateralism alone.

I am happy to continue this discussion about European sovereignty. It is pretty clear that we have different understandings of it. For some member states, European sovereignty is just a pretext for and to retreat from Western or transatlantic forms of cooperation – nothing new. Yet the cover is new. It is probably the worst time ever to cut off such cooperation; now, when our partners are coming into competition with Europe, to put it mildly. I am surprised because we used to believe that sovereignty is strengthened by international cooperation within the EU. We used to think: sovereignty is fine, it is even stronger because we shared sovereignty and now we are stronger, especially the smaller economies. But at the same time, the same person would probably say that sovereignty means that we have to limit our cooperation with the rest of the world.

For me, European sovereignty means establishing standards in economy that reflect our way of thinking about the relation of the individual with the corporation, state and exporting it to the rest of the world, which is good for Europe. It is also a question of cooperation, not competition, with the US when it comes to security. It is not always about limiting thinking to ourselves, but sometimes about the opposite: wider cooperation. We should be more practical; then, we will understand where we are in this meta-political discussion about sovereignty or strategic autonomy. We are talking about many different things at the same time.

**A. Stubb:** The idea behind strategic sovereignty is that Europe has come of age and that we need to take more responsibility for our security. The danger lies in how some people want to use strategic sovereignty or strategic autonomy as a scapegoat for protectionism. It is almost like "America first" becomes "Europe first" – this is where we need to be really careful.

A final point: isn't it interesting that the countries most adamant about speaking about sovereignty back home are also the ones most adamant when it comes to sharing that sovereignty with the US? What I am trying to say is that politics is not always a) fair or b) logical.

*The danger lies in how some people want to use strategic sovereignty or strategic autonomy as a scapegoat for protectionism. It is almost like "America first" becomes "Europe first" – this is where we need to be really careful.*

Konrad Szymański

**Konrad Szymański**
Minister for European Affairs
of the Republic of Poland

Konrad Szymanski is a Minister for European Union Affairs since November 2019. Previously, between 2015 and 2019, he was secretary of state at the Ministry of Foreign Affairs. In 2004-2014, he was a member of the European Parliament from the Law and Justice Party (PiS). In Brussels, he dealt with Eastern affairs, the EU's relations with the Eastern Partnership countries and the EU's energy security. He is a graduate of the Faculty of Law at the University of Adam Mickiewicz in Poznań.

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**Alexander Stubb**
Director, School of Transnational Governance,
European University Institute

Alexander Stubb is a professor and since 2020, the Director vof the School of Transnational Governance. Prior to that, he served as Prime Minister, Finance Minister, Foreign Minister, Trade and Europe Minister of Finland (2008-2016). Member of the European Parliament from 2004 to 2008 and national parliament (2011-2017). Between 2017-2020 Vice President of the European Investment Bank. He holds a Ph.D. in International Relations from the London School of Economics and an MA in Political Science from the College of Europe in Bruges.

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# In search of a new model for Europe

Europeans' geopolitical awakening has been a long time coming, but the Trump presidency sounded the alarm for many. Now the EU says that it will conduct foreign policy according to the so-called Sinatra doctrine, "it's own way". The coming realignment with the Biden administration is unlikely to reverse this shift towards strategic autonomy.

**Mark Leonard**
Director, European Council on Foreign Relations

**Partycja Sasnal**
Head of Research,
Polish Institute of International Affairs

**Piotr Buras: How has Europe's model been challenged by what seems to be the lasting transformation of the global landscape?**

**Mark Leonard:** There is an ideological and institutional dimension to this issue. On the ideological side, Europeans thought that we were living at the end of history and moving towards a period where globalisation would benefit everybody. Instead of competition between countries, there would be increasing cooperation with rules and diplomacy being used to settle differences. Those links between countries are still there, but they are infused with a logic of competition. Many of the ties that bind people together are being turned into weapons. Instead of trade bringing people together, you get sanctions and trade wars. Instead of the Internet bringing people together, you get cyber and fake news and election interference. Even the movement of people was weaponized by people being forced out of their country. This is a profound shock to Europeans and it has taken them a long time to catch up with it.

One of the reasons is the institutional problem. Countries like America and China see a relationship between what they do in economic, political and military terms, but in Europe, these things were completely separated. So we find ourselves with one hand tied behind our backs when dealing with countries that are willing to trade off what they do in one sector with other sectors. The biggest shock to us was what Donald Trump was doing. We thought of the US as an ally, but we saw tariffs being introduced against European companies on national security grounds and Trump saying that he would withdraw troops from Europe and reduce investment in NATO unless we change what we are doing in trade policy. It was a complete shock to our system; we were not ready to deal with it. That has started to change dramatically over the last three or four years, at an intellectual and institutional level. This is why we are having these debates about strategic autonomy and European sovereignty.

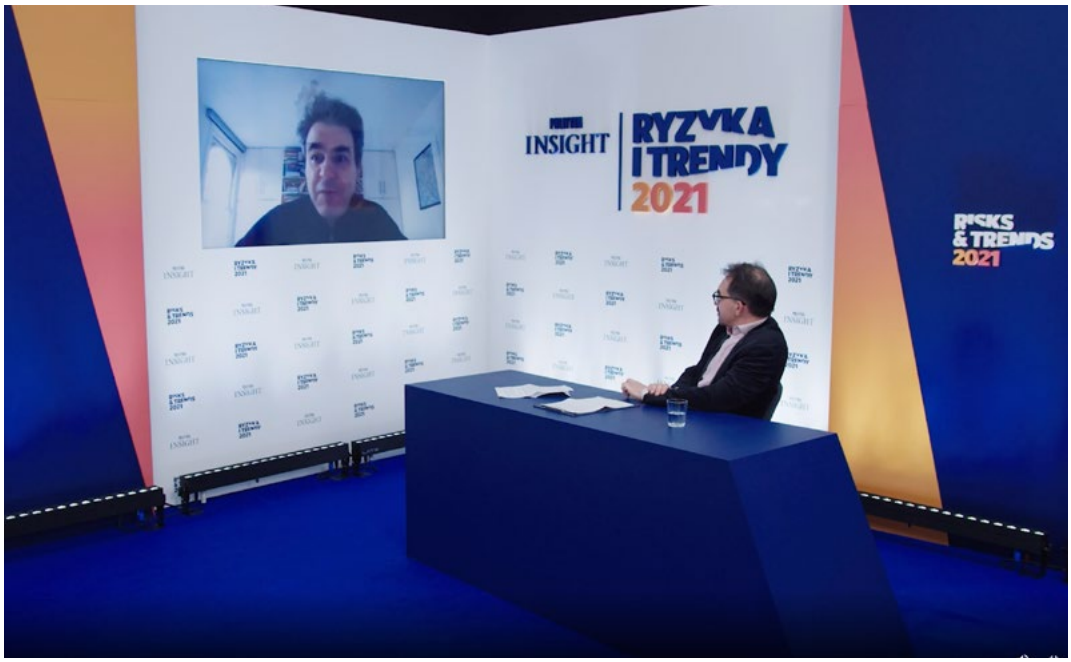
**PB: The EU hastily concluded the Comprehensive Agreement on Investments with China and faced criticism for failing to embrace the opportunity to coordinate its China strategy with the new Biden administration. Many experts maintain that this decision played into the hands of China and its strategy of dividing the West. Josep Borrell defended his decision, saying that it is an example of Europe's strategic autonomy. We do it our own way because our interests sometimes diverge with those of the Americans. Do you agree?**

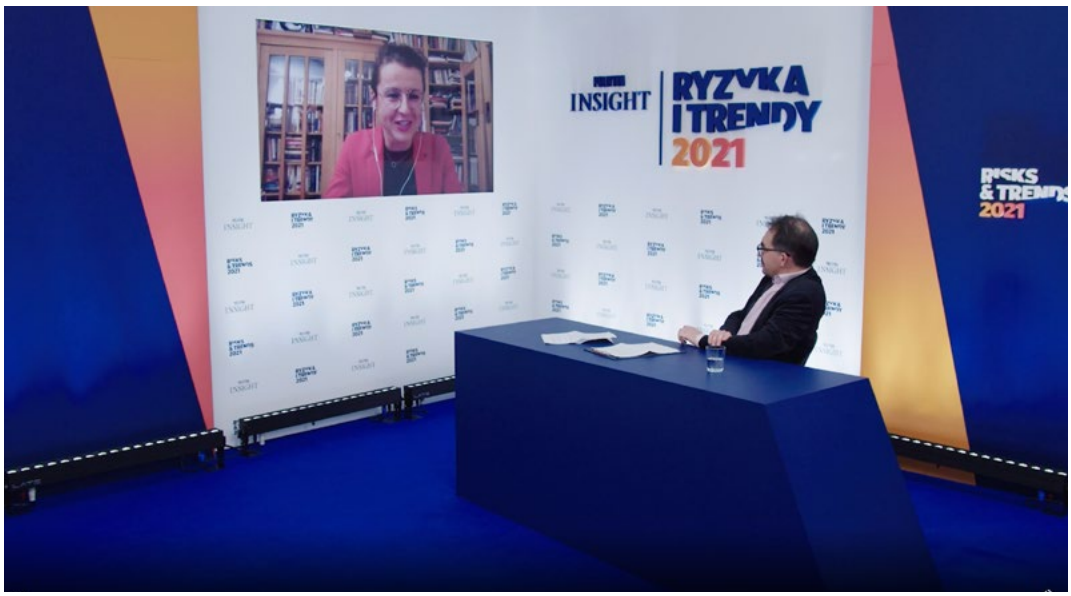
**ML:** One of the problems we all have with assessing this agreement is that it has not been published; many addendums and protocols are still being kept secret. But I do not have a problem with the idea of signing a Comprehensive Agreement on Investments with the Chinese. We have been negotiating it for seven years, we have important Chinese investments in Europe and nobody is saying that we shouldn't. It is better to have that regulated, than unregulated. At the same time, many European companies that invested in China are short of protection. The way the process was handled looked very clumsy and definitely destroyed a lot of trust, not just in Washington, but also in other countries. But, I do not think that it is that great a deal in the grand scheme of things; the deal has not yet been ratified and there is plenty of time to change it.

One of the important things about the Biden administration is that they have signaled a very different way of dealing with these issues. The core of their approach to China will be about working with allies and finding common cause, rather than Trump's unilateral, aggressive approach. In an article in Foreign Affairs, Jake Sullivan, Biden's national security adviser, and Kurt Campbell, the top China aide at the White House, call it "competition without catastrophe". They want to avoid a Cold War and foster coexistence with China in a way that allows us to stand up for our values. That is exactly what Europeans want, so there is a lot of scope to work together closely.

**PB: How possible is the realignment of European and American interests on international issues? Should Poland fear that this European "Sinatra doctrine", as Borrell called it, could pull the EU away from the US?**

**Patrycja Sasnal:** With the Sinatra Doctrine, we want to say that we did it our way – the romantic Sinatra version of "My Way", not the punk anarchist Sid Vicious version. Poland should not be afraid because a certain amount of European sovereignty






and strategic autonomy is really necessary. It is time for the Biden administration to understand that it is about more than single-policy issues, that we need to act as a block long term. In terms of realignment, there are several issues where this is possible. Firstly, climate, which trumps all other issues in the long term. The other one is multilateralism and underlining the importance of international organisations. Another point where alignment is possible is Russia. After Navalny's poisoning and his imprisonment, attitudes in Europe are changing, which is bringing us together across the Atlantic. There is also Iran, one of those policy areas where alignment is not only possible, but certain, and Ukraine. Biden will insist on fighting corruption more effectively and on judicial reform in Ukraine, which is also what the EU wants. Alignment is possible on a number of issues and there will be sheer added value in the EU and US standing together.

**PB: The ECFR had a very interesting poll this year on transatlantic relations. Could you summarise the key takeaways? Do they bode well for the revival of the West?**

**ML:** Our poll showed that Europeans are happy to see Biden elected, but they have big doubts about whether America can come back as a global leader. Many think that you cannot trust the Americans not to vote for another Trump. More important than the crisis of American democracy is a crisis of American power. We found that a majority of people everywhere thought that China will overtake America as the most powerful country in the world within the next decade and that Americans cannot be relied upon to defend Europeans. They draw quite radical policy conclusions. Firstly, they think that we should invest in our own defence, rather than rely on the Americans. Secondly, a majority of people in all the countries surveyed said that if there is a dispute between China and America, Europeans should stay neutral. And thirdly, in many countries (though not in Poland), people said that the go to capital globally is Berlin rather than Washington. I think that this shows that if we have a new transatlantic relationship it will have to look slightly different from before. There is plenty of scope for cooperation, but Americans are going to have to prove that they have the staying power, and we will have to show Europeans that it is in their interest to work more closely with the Chinese.

**Mark Leonard**
Director, European Council on Foreign Relations

Mark Leonard is a co-founder and director of the European Council on Foreign Relations. He is an expert on geopolitics and geoeconomics, China, and the EU. He hosts the weekly podcast "Mark Leonards's World in 30 Minutes". Prior to his current position, Leonard worked for, inter alia, the think tank Demos and the German Marshall Fund of the US. At the age of 24, he founded the think tank Foreign Policy Centre. He is an essayist published in various newspapers and magazines worldwide and author of two best-selling books: "Why Europe will run the 21st Century" and "What does China think".

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**Partycja Sasnal**
Head of Research,
Polish Institute of International Affairs

Patrycja Sasnal holds a PhD in political science. She is an Arabist and philosopher specializing in Middle-Eastern politics, transatlantic relations, radicalization, migration and post-colonial studies. She is a member of the European Council on Foreign Relations and the expert committee on migration at the Office of the Ombudsman. For the next three years, she will provide expertise to the Advisory Committee of the UN Human Rights Council.

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# The Brussels Efect

While the EU might lack geopolitical prowess, it has been very good at projecting its regulations globally due to trust in the quality of its institutions and standards. The bloc's turn towards protectionist measures risks having a knock-on effect.

**Anu Bradford**
Director, European Legal Studies Center,
Columbia Law School

**Agnieszka Smoleńska: What is the "Brussels effect"? What about the European Union, its institutions and how it regulates the market makes it possible?**

**Anu Bradford:** The "Brussels effect" refers to the EU's unilateral ability to regulate the global marketplace. The EU is one of the largest and wealthiest consumer markets in the world and very few global companies can afford not to trade there. As the price of accessing lucrative European markets, these companies need to comply with European regulations. Often, they decide that it is in their interest to apply these regulations across global production and conduct because they want to avoid the cost of complying with multiple regulatory regimes. All the EU needs to do is regulate the single market. Business interest and market forces then drive global companies to externalise these EU rules across the global market.

**AS: Could you give us some examples of the areas where this is possible?**

**AB:** If you look at the privacy policies of big companies such as Google, Facebook, Apple or Microsoft, these companies follow the European General Data Protection Regulation (GDPR) around the world. If you look at the rules that companies such as Twitter and YouTube use when they decide what to take down as hate speech, they do not follow the American First Amendment that guarantees free speech. They look to the European definition of hate speech. The examples do not only pertain to American companies or the digital economy. The "Brussels effect" and EU law also shapes how timber is harvested in Indonesia, what kind of pesticides Cameroonian cocoa farmers use, what kinds of facilities Chinese dairy factories install and what kind of chemicals Japanese toy manufacturers use. It really is a phenomenon that manifests itself in different industries and across different policy areas.

**AS: We often discuss how the EU is weak and does not have any power; how even the few instruments it has to act globally are not very effective. But what you are describing shows that the EU really does project its power around the world.**

**AB:** The EU is not a military power; it also has limited ability to govern the world through financial sanctions, for instance. But in many ways, regulatory power is very tangible. We do not always notice it because it goes under the radar. This kind of power is very influential. It affects all of us every day – the food we eat, the air we breathe and the products we produce and consume. To me, that really is influence and power.

**AS: If these are the rules that we project around the world, we inevitably end up thinking about who makes the rules and who benefits from them.**

**AB:** Absolutely. Who benefits from the "Brussels effect" is a really interesting question. I would start by singling out the clearest winners. Firstly, European companies, which need to follow European rules. This means that the EU can level the playing field and protect the competitiveness of European industry. That is not a disadvantage now because American companies follow the European rules when they compete with EU companies in Brazil. It is therefore a major benefit for the European companies because they do not need to bear the cost of being the only ones complying.

Secondly, European consumers. Many of these rules stem from being responsive to the preferences of European consumers, who care about sustainability, protecting our climate, food safety and the fundamental right to privacy.

**AS: You treat European industry and citizens as if they have homogeneous interests, but there may be heterogeneous preferences across the EU. Does a particular part of the European economy benefit from the "Brussels effect" more than others?**

**AB:** Absolutely. You are right to point out that these regulations often emanate from a rather contested regulatory process within the EU. Who is really having their preferences translated into EU regulation? Often, it tends to be the pro-regulation states. This is because these regulations often emanate from some member states first. So the General Data Protection Regulation (GDPR) was not invented in Brussels. Germany was one of the forerunners that went ahead with stringent privacy laws. The EU steps in when it realizes that the marketplace is becoming fragmented and there is a problem with data flow in the common European marketplace. Instead of asking Germany to back down, or telling France that it cannot protect privacy, the EU raises the other member states to the level that calls for more regulation. For some member states, this regulation would not be their first choice, but ultimately this is one of the benefits or costs of being part of the EU.

**AS: In your book, you argue that the "Brussels effect" is not protectionist. But with Brexit in particular, there is a growing tendency to talk about European sovereignty, to use competition policy for more protectionist goals, to foster European champions. Does this trend create risks for the "Brussels effect"?**

**AB:** I agree that the tone of the conversation is changing. For instance, France and Germany came up with a manifesto calling to reform merger control

policy and reshape competition regulation to enable European champions to be created. I share your concern that now, when the UK – which has always been more skeptical of regulation and a proponent of the free market – is not part of these conversations, there is more space for, say, French industrial policy inclinations to prevail. There is certainly a danger that the EU will go down that path. If you take the "Brussels effect" seriously, you should take this danger very seriously because, if the EU exports its neutral competition rules successfully, it will certainly export its protectionist competition rules, just as successfully and European companies will face protectionist regulatory regimes in different parts of the world, too.

**AS: When it comes to the conditions that make the "Brussels effect" possible, one thing that I wondered about is the rule of law and whether the effect relies on legal infrastructure.**

**AB:** Global companies are comfortable using the Brussels rule as a global rule because they see it as a good-quality, respected norm. It is partly because of the respect for the quality of rulemaking and the legitimacy of the legal process that many governments around the world have been comfortable looking to the EU and telling their own constituencies that this regulation works in the EU as well. It is seen as a very good legislative framework. So, in many ways, the idea that we take the rule of law seriously and have a legal process leads to better quality legislation.

**Anu Bradford**
Director, European Legal Studies Center,
Columbia Law School

A leading scholar in the EU's regulatory power as well as expert in international trade law and antitrust law, Anu Bradford is now the director of the European Legal Studies Center at the Columbia Law School as well as a Senior Scholar at Columbia Business School's Jerome A. Chazen Institute for Global Business. She heads the Comparative Competition Law Project, which has built a comprehensive global data set of antitrust laws and enforcement across time and jurisdictions.

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World

# How to renew transatlantic ties

President Joe Biden claims that America is returning to the global arena with proposals for cooperation on security, pandemic control, and climate protection. He wants to renew the transatlantic alliance so that the West can fend off challenges from China and Russia.

The announcements are promising and Biden's team is competent. But will they convince Europe that the shift in US attitude is permanent? Will they persuade Europe to resist Chinese influence more assertively? Will European countries give up some of their economic gains to fend off Russian threats? Finally, will the expressions of values translate into policy?

MODERATOR:

**Piotr Łukasiewicz**
Analyst for Security
and International Affairs
Polityka Insight

# The new opening in US-EU relations

Under Joe Biden's leadership, America has an opportunity to regain its role as a global leader. The transatlantic alliance is strong, but Europe must take a firmer stance on China and Russia.

**Karen Donfried**
President, German Marshall Fund

**Piotr Łukasiewicz: Joe Biden's inauguration was widely seen as a sign that change is coming. Let me play the devil's advocate. Why should Europeans believe that the change in the United States' policy, politics and position in the world is stable? How deep are the roots of isolationism and populism in American politics?**

**Karen Donfried:** The administration is saying that it is ready to engage with Europe. To that, some Europeans reply: "We still feel shocked by the past four years. Donald Trump may no longer be a US president, but Trumpism is still alive". And on the US side, some Americans are saying: "Are the Europeans going to bring a strategic view to the table?" To both groups of sceptics, I would say: we have big problems that both sides of the Atlantic are facing. This is not a moment for hand-wringing. This is a moment to see whether transatlantic cooperation can actually deliver for our citizens. Americans and Europeans working together need to show their fellow citizens that working together we can get things done, because many of them are questioning that premise.

**PŁ: There has been a role reversal. Over the past four years, Trump's America took a realist approach to politics: national interest matters, big power games matter. Now the Biden administration is presenting a liberal approach: human rights and democratic values matter for the modern world. And Europe is responding to Biden's advances with the cold shoulder. Germany's following its economic interest when it comes to China and France has used the past four years to promote European strategic autonomy, so we see the rise of realist thinking in Europe. How can both sides see eye to eye?**

**KD:** I would not agree that the Biden administration is getting the cold shoulder from Europeans. His election was greeted with a deep sigh of relief and real excitement about what Americans and Europeans might be able to do together. That said, I agree that we face challenges. You mentioned China. There is real enthusiasm in Germany about working with the Biden administration, but that does not mean that we are going to agree immediately on how to engage China. We have seen China liberalise economically, but no sign of political liberalisation. Over the past four years, we have seen ever more egregious human rights abuses by the Chinese. The question is how do we Americans and Europeans react? The Biden administration believes that the US has a distinctive advantage in competition with China, in that we have important allies who share our values and goals. So the Biden administration wants to work with those allies.

Personally, I do not understand why there was a rush in the final days of 2020 for the EU to sign up to this Comprehensive Agreement on Invest-


ment with China. I think the CAI is unfortunate, but I do not think that means that we are not going to see serious US-European cooperation on China, from trade to technology and 5G. Why, after seven years of negotiations, was the agreement concluded in the final days of 2020? There is no question that the Chinese shifted on the issues that had been blocking the agreement because they knew that the Biden administration was coming. On the European side, it was clear that Chancellor Angela Merkel wanted to conclude this agreement during the German EU presidency. She wanted this one cooperative piece of the relationship with China to be concluded. Moreover, German industry has a major interest in the Chinese market. This is a fascinating case study of the tension between the geopolitical reality of our relationship with China and economic interdependence.

**PŁ: Another issue in Chinese-European relations is the interest of Central and Eastern Europe. How should this region approach Beijing?**

**KD:** China has become very good at dividing the Europeans. You mention how it has reached out to Central and Eastern Europe. In very specific cases, this has led to divisions within the EU. European attitudes have shifted and there is an attempt to build a consensus within the EU. After the CAI was signed, there was another crackdown on democratic forces in Hong Kong and Central and Eastern Europeans were invited to the 17+1 meeting. China was clearly sending a signal; it seemed emboldened.

The answer to your question about Central Europe is twofold. One is the extent to which Europeans can forge a common position through the EU and, increasingly, NATO. The second concerns how the Central and Eastern Europeans manage their economic interests with China. The US has said in very concrete terms: be careful on 5G. If you are a NATO member, you are exposing your systems to Chinese espionage. So I think that the Central and Eastern Europeans are going to be managing these different priorities. This will be a major topic of the transatlantic conversation with the Biden administration.

**PŁ: Nord Stream 2 is obviously the main hotspot in Central Europe, with Poland as one of the most fervent critics of this project. It sees it as a sign of German-Russian rapprochement. The Trump administration had a very much anti-Nord Stream stance. What is the Biden administration's position?**

**KD:** There has been a strong bipartisan consensus in the US on this issue. The Obama administration did not support Nord Stream 2, Trump was a harsh critic of it, and the Biden administration does not support it either. It is hard to imagine that the economic benefit for Germany in any way outweighs the incredible political fallout. After Alexey Navalny was poisoned, it was interesting to see the Merkel government potentially rethinking Nord Stream 2 for the first time.

**PŁ: In a blog post on the GMF website, you wrote: "The power of transatlantic cooperation arises most fundamentally from a shared belief in and commitment to democracy". One of the promises of the Biden administration was a Summit of Democracies. What role will it play?**

**KD:** It was shocking to watch the rampage in the US capital on January 6. And at first I felt upset and depressed about it. What does it say about democracy in the US? Yet there are other, heartening examples of the health of democracy in the US when you see the number of Americans who voted in the recent election. Americans believe that their vote matters. These examples remind us all that democracy is not an end point – it is a constant project. We are wrestling with our imperfections and trying to be a more inclusive, effective democracy.

In the transatlantic community, we Americans need to stand up and defend our values. While trying to be better at home, we need to continue to care about democracy abroad. We need to do both at the same time. In terms of the summit, I believe that the term President Biden used was "a summit for democracy", not "a summit of democracies". That is important because having a scorecard of who is or isn't a democracy is challenging. I do not know how the administration plans to organise this, but I want to draw attention to that important semantic difference: a summit for democracy. Whoever participates needs to be committed to democracy and to making it deeper and better.


**Karen Donfried**
President, German Marshall Fund


Karen Donfried is the president of the German Marshall Fund of the United States (GMF) since 2014. Previously she was, amongst others, the special assistant to the president and senior director for European affairs on the US National Security Council. She is a Senior Fellow at the Center for European Studies at Harvard University. She is also a member of the Council on Foreign Relations and the American Council of Germany. She graduated with doctoral and master's degrees from the Fletcher School of Law and Diplomacy at Tufts University.

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Security

# How 2020 changed our threat perception

During the pandemic, security came up close and personal: with the mask on our face, hospital beds and vaccine shots. The power of governments and alliances no longer relies on military strength; instead, it is based on stockpiles, logistics, and science.

COVID-19's place of origin, China, became the world's number one worry (if not threat). Europe's leading experts examine the impact of 2020 on the security paradigm.

MODERATOR:

**Marek Świerczyński**
Head of Security and
International Affairs Desk
Polityka Insight

# The dusk of American exceptionalism

Thomas Kleine-Brockhoff, vice-president of the German Marshall Fund of the United States in Berlin, argues that the pandemic year accelerated deglobalisation.

**Thomas Kleine-Brockhoff**
Vice President, Berlin Office,
German Marshall Fund

**Marek Świerczyński: After the world came to a standstill, it was often said that the pandemic has changed everything, including how we think about our security. In your opinion, what was the impact of 2020?**

**Thomas Kleine-Brockhoff:** There are a number of schools of thought on this question. One is the 9/11 school: the world has changed permanently. We're reached a fork in the road; nothing will ever be the same again, from how we communicate to how we interact politically. The second is the trend-accelerator school: the coronavirus is accelerating existing trends. There exists also the smaller school of gradual change, accelerating existing changes is qualitatively so different that we find ourselves in the new world. Let me say something counterintuitive. In my view, there are areas where this crisis will play less of a role than we currently think. Yet the trend accelerator will be with us, because this crisis has induced lasting changes. The most important one are the change of guard and the change of power, the transfer of power, and the rise of China and its growing assertiveness.

**MŚ: In 2020, we saw alliances crack, great powers decline, and governments – even very rich ones – and blocs of nations suddenly dependent on basic but crucial supplies. If anything, it increased competition rather than cooperation. Where are we heading?**

**TK-B:** Yes, one might think that a pandemic is the ultimate example of international cooperation, because we can only beat the virus through international cooperation. Only if we beat it everywhere will we have beaten it somewhere. This is the paradigm for the distribution of global public goods that is needed. Yet we see the opposite. We reached peak globalisation a couple of years ago. Now we see the acceleration of deglobalisation. The EU's decision to introduce export controls for vaccines is part of that story. The initial border closures, unilateral border closures and uncooperative border closures are part of that story, too. We are seeing the idea that a sort of globalisation has gone too far. The question now is whether we will move towards protectionism and autonomy, and ultimately autarchy – a slippery slope – or whether we will move towards something that Pascal Lamy termed precautionism, which accepts globalisation and the division of labour as a principle, but questions the idea of just-in-time delivery. This concept includes stockpiling, a wider array of distribution sources and broader sourcing that keeps globalisation alive, but combines it with the idea that there can be shocks to the system.

**MŚ: America, the global superpower, was badly wounded in 2020. It seemed to be bleeding and, at times, on the verge of revolution. Do you think this will lead to reflection in the US on what it really means to be secure?**

**TK-B:** Most certainly. America has always been an island of security unaffected by global trends, protected by oceans, with only two (friendly) neighbors. The two most important shocks to the system were Pearl Harbor and 9/11. So this virus will probably affect the collective psyche of the US more than that of countries connected with others by land masses. How? Some people argue that this is an attack on the idea of American exceptionalism. It certainly undermines the American model of global leadership as an exemplary country.

**MŚ: This crisis may emphasise trends in America that lead to more isolationism and inward-looking policies. Even the bottom line of the new administration is "build back better"; rebuild at home to be better also on the outside. We used to think that isolationist ideas in the US were linked to the Trump presidency, but is that really the case?**

**TK-B:** There is a very good new book on this: Charlie Kupchan's book on the history of American isolationism. It shows that America has fared well with it for 100 years or more; the first challenges to it did not arise until the late 19th and early 20th century. It is no coincidence that the first attempt to internationalise, by Woodrow Wilson, failed. Pearl Harbor changed that outlook. There is an element of self-sufficiency in the American collective mind that has reemerged in recent years. The question is: is it isolationism or a correction of a previous overreach? The unilateral moment is the first time in world history with liberal hegemony; the ability of liberal democracy to call the shots globally, led by the United States. That was a very brief – and, arguably, not very successful – moment and we are now seeing a correction. Will it lead to isolationism? I am not so sure, because the Biden slogan you just quoted, "build back better", also applies to alliances. He wants to build back alliances better, but the precondition is a trusted, functioning government at home. So I see a Western problem, rather than an American one; the same erosion of trust in our governments and the same sense of overstretch.


**Thomas Kleine-Brockhoff**
Vice President, Berlin Office, German Marshall Fund


As vice president, Thomas Kleine-Brockhoff oversees the GMF's activities in Germany. Prior to joining GMF, he served as an advisor to Joachim Gauck, the president of Germany. From 2013-17, he oversaw policy planning and speechwriting for the president. Before joining the President's staff in Berlin, Kleine-Brockhoff spent 12 years in Washington, DC, working as, inter alia, the chief of Die Zeit's Washington bureau.

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# The conflict with China in our midst

A few years ago Ben Hodges predicted that the United States and China might be at war in 15 years' time. After 2020, he says it may happen even sooner.

**Ben Hodges**
Pershing Chair in Strategic Studies,
Center for European Policy Analysis

**Marek Świerczyński: 2020 was marked by greater scrutiny of China due to the pandemic, but also by increased debate about how to engage with it. How did this change your views on a possible military confrontation?**

**Ben Hodges:** I was wrong when I said 15 years; I think it is five years. I am much more concerned now than I was three years ago and even more so when I see that the West has failed to adequately respond to Chinese human rights abuses against the Uyghurs, the oppression of people in Hong Kong and the continued, increasingly threatening language and actions towards Taiwan. I think that the Chinese, especially the Chinese military, want a conflict. I, therefore, think that it is a possibility within five years – not a probability, but a possibility.

**MŚ: This sounds very alarming to people here in Europe, because we remember the Cold War, when war seemed very likely, but did not break out. How is US-Chinese rivalry different from the US-Soviet rivalry during the Cold War?**

**BH:** There are three main differences. Number one: during the Cold War, when you had NATO and the Soviet Union, there was a confrontation, but also an understanding of sorts, a balance of power and so many nuclear weapons on both sides. People felt more confident then that something could be controlled or prevented. When it comes to deterrence and the Chinese Communist Party, the big difference is geography. In the United States and Europe, we are on the other side of the world, so we do not have the same geographical feel for what they are thinking and what they are doing. Number two: uncertainty about our most important allies, meaning that the United States is not sure. We have not been doing a good job of building up our alliances for dealing with the Chinese Communist Party for many years now. Germany and several other countries seem to prioritise the economic relationship with China more

*I think that the Chinese, especially the Chinese military, want a conflict. I, therefore, think that it is a possibility within five years – not a probability, but a possibility.*

Ben Hodges


than holding the Party accountable for what it is doing to the Uyghurs, in Hong Kong and so on. Number three: economics. There was no Soviet investment in infrastructure in western or southern Europe. Now, the Chinese have extended their economic reach all the way to Duisburg in Germany, where the new Silk Road ends. This is a different type of competition that we have failed to enter.

**MŚ: Is it at all possible to fight a war against China and win? Does the United States know how to?**

**BH:** The United States knows how to fight and, if it came to that, it would be incredibly violent. It would be terrible. But I think it is more important to focus on great power competition, not failed deterrence. I believe that great power competition prevents great power conflict. You have to compete in diplomacy with information, with the military and with economic means. Of course, the United States needs allies and partners to do this effectively against China. Nobody is even thinking about a land war with China on the Asian mainland. From a military standpoint, this competition needs to include protecting freedom of navigation, but also protecting economic investments and our allies in South Korea, Japan and Australia. That is also why you see more cooperation between the United States and India, part of establishing an alliance that can persuade Beijing that a conflict is not in anyone's interest. That is how we win.

**MŚ: Should NATO support the US against China more actively? Might we see a NATO task force in the South China Sea or elsewhere in support of US interests one day?**

**BH:** That is not a good idea. The Alliance's role is collective defence, rather than trying to persuade allies to send a task force out to the Pacific. It helps build a strong European pillar – the US is counting on a strong European pillar, not a European pillow. You have to continue to deter the Kremlin. Now, Canada is a NATO ally, but it is also a Pacific nation. The UK has specific interests; the Royal Navy

is going to help with deterrence and ensuring freedom of navigation in the Indo-Pacific region. The French Navy has indicated that it has already been into the Pacific, too. So other nations are and will be operating in the Indo-Pacific region in support of their own interests, not the US. Every person in the world has something in their home that comes from China, so protecting that trade is in everyone's interest.

**MŚ: You have just listed the capabilities needed to prevent China's expansion. But Europe's naval powers do not necessarily maintain robust land warfare capabilities. How can the two be combined?**

**BH:** All NATO countries have to increase maritime capabilities, to protect each other in the Baltic and Black Sea regions and to operate across the Atlantic Ocean and in the Mediterranean. There is a lot of water inside NATO's area of operations, so maritime capability is important; it is not either or. Of course, modern navies are very expensive, so we need to be smart. Can we work together more? There is a real future for unmanned systems; they could do a lot of the activities in the Baltic that would help ensure protection. The less prepared we are, the more the potential for war increases.

For example, the Kremlin could say: Poland and Lithuania are not ready and the US would not get there in time, so we could attack across the Suwałki corridor. That is not likely, but we want to keep it unlikely. That requires large, well-trained forces accustomed to training and operating together at the ready – land, sea and air. That is what deterrence is all about. They have to see that we are ready to unleash hell on them if they attack.

**Ben Hodges**
Pershing Chair in Strategic Studies,
Center for European Policy Analysis

Lieutenant General (Retired) Ben Hodges holds the Pershing Chair in Strategic Studies at the Center for European Policy Analysis. He retired from the U.S. Army in January 2018 and joined CEPA a month later. Previously, he held the position of, inter alia, Chief of Operations for Multi-National Corps-Iraq in Operation IRAQI FREEDOM (2005-2006) and Director of Operations, Regional Command South in Kandahar, Afghanistan (2009-2010). General Hodges has also served in a variety of Joint and Army Staff positions. He graduated from the United States Military Academy in May 1980.

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Business

# What plans for recovery

The first half of 2020 was characterised by extreme uncertainty and nervous discussions about the scale of the post-lockdown crisis and whether the recovery would be V-, U- or L-shaped. The economy has not yet emerged from the COVID crisis, but politicians and CEOs have been talking about listening, synergising and mastering uncertainty by being more agile and reacting quickly to changing circumstances.

Is this the time for long-term plans or permanent crisis mode? Addressing the climate crisis is no longer a fashion – it has become an everyday reality.

MODERATOR:

**Andrzej Bobiński**
Managing Director
Polityka Insight

# Plans for the economy

Deputy Prime Minister Jarosław Gowin talks about his belief in the free market and how it affects his work as a minister. He announces a shift towards large industry companies and attracting foreign investment, which is expected to boost productivity in the whole economy.

**Jarosław Gowin**
Deputy Prime Minister of the Republic of Poland,
Minister of Economic Development, Labour and Technology

**Andrzej Bobiński: The Polish government is working on a New Polish Order. I understand that it is slowly becoming the PiS programme, or something between the government's and the party's programme. To what extent does it overlap with the new Polish industrial policy that you are preparing?**

**Jarosław Gowin:** It has not yet been determined whether the document on the New Polish Order will be presented by the whole ruling coalition or by PiS alone. I can say, though, that Porozumienie's experts were invited to help create it. We are working on stabilising the local investment fund, cooperating with all of the local government organisations. We have prepared a draft law introducing a kind of permanent development or investment subsidy for local governments. Sections of the New Polish Order that concern housing will also be our contribution. In addition, the new industrial policy you mention will become part of the New Order, I hope.

However, if there are significant discrepancies in other areas, the document on the "new order" might ultimately be signed by one party, rather than three. These differences are probably more serious between my party's partners; that is, between PiS and Solidarna Polska. I am referring to energy and climate policy in particular.

**AB: To what extent does your vision for the economy differ from that of your partners – PiS, Mateusz Morawiecki and Solidarna Polska?**

**JG:** Of course, the differences are very serious. My way of looking at the economy differs from how almost the entire current political class thinks. I am under the impression that almost the whole Polish political class is moving towards state interventionism. I believe in the free market, in the ideas of Adam Smith and Friedrich von Hayek. I believe that the more spontaneity in the economy, the lower the taxes and the less state interventionism, the higher citizens' standard of living in the long run. Of course, due to the pande-

> *I intend to put considerable effort into traditional industries, such as furniture, agri-food, and transport, to make them more innovative and effective.*
>
> Jarosław Gowin


mic, this is a special moment, so state interventionism will still be needed for some time. Yet I treat this as a transitional state, not a desirable optimum.

**AB: What stage are you at when it comes to Poland's new industrial policy? I understand that consultations took place in January, the white paper should be ready at the end of February, and then – in theory – the changes should enter into force?**

**JG:** It is more complicated than that. In January, we asked the business community – both individual companies and business organisations – to come up with proposals for removing barriers that hinder the development of industry and on issues related to development prospects. A very interesting picture is emerging; we are dealing with a new customer mentality. Demand to shorten the supply chain is high. I visited Germany recently and there is a lot of discussion there about Europe's so-called autonomy and economic sovereignty.

Although the Polish economy is in recession and the economies of the countries around us are in even deeper crisis, the pandemic is creating prospects for faster growth, new opportunities. We only need to define where our competitive advantages are. This is one of the purposes of this diagnosis of the state of the Polish economy. It should be done in dialogue with business owners, because a minister or bureaucrat cannot know better than a company owner. If I support spontaneous order in the economy and the free market, it means that I trust businesses. We want to listen to their voices so that, during the second stage, we can develop instruments for supporting the most productive and, above all, most export-oriented industries. The faster the Polish economy is developing, the more we will be exporting.

**AB: What might Polish industry's competitive advantages be?**

**JG:** I would not want to prejudge this yet. We all know that we are far behind the EU average in terms of innovativeness. We have strong traditional industries, but they do not have to be outdated and non-innovative. I intend to put considerable effort into traditional industries, such as furniture, agri-food and transport, to make them more innovative and effective.

**AB: Your predecessors liked to view innovation through the prism of small, agile start-ups. Yet representatives of big companies were always telling me that those in power forget larger companies' potential. Is more emphasis being placed on cooperation with these large companies now?**

**JG:** Definitely. This is a new accent in my ministry's activities. I do not mean the state-controlled companies, which are like a fatigued colossus. True, rapid growth can be ensured by private companies, especially medium and large ones, which is where I see the greatest potential for productivity growth.

**AB: The word "Polish" often appears in your programme. I understand that this is a rhetorical and political trick. Yet when you look at Polish industry, there are many companies with foreign capital. To what extent should we focus solely on Polish companies that can give the economy an innovative impulse?**

**JG:** I would like the companies that are 100 per cent Polish – from their capital structure to where they pay taxes – to develope best. However, when I speak about "Polish companies", I mean companies located, operating and paying taxes in Poland. I am aware that foreign companies have been the main driver of innovation and productivity growth over the past 30 years.

"Polish" means operating on Poland's territory. As the minister responsible for the economy, I want to attract as many investments as possible. Not just any investments, but those that can create new quality and as many well-paid jobs as possible.

**AB: How should we build Polish Industry 4.0 – and with whom?**

**JG:** With everyone who wants to invest in Poland. The biggest problem is with Polish businessmen's investments. We know that willingness to invest is low. In my opinion, this is mainly due to their low business confidence in the state. One of my key goals is to rebuild this trust. We also need to make business owners feel that the state guarantees stable conditions. Hence my efforts to limit the production of regulations and to make them as simple as possible, so that they are not susceptible to arbitrary interpretation by the state. I want to provide businesses with what I call a legal shield. This is what Polish business is lacking, more than a financial injection.

**Jarosław Gowin**
Deputy Prime Minister of the Republic of Poland,
Minister of Economic Development, Labour and Technology

Jarosław Gowin has been Deputy Prime Minister since October 2020. Previously, between 2015-2020 he was the Minister of Science and Higher education, and from 2011 to 2013, the Minister of Justice. He was a senator from 2005 to 2007, and since then, continuously a member of the Sejm. He is a founder of the Higher European School of Fr. Józef Tischner in Kraków (2003), where he was the rector until 2013. In the 1980s, he was an activist for the Independent Students' Association as well as for "Solidarity".

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# Looking for strategic synergies

Orange is seeking synergies with the government's development plans, based on expanding the digital infrastructure needed for economic recovery. Decarbonisation and countering digital exclusion will also be important.

**Julien Ducarroz**
CEO, Orange Polska

**Andrzej Bobiński: The Polish economy is in between plans; we are waiting for the prime minister to unveil his New Polish Order. In the meantime, the deputy prime minister in charge of the economy launched something that he called Poland's industrial policy. I wanted to ask you about three main pillars of this plan: digitization, the Green Deal and social cohesion. How does Orange fit into these plans?**

**Julien Ducarroz:** We are very comfortable and aligned with that direction, because this is the direction we are going in. As a major company and a telecom provider we are aware of our duties. For me, digital infrastructure is of crucial importance. We have invested around 1.5-2 billion every year in mobile and fiber, with a prevalence of fiber in the past few years. When it comes to the Green Deal, we have a tremendous role to play – getting things done, but also leading in some areas in this green transformation. We also have a responsibility regarding digital inclusion, which I think will be one of the major topics in the future. This pandemic has shown that it is not a question of whether or not to get connected. Today we know everyone needs to be connected.

**AB: The term "Industry 4.0" was trending five years ago. Recently, I have not been hearing it that often, though I guess it is happening. Are we in the middle of an industrial revolution?**

**JD:** I will not try to comment on whether this is a revolution or an evolution, because this depends on the industry, the verticals and the competitiveness of a given market and how strongly it has been shaped by everything digital. During the pandemic, we saw a huge acceleration of things that were present before it. We probably won three or four years of natural adoption, moving from the early adopter phase to mass adoption phase. And we are facing another acceleration: 5G and the Internet of Things. On top of that, there is the whole topic of artificial intelligence and big data. This combination of mass connectivity – the Internet of Things – coupled with automation, artificial intelligence and private networks will be the real start of Industry 4.0.

**AB: We were waiting for this moment when everything would start communicating with everything else. This sounded like a real life version of the 80s cartoon "The Jetsons", but it didn't happen. Are we approaching this point or will the future be completely different?**

**JD:** It is not a matter of technology; it is a matter of whether it is useful or adds any value. When it comes to the businesses, we already see some cases where we do not really need 5G; everything can be done using 4G networks. At the end of the day, it is not so much about whether devices talk to each other and more about whether this connectivity makes things and processes autonomous. That said, robot process automation (RPA) is making industry more efficient. It gives humans more opportunity to do more interesting things, rather than repeating the same tasks over and over again.

**AB: Is Orange the new green? How important a role do you have to play in the climate revolution? Theoretically, you are not on the front line.**

**JD:** We are very involved in this topic, preparing our strategy for the future. If we look at Poland, the ICT sector, we account for around 1.4 per cent of the carbon emission in the country. We are not a major emitter, but we are not the smallest either. And data traffic is increasing nonstop. Simplifying: our main carbon emissions come from electricity, which fuels the network. We have to make sure that we are more efficient. It is our objective to be carbon neutral by 2040. Some might say that this is years away. The reality is that we are already at -16 per cent consumption compared to 2015, so we will be carbon neutral by 2040. Today we are diversifying our electricity sources in order to have more green energy in our mix. We started last year by buying a package that will cover around 10 per cent of our usage. We plan to increase this, but partly depend on the electricity producer becoming more green.

In addition to electricity, it is about what we put on the market. I am talking about the mobile phone, which is a big source of pollution. According to some calculations, if we and our customers extend the usage of their phone (which is around 2.5-3 years and probably shorter for Apple) by one year, we will save the equivalent of removing two million cars from the road in Europe – a massive impact. So we need to work with the customer.

We also need to recycle more. Last week, we launched our latest home gateway with Wi-Fi which is fully made out of recycled plastic. We have mostly stopped sending invoices to our customers; 80 per cent of them receive electronic invoices. We are saving the equivalent of 20,000 trees every year with this. Furthermore, we are helping our partners in the public and private domain. One example is smart cities. Orange is the biggest provider of electric bike management systems in Poland. We manage the main electric bike fleet in the country. There is also a lot of work being done in smart lighting, which can save electricity in cities.

**AB: The fifth pillar of Gowin's plan is a new society. From what I understand, it is about providing a digital skillset that will enable people to function in a more digital reality. I remember when digital companies and telecoms operators were the beginning of something new and exciting. Later, they became the boogeyman of the digital economy. Who are you now? Are you basically becoming a utility?**

*This pandemic has shown that it is not a question of whether or not to get connected. Today we know everyone needs to be connected.*

Julien Ducarroz

**JD:** We do not see ourselves as a utility because our portfolio and how we approach our customers goes beyond connectivity. We enable those ecosystems and help customers to connect to them. It is true that we have a great responsibility; this is what we are trying to address with our foundation. No one should be left behind when it comes to connectivity. So we have a role to play with the authorities and NGOs in addressing this issue. We have to help people with financial difficulties and those who do not necessarily have access to the Internet. We have to make sure that we address this commercially, but also through our foundation's work and our CSR strategy. There is also the topic of education, where we need to work with different partners. We are taking responsibility and participating in this conversation.

*No one should be left behind when it comes to connectivity. (...) We have to help people with financial difficulties and those who do not necessarily have access to the Internet.*

Julien Ducarroz

**Julien Ducarroz**
CEO, Orange Polska

Julien Ducarroz is CEO of Orange Polska since September 2020. Previously, he acted as President of Orange Moldova for four years. During his 18-year career at the group, he also worked for, inter alia, Orange Romania, as director of strategy and CCO as well as Orange Netherlands where he was responsible for implementing performance management in six countries.

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# Agile acceleration

The pandemic has accelerated IKEA's digital transformation. During the storm, employees' isolation was a challenge to the firm. Now is the time of sustainable growth, which ceased to be a special achievement – today, it is the new normal.

**Jesper Brodin**
CEO, Ingka Group

**Andrzej Bobiński: Many people talk about new business and leadership models that have evolved during difficult times. Has this affected your business model? Has it sped up processes, or are you on the same track but in a different reality?**

**Jesper Brodin:** It is difficult to judge history when you're in the middle of it. As we see it today, this is not a new business model, everything is speeding up. When COVID-19 hit in March 2020, around 10 per cent of IKEA's business was online. 90 per cent was cash and carry. We had close to 80 per cent of our stores closed for weeks. In an ordinary situation, we would have been in the red and in a really bad place from an economic perspective. We were able to use our stores as fulfillment centres, which was a strategy we had, but the situation speeded it up by several years. We managed to take back approximately 60-70 per cent of our business. When we reopened up, the demand was much bigger than we thought. So during the first and the second wave, we have seen an opening up. It has been a huge challenge to acquire goods and get them to our stores in time. So overall, the pandemic has helped us move forward many years in terms of development.

**AB: Everyone I have spoken to in Poland in retail keeps talking about agility. I understand the upsides, but people seem to omit the downsides. Is agility healthy for an organisation in the long run?**

**JB:** Hanging in there and having stamina is something that I recognise in some of my leaders. We have to provide many more opportunities to open up and be vulnerable, not hide emotions. For some people, it is difficult to run operations in these ever-changing conditions. For others, isolation is the challenge. Yet there is an opportunity here from a leadership perspective. We are not the same as before; we are much more flexible and agile. We have learnt things, dropped a lot of red tape and are much less bureaucratic. IKEA has a very strong company culture. During this crisis, we acted very fast, almost everywhere at the same time. People knew that they have a mandate to make decisions and do the right thing, and that that is what is expected of them.

**AB: The other challenge of our times is climate change. Are we wiser than at the beginning of 2020?**

**JB:** The pandemic is helping us when it comes to the even bigger challenge, climate change. Compared to a few years ago, the challenges look even bigger now. Many factors point in the wrong direction. But there are reasons to be optimistic. The debate is moving on from: "Is this a fact?" to "What do we do about it?" This is refreshing.

In the past 12 months, we have been speeding up our knowledge, initiatives and investments. Sustainability is what is going to make IKEA


successful in the future. It is the new way that we invest in and create the new low-cost of tomorrow. We are all about trying to bring down costs and be affordable for many people, so sustainability is how we are building the Economy 2.0. There are decisions to be made with the governments around the world, including in Poland, on how to incentivise the new economy. In energy and mobility, solutions are being implemented as we speak and there are many examples in our area, consumption. Our business model for sustainable consumption is based on recyclability, renewable materials, and electric and renewable energy throughout our value chains.

*Our business model for sustainable consumption is based on recyclability, renewable materials, and electric and renewable energy throughout our value chains.*

Jesper Brodin

**AB: De-consumption sounds like a great idea, but it does not sound very honest coming from business leaders. At the end of the day, you have shareholders and you have profits. What does this look like from IKEA and the region's perspective, in terms of rebuilding the economy?**

**JB:** Personally, I do not use the word de-consumption. I hear voices saying that we should stop consuming, but I do not see that happening. I hear a lot of voices talking about the premium for sustainability. That is politically naive at least and could lead to disaster. I can talk about the challenges, but it is important to start at the other end. IKEA has invested in renewable energy in Poland and globally. This was a good investment decision. We now have more wind and solar energy than we need for our own operations. We are going to use electric vehic-

les in 100 per cent of our own deliveries. This is not a sacrifice or a premium, but the new way of going about things.

In the future, even more people will want to have a beautiful, functional home and they will have thin wallets. The question is: how do we provide that? How do we provide solutions for extending product life, making it easier for people to use second hand and ultimately to bring back materials? I am absolutely convinced that we are about to find a consumption model that is climate neutral or positive.

**AB: A few weeks ago IKEA celebrated its sixtieth birthday in Poland. What does Poland mean for IKEA today? Will Poland still be as important for your global business in 60 years' time as it is today?**

**JB:** I think that IKEA would not exist without Poland. People might not know the story, but way back when the company was started, it was boycotted by producers in Sweden. Ingvar Kamprad established a link with Poland and set up a collaboration that enabled IKEA to survive its first real crisis. Poland is one of the few places where IKEA has everything: production, distribution and stores. We have approximately 15,000 co-workers and indirectly, there are at least another 75,000 people. So that's coming up for 100,000 people earning their money from the IKEA model. I have been to Poland so many times. It is a culture where you stand strong in the face of challenges. From an entrepreneurial point of view, I have seen incredible creativity, speed and solutions in Poland, which has been so important for IKEA.

**Jesper Brodin**
CEO, Ingka Group

Currently serving as CEO of IngkaGroup (formerly IKEA Group) since September 2017, Jesper Brodin's career at IKEA started in 1995. Throughout his career he served as, inter alia, assistant to Ingvar Kamprad and Anders Dahlvig, Business Area Manager as well as Managing Director for Range & Supply, Inter IKEA Group. He holds a Master's degree in Industrial Engineering from Chalmers University of Technology, Sweden.

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Climate and Energy

# Can the transition be democratic, just and peaceful

Europe has been moving away from fossil fuels with growing speed. Wind and solar energy have been getting cheaper and public awareness of the catastrophic effects of climate change has been growing. This is driving the energy transition. Politicians no longer want to talk about coal, business is trying to reduce its environmental impact, and more consumers are producing electricity in their own homes.

While we already have a good understanding of the economic mechanisms of the transition, we know little about its social and political consequences. The rapid transition away from fossil fuels could push up energy prices, hitting poorer consumers, but also change the international balance of power. Countries that built their power on fuel exports could face a civilizational collapse.

MODERATORS:

**Robert Tomaszewski**
Senior Analyst
for Energy Sector
Polityka Insight

**Dominik Brodacki**
Energy Analyst
Polityka Insight

# Too early for climate euphoria

On the road to climate neutrality, we must ensure that no-one is left behind. If we forget, populists will benefit.

**Frans Timmermans**
Vice-President, European Commission

**Robert Tomaszewski: 2020 was extremely difficult for the European Union because of the pandemic. Yet there are optimistic signs when it comes to climate policy: the US will rejoin the Paris agreement and China will publish a detailed plan on how to achieve climate neutrality in April. Can we be optimistic?**

**Frans Timmermans:** If you compare where we are now with a year ago, there is reason for more optimism. The EU launched its Green Deal over a year ago. Back then we were sort of alone and people were saying that we account for just 8 or 9 per cent of emissions worldwide. Since then, we've seen China and Japan announce climate neutrality in 2050, and South Korea, South Africa and a host of countries move in that direction. Following the US election, we have the Biden administration on board, too. That bodes well for the political side. But we also have to be realistic. We still are not on the right track.

**RT: The climate race is accelerating. What risk do you see in this process?**

**FT:** The main obstacle is political. Look at your own country: business in Poland understands what must be done, but there are still tasks to be performed. This is a very complex transition on a global scale. We need to get organised to make it happen, because every transition is painful and difficult. Sometimes, the temptation is to look at the mountain you need to climb and then that is too high. But we have to look at the cost of not transiting, which is much higher. The main bottleneck is: do we have enough political will and courage to do what is necessary? I think the prospects are positive, but the pandemic is still not under control. We cannot see all the consequences for the economy right now. But given leaders' determination, I think that we can get there this year.

**Dominik Brodacki: Is climate diplomacy a possible political bridge in the relationship between the EU and the US and a way to rebuild it?**

**FT:** The Americans seem to have quite a serious agenda; look at President Biden's first moves. Combining our efforts – and the fact that China also wants to be seen as one of the leaders – creates momentum. When I talk to the deputy prime minister of China, we talk about internal measures. When are you going to reduce your carbon emissions? What are you going to do with coal-fired power generation? What are you going to do with your emissions trading system? These are concrete issues where internal politics and foreign policy are completely intertwined.

**RT: We see what is happening in the US, China, in developed economies in Asia, and so on. Will Europe remain the global climate champion in the coming decades?**

**FT:** It is all in our hands. If we stay united as Europeans, if we stay the course on climate neutrality in 2050 and use the right policies to get us there,


we will remain the leader. But even if we do not, this is a race to the top. I mean, if someone else beats us – the Americans or others – great, because the planet will improve. But I think that we will remain the leader because we are a number of steps ahead of them. The only thing that can slow us down is division. Again, it is about politics.

**RT: EU member states are divided on the shape and pace of the transformation. Eastern countries are basing their energy systems more on fossil fuels, while Western countries are targeting renewables. Are these divisions within the EU a weakness or a strength that can be used to speed up the transformation?**

**FT:** I would never see this as an East-West issue. Every member state has its own challenges. Poland has a particular challenge with its 80 per cent dependency on coal for energy generation. The differences are a strength, if we can show solidarity, with a strategy to get everybody at the same level. Countries can specialize. For instance, Poland could be a prime place for the generation of hydrogen. It has huge opportunities on the Baltic for offshore wind. Nobody was talking about this five years ago.

**RT: How can the energy transformation shape our democracy? On the one hand, there is a growing number of prosumers, people who are producing their own electricity. On the other hand, there is the risk of energy poverty, which can fuel populism.**

**FT:** This is not just an energy transition crisis, a climate crisis or a horrible biodiversity crisis; we are in the middle of an industrial revolution that is more profound than anything humanity has seen before. It is happening everywhere and challenging the most fundamental concepts of humanity with artificial intelligence. Just imagine how profoundly this affects our self-image as human beings and challenges our values. We need to make sure that we convince society that this is in its interest and debunk some of the stories that are being told. It is fundamental for Europe, and especially for Poland, that we compare the cost of transition with the cost of doing nothing. In terms of human lives and economic opportunity, but also the cost of energy, Poland would hurt itself tremendously if it did not embrace the potential of the energy transition.

*We are in the middle of an industrial revolution that is more profound than anything humanity has seen before.*

Frans Timmermans

**RT: This process of transformation is undemocratic. Isn't there a risk that, without this control, we are in a very delicate situation?**

**FT:** Who is to blame here? Is this because others are making this transition happen or because politicians are making completely unrealistic proposals? The two things I fear most in Europe, are the growing chasm between people with higher education and those with lower education, and between urban and rural areas. The transition should focus on making sure that no-one is left behind. If we neglect those challenges, it creates room for the populists.

**RT: What geopolitical impact will the transition have on Europe?**

**FT:** Every industrial revolution, especially if it concerns energy, has the potential to be incredibly disruptive on the national, continental and global scale. We should be thinking in terms of long-term geopolitical frameworks. Just imagine the potential for conflict if we do not come to terms with the climate crisis. We will have wars over water, because water is going to be scarce, there will be droughts everywhere. The weather will become completely erratic, with storms that we cannot predict or control. I am only talking about Europe – just imagine what this will do to Africa and other places. Look at the demographics: we now have around 500 million Europeans. Africa is going from less than a billion, to two, three or perhaps four billion in the future. Just comparing these two continents, imagine what these demographic changes mean when it comes to reinventing ourselves in economic and energy terms.


**Frans Timmermans**
Vice-President, European Commission


Frans Timmermans is currently responsible for overseeing work related to the European Green Deal and the climate. Between 2014-2019, he was First Vice-President of the EU Commission, in charge of, among others, the rule of law. Before joining the EU, Timmermans worked in politics at the national level, including as a member of the House of Representatives for the Labour Party (1998–2007; 2010–2012), Undersecretary for Foreign Affairs charged with European Affairs (2007–2010) and as Minister of Foreign Affairs (2012–2014). He is a graduate of Romance Studies at the University of Radboud in Nijmegen and postgraduate studies in European law and French literature at the University of Nancy.

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# How to curtail the costs of transformation

Decarbonisation must not deepen social divisions. We need solutions that reduce the costs of the transition for people at risk of energy poverty.

**Karsten Wildberger**
Chief Operating Officer, E.ON SE

**Robert Tomaszewski: When we talk about the energy transformation, we cannot avoid the question about the technology and the impact of investing in different types of energy technology. Will renewables be enough? What might the role of gas be in this transition period? Could there be a nuclear renaissance? For many member states, the question is: which source of the energy will help us achieve climate neutrality?**

**Karsten Wildberger:** The first priority is to really build up renewables; onshore wind, offshore wind and solar. We have made progress, but I think that we are too slow. When it comes to nuclear, I am personally convinced that we should and can solve the question without it. In Germany, we are phasing out nuclear completely. Then the question is: what will replace it in the interim period? I think that natural gas and the decarbonization of gas will play a crucial role. If you look at very ambitious scenarios for Europe in 2050, we can actually base two-thirds of our energy system on renewables produced locally in Europe. The rest will need some sort of imports, which is why we are also investing heavily in hydrogen and decarbonizing the gas sector to see whether there is a new economy with imports from sun-rich parts of the world such as the Middle East or Australia.

**RT: Energy production in the EU is becoming more decentralized. We are able to produce electricity in our households, for example, with photovoltaic panels. How will this new reality change the old companies' position?**

**KW:** Every change of system and technology puts industry under pressure. They have to find the right answers for their business model. E.ON faces the same challenge as any other energy company. We found our answer in the last five years. We have not only spun off conventional power generation, but we are focusing on this decentralised energy system model and what we call customer solutions. Every company has to find its

> *It is absolutely crucial that this energy transition does not increase any social divide. We as companies take this very seriously.*
>
> Karsten Wildberger

answer to these challenges. This decentralised world involves quite some pain. Take the grid or the distribution networks for managing the new system with millions of decentralised, intermittent assets. You have to invest heavily in the networks because they are becoming more intelligent. From a business perspective, this means plenty of growth opportunities, but also costs.

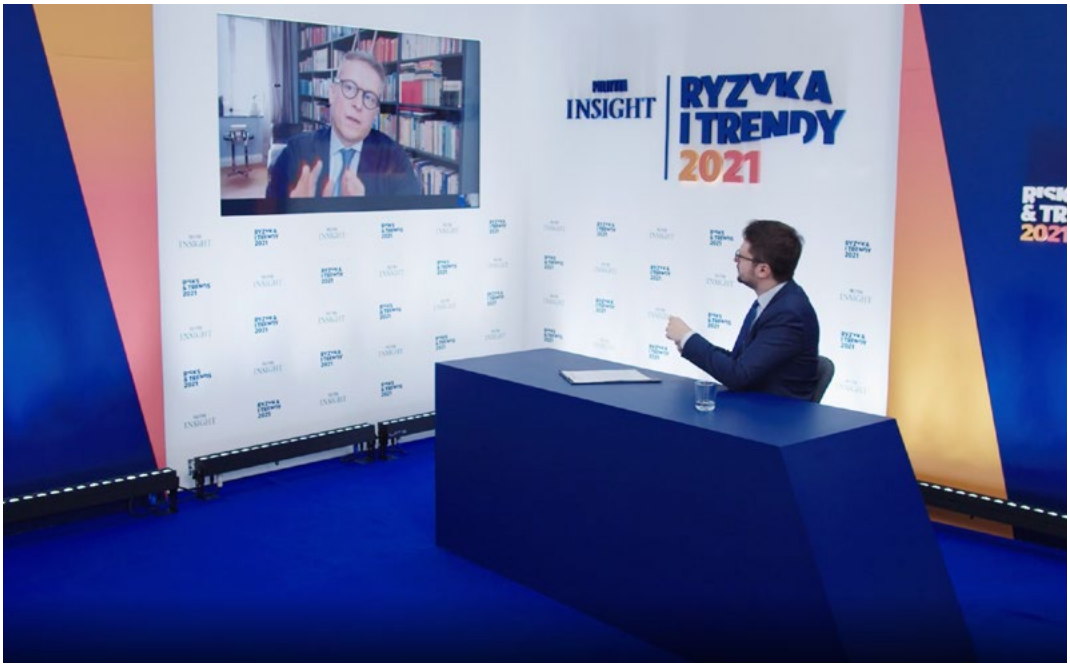
Take mobility. If, in 10 years, we have a market with millions of electric cars in Europe, they will need green energy. This green energy will be distributed in a different way. There will be charging infrastructure, new business models like roaming, managing fleets. This industry is not necessarily best known for developing new business models and making money out of that. Yet the opportunities are huge. Another example is the heating sector, bringing cleaner heating solutions. That is something we are doing very successfully in Poland. It is a wonderful market with plenty of opportunities for replacing coal-fired assets with gas ones.

**RT: Over the years, many energy companies in Europe have grown rich selling fossil fuels or using them to produce electricity or heat. Should they bear the cost of closing mines and power plants, or should be it be shared, because the companies were often owned by states?**

**KW:** If you look at much of the development from a market perspective, many of the older technologies will disappear because of market forces. Every investor who invests will base his or her decision on market economy decisions. Market forces can be a very good instrument for making this transition happen anyway. Now there is the question of whether you want to put a hard stop to it for political or social reasons. We have to be careful because something very big is at stake: credibility, reliability and trust. When investors invest money, it is important that they have confidence that the contracts they sign are actually worth something. If the transition or investment does not work out for market reasons, that is a different story. But when it is forced, each state needs to find the right way to protect investment and still do the right thing. Long-term stability and reliability are important factors to consider.

**RT: For ordinary people, rising energy prices are an inevitable part of the energy transition, which can increase the risk of energy poverty. How should businesses address this?**

**KW:** It is absolutely crucial that this energy transition does not increase any social divide. We as companies take this very seriously and politics needs to take it very seriously, too. You have to remember that energy prices in European countries are different. Germany, where almost 60 per cent of electricity



prices consist of taxes and charges, pays the most. These prices do not result directly from production costs, but are a construct with a system of fees built into it. It is not certain that energy prices will have to increase further in the long run due to the energy transition. Once the investments are completed, producing energy from the wind or the sun will be very cheap. However, in the transitional phase, when the investment costs are passed on to society, we need to think about tools that will help relieve the financial burden for those who cannot afford it. I would also like to mention a key issue in the energy transition: efficiency. We need to consider how we can save energy by using more energy-efficient technologies.

**RT: One of the key aspects of the transition will be increased connectivity between consumers, producers, distributors and other market segments. How can personal data be protected in this interconnected world?**

**KW:** For a new energy system to work, it has to be intelligent, it has to use data to control assets and connect generation and demand. In Europe, where the GDPR applies, personal data is protected exceptionally well and every company takes this issue very seriously. However, there are different types of data; some of it sensitive and some of it less so. If I have a smart meter and share data with it so that my electric car can be charged at night when the wind blows, I do not need to give it my date of birth or banking information. I am providing less sensitive data. Anyway, companies that produce smart meters make sure that all the data entered into them is protected. Protecting privacy is crucial, but in this case, it does not hamper the development of technology.

**Karsten Wildberger**
Chief Operating Officer, E.ON SE

Appointed on current position in 2016 - responsible for Retail and Customer Solutions, Market Excellence, Energy Markets, Marketing as well as Digital Transformation & IT. Prior to that employed i.a. in the Boston Consulting Group as partner and managing director as well as in ICT companies including Vodafone Romania as member of the Board (2006-2011) and T-Mobile (2003-2006). Holds PhD in theoretical physics from Aachen University and MBA from the INSEAD Business School in Fontainebleau, France.

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# The human face of decarbonization

The energy transition requires social sensitivity. A successful solution will be comprehensive and will take into account investment opportunities and employees' expectations.

**Izabela Zygmunt**
Polish Green Network, CEE Bankwatch Network

**Alicja Messerszmidt**
Chairwoman, Trade Union of the ZE PAK Group

**Małgorzata Kasprzak**
Junior Data Analyst, Ember

**Robert Tomaszewski: In the debate on the energy transition we focus on its economic consequences, pushing the social issues into the background. Can the transformation be carried out with a human face? How can we avoid the mistakes that we made when transforming the economy in 1989?**

**Izabela Zygmunt:** The changes in Poland then were carried out without much preparation or consideration for the social and economic consequences. The worst consequence was the sudden liquidation of jobs in several similar sectors, which often meant a loss of income for entire communities. Now, bearing in mind the necessary mine closures, we must not leave people on their own. We need comprehensive solutions based on precise knowledge of what investments are possible and what workers expect. It can't be about throwing in some financial aid; that will not work.

**RT: How can social policy complement energy policy, so that the group of people at risk of exclusion is as narrow as possible?**

**IZ:** If we are worried about energy poverty and prices in Poland, we should move away from coal as soon as possible. Poland has the most expensive energy in Europe because we have the largest share of coal in the energy mix. When it comes to energy poverty, the solution is to implement the Clean Air Programme. A less obvious move is to allow energy consumers to produce energy for sale, not only for their own use. This should be an option for everyone,

*Now, bearing in mind the necessary mine closures, we must not leave people on their own. We need comprehensive solutions based on precise knowledge of what investments are possible and what workers expect.*

Izabela Zygmunt

regardless of whether they own a detached house. There should be mechanisms put in place allowing everyone to get involved.

**RT: What does this transformation look like from employees' point of view? Can it have a human face?**

**Alicja Messerszmidt:** Lignite is very different from hard coal. In the hard coal sector, employees have always had a privileged position. Everyone listens to miners from Silesia. We have never been able to compare ourselves to them and we have always felt the imbalance.

Without state aid, the Konin-Turek Coal Basin, where our mine is located, will become a region of unemployed people. The unemployment rate in Konin is already 7 per cent and will increase as more opencast mines are closed. We estimate that around 6,500 employees at ZE PAK Capital Group will lose their jobs. If we assume that an employee supports three family members on average, this will leave around 26,000 people without a source of income. Moreover, one job in mining generates six others in other sectors. The government is not fully aware of what could happen in this region. This should be of primary in-

terest to it, MPs and local government officials. MPs should pass legislation guaranteeing lignite coal workers the same privileges as those in the hard coal sector. The government should implement the legislation and enable miners to retire from mining. Meanwhile, local governments should attract investors who can create new jobs.

**RT: Emissions allowance prices are soaring; they recently reached a record level of EUR 35 per tonne of CO2. The power industry has to either reduce coal-powered plants' hours of operation or close them down. How will this affect electricity prices?**

**Małgorzata Kasprzak:** Poland has the highest share of coal in electricity production in Europe, so the rising price of CO2 emission allowances will affect us most. It could certainly result in energy-intensive businesses in Poland losing competitiveness. There are already examples: a few months ago, ArcelorMittal announced the closure of the commodity section of its Kraków steelworks, citing high energy costs and charges on the capacity market. The upcoming EU ETS reform may push CO2 emission prices even higher. For businesses already on the brink of profitability, higher energy prices could result in closure. Higher electricity prices could also have a visible social impact. One and a half million people in Poland live in extreme poverty. For every household struggling to make ends meet, higher electricity prices could lead to more serious dilemmas, such whether to buy food or to pay the bills. We need to remember the 1.3 million people employed in energy-intensive industries or those living in poverty.

Unless Poland moves rapidly towards decarbonisation and invests in cheaper wind and solar technologies, we will find ourselves in a no-win situation.

**RT: Zespół Elektrowni Pątnów-Adamów-Konin (ZE PAK) is the largest private company producing energy from lignite coal. It supports a number of small towns by providing jobs. What can be done to ensure that the region can continue developing?**

**AM:** These municipalities' budgets are mainly based on taxes paid by the mine. Many residents worked at the ZE PAK capital group, which reflects the scale of the problem that these municipalities will face after the mine closes. Their mayors should try to hire at least some of the people made redundant.

**RT: Should Poland make its own way away from coal and fossil fuels or follow in the footsteps of more advanced economies in the West?**

**MK:** Most examples of effective transition share three main factors. The first is ambition. The second is a stable vision for the transition. The third is a simple regulatory environment. In Poland, we cannot speak of a stable vision for the transition because our strategic documents are closer to fantasy than to a textbook. The actions taken so far are more like a mix of chaotic thoughts than a coherent and well-planned vision. The changing regulatory environment does not help either, as the cost of credit risk is increasing.

The best programmes that have significantly increased RES capacity are characterised by simplicity. For example, the My Current programme led to a real boom in photovoltaics in Poland last year. The simpler and more transparent the regulations, the easier it is to convince people to invest in RES.

*Unless Poland moves rapidly towards decarbonisation and invests in cheaper wind and solar technologies, we will find ourselves in a no-win situation.*

Małgorzata Kasprzak

**Izabela Zygmunt**
Polish Green Network, CEE Bankwatch Network

Izabela Zygmunt is a Polish environmental activist. She joined Bankwatch in September 2016 as an energy transformation campaigner. Her previous professional experience includes freelance translation and work in the European civil service. Izabela Zygmunt holds degrees in English literature and international relations.

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**Alicja Messerszmidt**
Chairwoman, Trade Union of the ZE PAK Group

Since 1976, Alicja Messerszmidt has been an employee at PAK Kopalnia Węgla Brunatnego Konin S.A., as well as a 30-year member of the "Kadra" Inter-Enterprise Trade Union of Engineering and Technical Employees at PAK KWB Konin S.A. For 24 years she was the Unions treasurer and has, for the last six years, been its President. Moreover, she is the vice-president of the Lignite Coal Section at PZZ "Kadra" in Katowice. Alicja is a graduate of the Mining Technical School in Konin.

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**Małgorzata Kasprzak**
Junior Data Analyst, Ember

Małgorzata Kasprzak is an analyst specializing in the Polish energy industry and mine methane emissions. She is the author of the report "Drugi Bełchatów" on methane emissions from Polish mines. She is a graduate of the University of Oxford.

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Finance

# Have banks said their last word

Banks are on the brink of their biggest crisis yet. Competition from financial technology companies and internet giants means a new, unknown world for banks. And all this in a situation of zero interest rates and increasing regulatory burdens.

Banks must adapt or they will be pushed to the sector's periphery. The key question remains - how? Is it enough to be innovative? Do they need to prepare to compete and protect themselves through regulation, or should they open up to synergies, thus sharing the market and profits?

MODERATORS:

**Adam Czerniak**
Chief Economist,
Director for Research
Polityka Insight

**Piotr Sobolewski**
Senior Analyst
for Financial Sector
Polityka Insight

# In praise of openness

Banks are slowly noticing the advantages of sharing their clients' data with third parties. This strategy's success depends on regulators, who need to ensure security and fair competition.

**Antony Cahill**
Managing Director Europe Regions, Visa

**Adam Czerniak: Open banking is a recent trend that is more popular in Western European countries than Poland. What is open banking?**

**Antony Cahill:** Open banking is the result of a couple of things that have taken place over the last five years or so. One has been the changes in the regulatory environment, in terms of how customer data can be accessed and used by a trusted third party. It allows consumers to grant third parties permission to access and use their personal financial data. That can be for reporting purposes, but it can also allow third parties to initiate transactions. From a technical perspective, this involves what we call APIs. At its simplest, it is a technical approach that allows these third parties to access data on consumers held by institutions such as their banks, and so on.

**ACz: In the modern world, data is one of the most valuable assets. So why are banks opening up?**

**AC:** I think about this in two ways. On the one hand, there is a regulatory requirement. Banks have been required to make their data available externally through an API framework. On the other hand, many banks are now looking into this. Initially, some banks thought: "this is our data", "this is an asset", "we don't want to make this available" and "should we do this?" That is quite understandable. I was a banker for 22 years before joining Visa, so I went through this journey myself. When the open banking environment first started to come about, I was in Australia and we thought about this very deeply.

From this defensive mindset, we are increasingly seeing banks and financial services saying "actually, there's a real opportunity here for us to use this data, match it with the data we already have and approach our customers with better products and services". It might be: "Hey, Antony, I've noticed you're using services somewhere else with a third-party provider. We've also got a product or service. Would you like to try it?" You see that defensive mindset to begin with, but that is shifting.

**ACz: Nowadays, regulators are kind of market makers; they decide who enters the market and establish the rules. Is there a risk that the banking sector will, with regulators' help, protect itself so that open banking becomes just a PR framework?**

**AC:** That is a great question. Regulators have a really important role to play here. Let us take Poland as an example. One of the things that really impressed me when I joined Visa Europe was how innovative Polish banks are, compared to many banks around Europe. Their mobile apps, for example, are first class. They have a really good customer offer, they are large entities, they have significant balance sheets, their customers' trust and existing relationships. So they have many strengths. With open banking and with the rise of fintech, we must have a level playing field here to


ensure that new entrants are required to meet certain standards. Otherwise, it becomes an uneven playing field with players potentially providing the infrastructure for others and without getting appropriate returns. So there are very much two sides to this argument. Regulators have to find that sweet spot where they create conditions where new entrants can come in, because it is good to have challenges. At Visa we greatly value the relationships we have with all our existing clients but still we encourage competition. It makes everybody improve their game. The payment system needs to keep evolving. Since cash still accounts for nearly half of all consumer transactions in Europe as a whole, there is an enormous opportunity for the payments ecosystem to continue to grow. In a number of markets in Europe and around the world, we have seen the rise of new competitors make existing players raise their standards and improve their offers.

At the same time, traditional players feel: yes, bring in competition, but do not make it unfair for us. Traditional banks will be thinking, how do we compete? How do we continue to grow?

Regulators will find their way by seeking that balance because, ultimately, this has to be a big benefit for consumers and the whole ecosystem. At the end of the day, one of the things that regulators have to ensure is integrity, security, resilience and trust in the payment system, because that is required for everybody on an ongoing basis.

**ACz: You said that banks will adapt. How?**

**AC:** Banking still has a personal element. You can get that personal element through personalisation, using a consumer's data to get to know him or her better. I think that for many people, taking out a mortgage or business loan is quite an emotional thing. Often, they still want to sit down and have a conversation with a banker, with somebody they can trust and will give them advice. Now, that does not necessarily have to be face to face; it could be over a video monitor, for example. So I think that things will change. Many banks are thinking: what

> *One of the things that really impressed me when I joined Visa Europe was how innovative Polish banks are, compared to many banks around Europe.*
>
> Antony Cahill

does my physical network need to look like in the future? Today, many branches are still used for cash handling and other activities that are quite intensive. But you may say: is that really value adding in terms of my customer relationship? So we will probably see many branches become more of an advice-based environment where individuals can seek advice and conversation that adds real value. Those branches may increasingly be equipped with video facilities, so that you can have that conversation with a customer through video, if they are sitting at home.

Banks are increasingly thinking about how to design products and services for a digital age. From a personal banking experience, I can say that many products were not always based on the natural dataflow for a customer in terms of filling out an application form. Many of the forms were designed for a paper-based warm environment. When you are thinking around digitising the process, having it on a mobile screen and being able to reach out to trusted data sources, do not ask the customer to give the same information two or three times, which many of those paper-based products traditionally required. Banks are very much thinking about how to become more agile in a digital world and adapt rapidly to external market conditions. With these changes, banks can ensure that they not only remain relevant, but continue to be highly successful as we move forwards.

**Antony Cahill**
Managing Director Europe Regions, Visa

Since November 2018, Antony Cahill has been responsible for growing Visa's business in 35 countries across mainland Europe. During his over 20-year career in banking and financial services, he held Executive leadership roles across product, retail, corporate, institutional and business banking, finance and strategy. Previously, he was associated, inter alia, with the National Australia Bank and the Australia and New Zealand Banking Group. He holds a BSc (Hons) from Loughborough University and an MBA from the Australian Graduate School of Management.

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# Looking for allies

Traditional banks face new competition from fintechs and challenger banks. To survive, they must change, which involves building better relationships with customers who do all their banking online.

**Leszek Skiba**
CEO, Bank Pekao

**Piotr Sobolewski: What are the main concerns of the CEO of the largest commercial bank in Poland today?**

**Leszek Skiba:** The banking sector faces many challenges. We are waiting for the pandemic to end, the return of economic growth and, with it, the increasing demand for credit products. This demand is weaker, especially for companies waiting for the moment when they can invest, take risks and see a positive economic outlook ahead. Yet there are many other problems in the sector. In Poland, mortgages denominated in Swiss francs are a major burden for the sector. The constant threat of potentially big losses from law suits could affect the sector's results. This threat affects how banks think about their future and limits the possibility of consolidation in the banking sector.

**PS: Another challenge for banks are the unprecedentedly low interest rates, which, in the eurozone, are negative. Western Europe has gotten used to it, but in Poland, it is a fairly new phenomenon. How can Polish banks get used to it?**

**LS:** First of all, they have to keep costs in check. How many operating branches will they want to keep? Especially now, customers are moving to remote channels, using apps, calling and visiting branches less. For banks, this means asking how to optimise costs. The second element is consolidation. Spain, which was characterised by high fragmentation, consolidated a few years after the crisis. Since banks' cost include not only branches, but also their headquarters, there will be fewer banks – and therefore fewer headquarters – in the future. Another factor is IT spending. Here again, the answer could be consolidation, potentially reducing spending on the digital transformation.

The whole discussion about free banking will return – specifically, about how this period is over. Banks will start introducing fees and commissions, especially for services such as cash handling. Banks

> *Large banks have large IT budgets, which means that they can create synergies with fintechs, rather than fight them.*
>
> Leszek Skiba


are competing with entities such as Revolut, which has been introducing subscription banking. This means that we probably face new fees.

**PS: The pandemic has affected banks' performance, but also created new opportunities, such as the acceleration of digitisation. Within a few months, signing contracts remotely, online identity confirmation, setting up accounts by sending a selfie or taking out a loan with one click have become practically standard. Why did banks hesitate in the past?**

**LS:** First of all, new customers are mainly acquired during visits at branches. This is a significant challenge for the banking sector. If we launch apps that mean that customers do not have to show up and we miss the opportunity to meet them. Banks have yet to learn how to interact with customers remotely. Previously, customers were specifically invited to a branch when taking out a loan, because the possibility of meeting them was considered an opportunity. This means that there was no pressure to introduce remote mechanisms. Secondly, banks, especially large banks, always have plenty to do in terms of IT improvements. Signing contracts remotely was not a priority then, I think. It was usually more important to create a new app, streamline the credit process or improve the CRM to better assess customers in order to provide them with the most suitable products.

**PS: After these technological implementations, are banks better prepared to compete with the fintechs entering the market? Are you able to fight them?**

*In ten years' time, banks will provide very different types of services, obviously offering apps, mobile payments or more advanced devices.*

Leszek Skiba

**LS:** Large banks have large IT budgets, which means that they can create synergies with fintechs, rather than fight them. At Pekao, we recently started cooperating with Krajowy Integrator Płatności, a company that offers an online payment service. This is an example of how we can partner with fintechs and offer broader services to our customers. This shows that a bank can and should act as an integrator between customers and fintechs. In ten years' time, banks will provide very different types of services, obviously offering apps, mobile payments or more advanced devices.

**PS: Even if you can cooperate with fintechs and achieve synergies, it is difficult to imagine cooperation with challenger banks, like those that have emerged in the UK, for example and will soon appear in Poland. From the start, they decide not to open branches and keep their entire infrastructure in the cloud. These banks use technologies such as blockchain or machine learning extensively. Can traditional banks restructure to compete with them, despite their much higher cost of operations?**

**LS:** This is a significant challenge. We see that there is demand for Revolut-type entities. Banks definitely need to change in response, modernising and increasing their competitiveness so that they do not cease to be attractive. The new banks are unable to reach certain sectors – such as the corthe porate sector or individual customers – so traditional banks have an advantage there. Every year brings new information, but we have to keep our eyes wide open, watch the competition and move forward with determination.

**Leszek Skiba**
CEO, Bank Pekao

Leszek Skiba has been the Chairman of the Management Board since February 4. Previously, from April 2020, he managed the work of the bank, while remaining its vice-president. Between 2015-2020, he was undersecretary of state at the Ministry of Finance, where he was responsible for overseeing macroeconomic policy and tax legislation. From 2009 to 2015, he worked for the Economic Institute at the National Bank of Poland. Since 2009, he has been running public non-profit activities as the President of the Council and expert of the Sobieski Institute. He is a graduate of the Warsaw School of Economics.

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# Regulating partnerships

Banks and fintechs must live in symbiosis. By working together, banks will meet customers' growing expectations and fintechs will expand their activity and reduce the cost of financial services. The scale of the benefits will depend on the effectiveness of sectoral regulation.

**Marzena Sokołowska**
Chief Information Officer, Horum

**Agnieszka Wincewicz-Price**
Head of the Behavioural Economics Team,
Polish Economic Institute

**Weronika Kuna**
Government Affairs Lead,
Microsoft Polska

**Adam Czerniak: What is the fintech sector's development strategy? Does it aim to create its own market? Is it about competition with banks or coexistence?**

**Marzena Sokołowska:** If we are discussing strategy, we must define the sector's objective. The objective is to provide a product that customers want to use and tell their friends about; in other words, to build a broad base of active customers. According to a recent survey, 75 per cent of customers are willing to share their data with financial institutions on condition that they are treated like human beings, rather than a record in a file, and receive a personalised offer. Yet 90 per cent of institutions, primarily banks, are unable to do so. With the pandemic, many customers of financial institutions have switched to mobile solutions. According to a study by McKinsey, 12 per cent of them have never gone back to a bank. These figures show us where and how to act. We need to work with banks, and banks need to open up to us, to fintechs, to meet customers' expectations and provide the products they are waiting for.

**AC: Are Poles ready to fully move to online banking?**

**Agnieszka Wincewicz-Price:** It depends on the group of customers and their age. Young people are familiar with technology, but not with things like contact with a bank representative onsite. They have not waited in queues or filled in paperwork. Older people need time to switch, according to our recent research, even among people aged 65+, online banking has been growing quite rapidly. A bigger barrier, apart from willingness or skills, is readiness to share

data, as Marzena Sokołowska mentioned. Some 40 per cent of citizens are ready to do so.

**AC: And at least with Big Techs, citizens' willingness to share data is much higher. Are Big Techs the "grey eminence" of the financial market, entering through the back door, creating their own cyber-currencies and transforming the sector?**

**Weronika Kuna:** I think that Big Techs in the financial sector are focusing on linking certain consumer services with financial services. But we, as Microsoft, are not really going into this area.

**AC: Why?**

**WK:** It is not that we have nothing to do with the financial sector. Six or seven years ago, when the fintech revolution broke out, banks absorbed a lot of new technologies. We could not have had APIs, open banking, PSD2 and would not be talking about bank as a service without the infrastructure, in the form of the cloud at least, that makes it possible. So Big Techs such as Microsoft have a fundamental role to play as infrastructure providers. We are very much involved in this discussion and the security that we provide is important.

When it comes to Big Techs entering the financial market more explicitly, a good example is the Libra cryptocurrency. Its creators liked to compare Libra to what the Internet revolution did for telecoms. People no longer had to pay one złoty per text message; instead, people began to text as much as they wanted. Yet that analogy has not quite worked. The shift from sending one transfer controlled by someone to continuous, fluid and uncontrolled transfers was not entirely successful – it turned out to be not so simple and, above all, less secure. But Libra awakened the whole milieu intellectually, which led to the middle way that we can see in countries including the US. One example is Goldman Sachs and its opening up to open banking. There are others, too; for example, BBVA shows how one can build a synergy between a bank and Big Tech. The benefits are mutual: for both sides, it is a field for creating new business models.

> *Fintechs are trying to show that finance serves something deeper.*
>
> Agnieszka Wincewicz-Price


**AC: You say it is not a revolution, just change. Is it only a matter of technical change? Or will it change how we think about finance and banking?**

**AWP:** Definitely. I do not know whether "revolution" is the most accurate term, but the definition is not key – it is vital to understand the concept. Fintechs offer a wide range of services; it is not just about finance or payments, but about changing the customer experience and service design. Fintechs are trying to show that finance serves something deeper. For example, we can choose a fintech that only invests in companies that are "carbon neutral" or takes into account ethical categories in individual companies' missions. This makes a significant difference compared to traditional institutions.

**AC: Will fintechs work more closely with Big Techs that have access to customer data and thereby compete with banks? Or will fintechs, through open banking, unite with traditional banks?**

**MS:** Until recently, banks were not ready to cooperate harmoniously with fintechs. According to a survey conducted by EFMA with Infosys and Finacle, 21 per cent of banks' systems are not ready to use fintech solutions. And 70 per cent of decision makers at fintechs indicated that banks do not share the same culture of flexibility. On one hand, we have traditional banks and, on the other, we have flexible fintechs with open platforms that adapt quickly. To provide customers with personalised solutions, banks will have to use fintech solutions. However, this is about evolution, not revolution.

**AC: How can Big Tech enter the financial sector, beyond providing technology?**

**WK:** The regulatory issues will be fundamental, not just the ones in the context of the Financial Supervision Authority (KNF). They will include all the regulations being discussed in Brussels, from the General Data Protection Regulation (GDPR) to subsequent acts on the digital market. Two types of regulations will meet and companies such as Microsoft will have to deal with both. We will adapt the technology so that it is safe, but regulation will help us, too.

**Marzena Sokołowska**
Chief Information Officer, Horum

Marzena Sokołowska joined Horum SA in April 2020. For over 19 years of professional career she has provided IT solutions for the financial sector. She worked in Asseco Poland for 16 years where she was, inter alia, the director of the production preparation department and Senior Product Manager. Between 2017-2020, she was the Financial Services Product Lead at ITMAGINATION. She is a graduate in computer science from the Jagiellonian University and postgraduate management studies in FinTech from the University of Warsaw.

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**Agnieszka Wincewicz-Price**
Head of the Behavioural Economics Team,
Polish Economic Institute

Agnieszka Wincewicz-Price is the head of the behavioural economics team. Her focus is on philosophy, methodology and the history of economics. She researches the shaping and variability of preferences, rational choice theory and the philosophy of economic activity. Agnieszka is an alumnus of Warsaw School of Economics, Erasmus Universiteit in Rotterdam (EIPE) and Newcastle University. She edits the economics section of the journal Politics&Poetics.

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**Weronika Kuna**
Government Affairs Lead,
Microsoft Polska

Weronika Kuna joined Microsoft Poland in November 2020. Between 2018-2020, she was the director of the digital & fintech department at CEC Government Relations. She is a Co-founder of the ImpactCEE conference, where she was the head of public policy and government affairs. From 2013 to 2016 she worked as a specialist at the National Bank of Poland. She is a graduate of International Relations from the University of Wrocław and the Masaryk University in Brno.

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Education

# How to prepare for the future

In the future, social and professional life will be shaped by two clashing trends: profound demographic shifts and rapid technological advances. The coronavirus pandemic has given us a taste of how rapid and unexpected changes are affecting the world of work and learning.

We cannot anticipate every change, so we should prepare for a world of uncertainty. We should reform education so that young people are better prepared for these new challenges.

MODERATOR:

**Hanna Cichy**
Business Analyst
Polityka Insight

# Work for people and technology

The automation of work was recently accelerated by the pandemic. Automation can make work safer and more interesting, but many jobs will disappear. Employees, employers and the government must prepare.

**Rafał Albin**
Marketing & Operations Lead, Microsoft Polska

**Hanna Cichy: You represent a company that has revolutionised how we work and learn by providing easy-to-use and accessible software. The pandemic has been the biggest accelerator of the digital revolution over the past year, speeding up the process of automation. I have come across two pessimistic accounts of the future of the job market. According to one, automation means that there will be much less work, which will lead to social conflicts. According to the other, there will be too few employees to support the massive number of pensioners. How do you see this future?**

**Rafał Albin:** I do not share these negative visions. I believe that new technologies will support us in the challenges ahead, rather than generate social tensions. The nature of work will certainly change, but this shift could even have a positive impact on the future labour market. Certain trends we observe seem positive. For example, some posts that require repetitive work or manual data entry are slowly disappearing. At the present moment, there is a growing need for skills related to creativity, drawing conclusions and acting on the basis of what artificial intelligence has provided us with. Certain parts of our work cannot be replaced by technology. I am referring to places where communication, interpersonal relations, advanced decision-making or self-agency are required. These will remain in the human domain, supported by the latest technology.

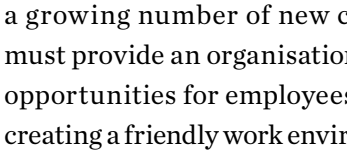
**HC: This means that we will have to develop new skills, not only our children or future generations. Many people working already will have to be retrained. Who should be responsible for this – businesses, the state or individuals?**

> *(...) there is a growing need for skills related to creativity, drawing conclusions and acting on the basis of what artificial intelligence has provided us with.*
>
> Rafał Albin

**RA:** The responsibility is shared and rests partly on the state, partly on business, and partly on employees. I do not expect a revolution; rather, it will be an evolution. It may seem very fast at times, but it will still be an evolution. The changes will be continuous and will not happen in big leaps. I reckon that this will make it easier for employees and employers to adapt. From employees it will require greater flexibility and awareness that work will be associated with a growing number of new challenges. Employers must provide an organisational culture and growth opportunities for employees. Research shows that creating a friendly work environment makes employees want to develop on their own and use newer technologies. This pays off for companies, as it increases work efficiency. Yet this obligation cannot be placed on companies and employees alone. The state should create room for teaching people new skills by organising education. We can already see how many new fields of study are being created at universities.

**HC: Many companies can support their employees' development, but this might not be an option for SMEs. Moreover, in many professions, further training is practically impossible, because they will disappear in the near future. For example, most drivers will lose their jobs when autonomous cars become the norm.**

**RA:** Certainly, some professions will disappear. But in this respect, it is enough to see how the employment structures of better and less developed countries differ. Services take up much more space in the former and manufacturing in the latter. It will simply head in this direction. A driver who loses his job will find work in services because new posts will appear in this sector.



*The changes will be continuous and will not happen in big leaps. I reckon that this will make it easier for employees and employers to adapt. From employees, it will require greater flexibility and awareness that work will be associated with a growing number of new challenges.*

Rafał Albin

**HC: I see one more problem here. With many tasks automated, the development paths of lower-level employees at large companies will be disrupted. Less experienced, younger employees are often given simpler tasks at the beginning, to help learn how the company works. If all these tasks are automated, the development path for employees will need to be reinvented.**

**RA:** I do not think that career paths will disappear. This development can take place in a different way, by defining goals differently for different types of posts. When I was applying for a mid-level post at my company a dozen years ago, my job description mainly included the tasks I had to perform. I was recently reviewing job descriptions and they primarily emphasise goals, not tasks. I was involved in the hiring of a young employee. Previously, the tasks in this job were analysing and consolidating data. Now the main requirement is the ability to draw conclusions and come up with solutions. This means that we are moving forward because machines are handling work that is mechanical and boring for us. Tasks are changing from analytical or technical to creative. This does not limit employees' development – on the contrary, it supports it.

**HC: One aspect of the organisational culture is particularly important in the context of changing employee requirements. For them to learn and try new things, there must be more space in the workplace to make mistakes. This is needed to encourage employees to leave their comfort zone and try new experiences.**

**RA:** There will always be a risk of error. How a company approaches this risk is a matter of organisational culture. Permission to make mistakes should increase with the employee's development and the increase in his or her responsibilities. Change is necessary and doing the same thing for 15 years can lead to mistakes, too. Employees should be taught that failing to act out of fear of making a mistake is much worse than making that mistake.


**Rafał Albin**
Marketing & Operations Lead, Microsoft Polska


Rafał Albin has been the Chief Marketing and Operations Officer since August 2020. Previously, as Enterprise Channel Management Lead CEE, he supported the digital transformation process of Microsoft customers in the region. Before joining Microsoft Poland in 2009, he worked in the distribution sector, in which he held several positions, mainly in AB SA. He is a graduate of the University of Economics in Wrocław and the Wrocław University of Technology.

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# Focusing on development

Remote learning has been fraught for pupils, teachers, parents, and educational administrators, highlighting many of the system's shortcomings. Now could be a good starting point for thorough reform, but first we need to decide what, how and who should teach.

**Konrad Ciesiołkiewicz**
CEO, Fundacja Orange

**Hanna Micińska**
Pedagogue

**Magdalena Radwan-Röhrenschef**
CEO, Foundation for Good Education

**Hanna Cichy: According to a report by the World Economic Forum, 85 million jobs globally will disappear over the next five years due to automation. They will be replaced by even more jobs in other professions and branches of the economy. The report lists analytical thinking, creativity and flexibility among the top skills for the next fifty years. What else will we need?**

**Konrad Ciesiołkiewicz:** The pandemic has caused a massive crisis, unlike anything that my generation, and previous ones, knew. It shows that we need exactly the skills you mentioned and where they are lacking. We also need to be able to find meaning – that is, make sense of what we do – and to cooperate. This crisis has proved the value of these virtues.

**Magdalena Radwan:** This is close to my heart. The idea of acquiring these skills is not new, though we now use new language and are goal-oriented. If we look at old educational models, all these skills where there already. The challenge today is how to reach each pupil with specific skills, rather than which ones to reach them with. I particularly like two approaches to the future of skills: development orientation, rather than outcome orientation, and persistence as a skill, which is needed to cope in the modern world. Resilience, adaptability and the search for meaning are all different takes on the same thing. The main problem is how these skills can be acquired.

**HC: How can schools be changed to promote analytical and creative skills?**

**Hanna Micińska:** Firstly, no chairs at schools. I am serious. The space should be arranged differently and there are many examples of how this works in other countries. Secondly, staffing. Anyone who chooses this profession should seriously consider whether they really want to do it. Thirdly, brain-friendly teaching. Manfred Spitzer once wrote that "the student's brain is the teacher's workplace". It means finding out what is going on in a child's head, why he or she behaves that way and why other children behave differently. At school, we talk a lot about individualisation. Are we putting it into practice? I have my doubts.

**KC:** If we want to take care of children, we first need to take care of teachers. Poland ranks sixth from last in the OECD countries when it comes to the salaries of teachers with at least 15 years of experience. We should not only focus on salaries, though. If we want education to be pupil-centred, we must look after teachers' wellbeing. The pandemic crisis could be a healing experience for all of us, showing us how important teachers are when it comes to raising our children.

**MR:** I agree that the pandemic is an opportunity. As a society and as parents, we have realised how important school is. By helping our children with remote learning, we have seen how difficult it is to teach. We have also realised that school is an essential part of our everyday lives. When children go to school every day, we can function normally in other roles. When schools are closed, we realise how difficult life is without them. This is a good starting point for building a social alliance on schools, based on the shared belief that, at school, the pupils are obviously important, but the teachers are the most important. Both sides of this alliance, teachers and parents, need to appreciate teachers' professionalism. The trouble with education is that everyone thinks that they know everything about it, just because they went through it themselves and, in some cases, have children. This is a resource, but also a trap. Often, parents consider themselves the best experts on their children's education, which is usually not true. This is why faith in teachers' professionalism would be useful.

**HC: And what can be done to better prepare teachers for their jobs?**

**MR:** Felix Klein, a mathematician who was responsible for preparing maths teachers, said that getting teachers ready is extremely difficult. You have to refer to their university and school experience and then they have to work through it, let go and start learning again. Teachers must first focus on themselves and then forget about themselves and focus on their pupils. These two very important steps are not limited to maths. After that, we know what


works in education and under what conditions, but it is not mechanical knowledge that you simply apply. It requires a professional who has a relationship with pupils and can make the right decisions. So little yet so much.

**HC: How can we help teachers improve their working environment and develop?**

**KC:** One of the problems in the teaching profession is professional atomisation. The conditions are both hierarchical and highly competitive. This is not positive competition because there is no focus on cooperation and solidarity, which are invaluable in a crisis. One of the important skills for teachers in the future should be cooperation; realising that we depend on each other and belong to one school community.

**MR:** Yes, school culture is very individualistic and competitive. We are doing a poor job of fostering the solidarity that makes you value cooperation and the understanding that some results are achieved together, rather than separately.

*One of the important skills for teachers in the future should be cooperation; realising that we depend on each other and belong to one school community.*

Konrad Ciesiołkiewicz

**Konrad Ciesiołkiewicz**
CEO, Fundacja Orange

Konrad Ciesiołkiewicz has worked for Orange Polska since 2008 where he manages corporate social responsibility and public relations. For several years he has been involved in the Social Dialogue Committee of the Polish Chamber of Commerce (KIG) which since 2018, he has chaired. He is a graduate of management, psychology and political science.

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**Hanna Micińska**
pedagogue

Hanna Micińska is a pedagogue and career advisor who for over 20 years has taught postgraduate studies in pedagogical preparation. She was for many years with firstly the Stefan Batory Foundation and later, the Youth Entrepreneurship Foundation. She is co-editor of the first textbooks for secondary schools in the field of entrepreneurship and economics.

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**Magdalena Radwan-Röhrenschef**
CEO, Foundation for Good Education

Magdalena Radwan-Röhrenschef is an educational sociologist. In the course of her professional career, she was, inter alia, a researcher at the Educational Research Institute, during which she led the Teacher Research Team representing Poland in the workgroup of the European Commission for teacher professional development. Beforehand, she was an analyst in the Ernst&Young and Gdańsk Institute for Market Economics project "Strategy for the Development of Higher Education until 2020".

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Health

# How to cure healthcare after COVID-19

The COVID-19 pandemic will end one day, although it is difficult to predict when and how. However, Poland's neglected healthcare system cannot wait for better times. Changes in the availability of key services, their financing, and responsibility for facility management are already underway.

What might a more rationally organised healthcare system look like? Which reforms can be implemented during the current parliamentary term and which need more time? How can health policy be made effectively and in the patient's best interest?

MODERATOR:

**Piotr Żakowiecki**
Senior Healthcare Analyst
Polityka Insight

# On the brink of reform

Reversing the "health services pyramid", reorganisation of hospitals and diversification of healthcare financing sources – the Ministry of Health could implement these systemic changes before the next parliamentary elections.

**Adam Niedzielski**
Minister of Health
of the Republic of Poland

**Piotr Żakowiecki: What is the key lesson of the coronavirus pandemic? What did not work in the healthcare system and what needs to be corrected to avoid the worst consequences of the epidemic?**

**Adam Niedzielski:** The pandemic has truly been a period of intense learning and examining the bottlenecks in our system. One of the key conclusions is that we are understaffed, in terms of doctors, nurses, and paramedics. This is key because recent months have shown that missing equipment can be bought, temporary hospitals can be built, beds can be added, but the number of doctors or nurses cannot be increased easily and quickly. Even if we built many new hospitals, they would be staffed at the expense of the rest of the system. We would simply start neglecting other diseases, which would affect public health and generate the so-called health deficit. It is not only a matter of increasing staff numbers; working conditions must allow doctors to focus solely on treatment, rather than negotiating remuneration. Sorting out those two issues are our main strategic challenge, but it assumes a long time horizon because it is impossible to fix matters that have been neglected for years during one term in office.

*(...) recent months have shown that missing equipment can be bought, temporary hospitals can be built, beds can be added, but the number of doctors or nurses cannot be increased easily and quickly.*

Adam Niedzielski

**PŻ: What other changes to the system need to be made?**

**AN:** Another strategic issue is the rebuilding of the benefits pyramid. Treatment should primarily take place at its lower levels, with primary health care (POZ) at the bottom, specialist outpatient care (AOS) next and finally the hospital. In Poland, we have a reversed pyramid because the system is based largely on hospitals. We are in the early stages of implementing a system in which patients are directed from their family doctor to further levels, which mainly have a consulting role. We have to focus on this in coming years; a lot needs to be done. However, unlike staff shortages, the effects may be noticeable within one term in office.

**PŻ: How do you want to change the levels of the pyramid?**

**AN:** The key reform ahead is the change in hospitals' ownership structure. We have over 300 counties, each one is an autonomous entity with its own healthcare policy and does not submit to national policy – this cannot continue. When I was the head of the National Health Fund, I often witnessed situations in which two hospitals 10-15 kilometres away from each other, subject to two different county heads, could not agree on the scope of activities and specialisation. This was because they had different owners. They competed for the same patients and invested in similar specialisations. While in fact these structures should complement each other; for example, one centre should focus on surgical treatment and another on long-term care. System optimisation cannot be carried out with a dispersed structure. The second argument for systemic changes in hospital ownership structure is that these units are difficult to manage, especially in a crisis such as a pandemic. Crisis management requires quick decisions and reactions, not disputes and haggling between the hospital and the National Health Fund.

**PŻ: When it comes to healthcare financing, there has been a lot of talk recently about how much more outlays could be increased and where the money might come from. What is your perspective as a former head of the National Health Fund and, now, a minister? What is the best way to organise this?**

**AN:** From a financial point of view, we have quite a well-structured system. Its stability has not been undermined during the pandemic because the law guarantees 6 per cent of GDP for healthcare. There is no need for revolution here. The only change that I would envisage concerns how this 6 per cent should be generated: not just from health insurance contributions, but also from solutions like the recently-introduced sugar tax. I would like to seek similar solutions, which provide funds and require certain changes in behaviour. Diversification is important.

**PŻ: What will the healthcare system look like in 2030 if all the changes you mention are implemented?**

**AN:** 80 per cent of health cases will be handled at POZ, which works very closely with outpatient specialist care. The treatment model will be based on the link between AOS and POZ, rather than on specialist care at the hospital, as it is now. Hospitals will operate in a network that includes both treatment centres and local healthcare centres with long-term care adapted to the aging population. Treatment centres will be of high quality because information on the quality of treatment, service and management will be publicly available and compared. The hospital system will be supplemented with specialist outpatient care that will be better funded than it is now.

> *System optimisation cannot be carried out with a dispersed structure. Crisis management requires quick decisions and reactions, not disputes and haggling between the hospital and the National Health Fund.*
>
> Adam Niedzielski


**Adam Niedzielski**
Minister of Health of the Republic of Poland


Adam Niedzielski has held the position of Minister since August 2020. Previously, he was Deputy President (2018-2019), and then President of the National Health Fund (2019-2020). During his professional career, he has worked for the Ministry of Finance, the Supreme Audit Office, the Ministry of Justice and the Social Insurance Institution. He is a Doctor of economic sciences awarded by the Institute of Economics of the Polish Academy of Sciences and a graduate of the Warsaw School of Economics.

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# How to depoliticise healthcare

The pandemic has made the structural problems in the Polish healthcare system more acute.  Successful reform will require not only good legislation but also a change in the approach to consultation, communication, and political processes.

**Robert Mołdach**
Partner and CEO, Institute of Health and Democracy

**Łukasz Jankowski**
Chairman, Regional Medical Chamber in Warsaw

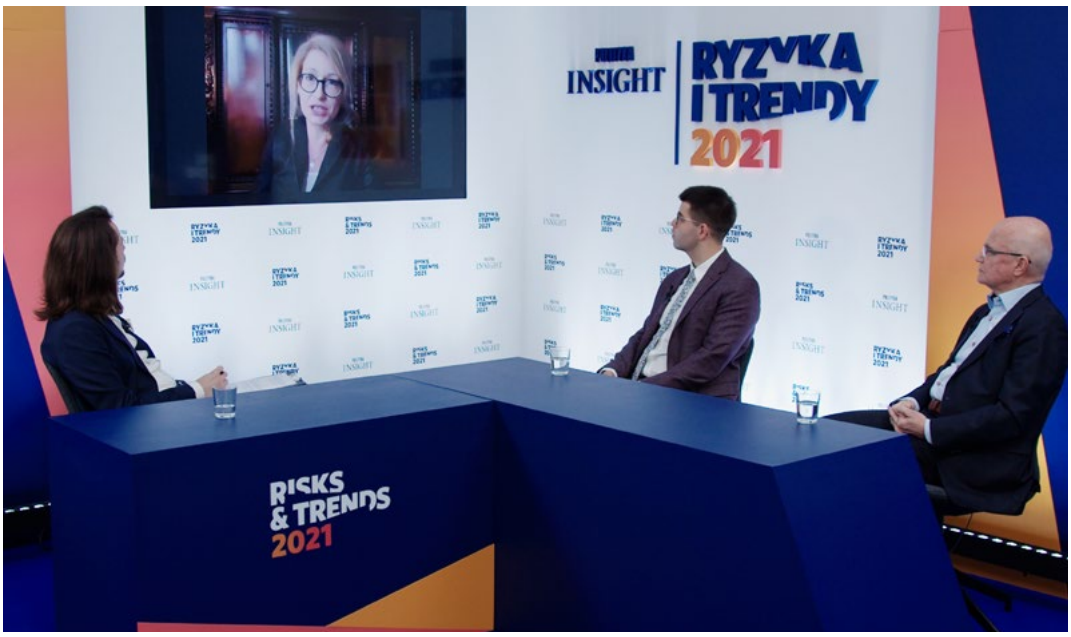
**Maria Libura**
Head of Medical Training and Simulation Centre, University of Warmia and Mazury

**Piotr Żakowiecki: How will the challenges for the healthcare system evolve over the next decade?**

**Robert Mołdach:** Looking ahead at the next ten years, how leaders, societies and stakeholders view the world is united by the social perspective. The situation of sick people and their families, as well as entire societies and economies, has changed enormously as a result of the pandemic. The challenges ahead are familiar to us – including an aging population, people with disabilities and chronical illnesses, and those who require constant care and social support – but they now seem even more important and need to be addressed with even greater urgency.

**PŻ: What needs to be done to ensure that we are in a better place in 2030?**

**Łukasz Jankowski:** The first thing that we have to take care of is financing. This is not about saying in advance that it should amount to 7, 8 or 9 per cent of GDP. First, we need to define the goals – what we really want to achieve, how we imagine the population's health, what kind of availability of services we want and the average number of healthy life years. Only then will we know how much money we need. However, we will need a growing amount of money in the system. Demography brings certain challenges and technological progress is requiring greater expenditures, too. We are getting better at diagnosing and




our equipment keeps improving, but it also keeps getting more expensive. Besides, we are living longer and longer, so we use the services of the system for more years.

We also need to invest in human resources. The pandemic has shown that the staff shortage is chronic and will not be filled quickly. We need more doctors, but also to provide them with better working conditions.

**PŻ: Maria Libura, you have been studying inequalities in access to healthcare for years. Will these inequalities get worse in the decade ahead or can they be reduced?**

**Maria Libura:** The biggest risk is that the pandemic will not teach us anything. From the very start, we have heard that the pandemic a lens that shows the biggest problems in the healthcare system. Yet the proposed solutions are exactly the same as those proposed before the pandemic.

On the one hand, we are understanding the inequalities better; on the other hand, the problem is getting worse. In Poland, we saw this with the National Vaccination Programme, where the rule for registering senior citizens favoured people with greater social capital or in big cities. The pandemic showed us how deep these inequalities are, but the situation will not change on its own – we have to try to reverse it.

**PŻ: Can we already draw lessons from the pandemic, at least in Poland?**

**ML:** Health is an inevitably political area and it should be politics with a capital "P". To learn from our mistakes, both at the institutional and the systemic level, we should admit to and analyse them. However, in Poland, even in an unprecedented situation such as a pandemic, the struggle against the virus is used in a very short-term political game. It is very difficult to reach the meta-level of deep analysis and conclusions. Without that, it is hard to imagine changes in the healthcare system. Our ability to reform it after the pandemic will depend on whether we as a society learn to see the system's complexity and approach changes with greater sensitivity, even if it feels uncomfortable in the short term.

**PŻ: In terms of the politicisation of health, what can we expect in the next two or three years, ahead of the next parliamentary elections in Poland?**

**RM:** Ms. Libura rightly distinguished between politics with a small and a capital "P". On the one hand, we have programmes created by experts, in some cases with the Ministry of Health, which are often wise. On the other hand, these strategies quickly become the subject of political games, which makes it difficult to implement them.


Take the transformation of hospitals announced by Minister of Health Adam Niedzielski, who talked about profiling, increasing quality, coordination and the concentration of services. This will require large sums of money. I think that the public debate in the near future will focus not on how the transformation is going, but on how much money each hospital is getting.

**PŻ: Hospital reform is the Ministry of Health's biggest project right now. With the next elections two and a half years away, could it stall because it is too politically costly?**

**RM:** I have a different concern: that if we invest in hospital reform, we will "concretise" the current system. No one is discussing how hospitals should function in five or ten years' time, so the money invested will be spent on renovations or other immediate matters.

**ML:** There is another problem. Poland sometimes has debates about healthcare, but they do not concern what is most important. Often, they focus on shallow managerialism; issues like centralisation, decentralisation or changing the name. They do not focus on the goal – what the reformed system or interactions between patients and the medical facility should be like.

**RM:** Usually, the authorities approach reform from the wrong direction. Instead of outlining what the challenges are, presenting options and discussing them, they throw around slogans such as "centralisation of hospitals". If they asked the public for its opinion and left time for discussion, the reaction to the changes would be much more positive.

**ŁJ:** These communication problems, lack of discussion and the general impression of chaos in the system have been eroding our trust in those in power. Worst of all, patients' trust in doctors has been decreasing, too. Yet the wall between the public and those in power has been growing because the world they portray is different from the one we see. When we saw the queues of ambulances outside hospitals in November 2020, government representatives argued that healthcare was working. We need to present problems calmly and seek solutions together, instead of constantly blaming people and claiming that our handling of the pandemic has been the best in the world.

> *Health is an inevitably political area and it should be politics with a capital "P".*
>
> Maria Libura

**Robert Mołdach**
Partner and CEO, Institute of Health and Democracy

Robert Mołdach is a Doctor of Engineering and defended his doctoral dissertation at the 4th Department of Technical Sciences of the Polish Academy of Sciences. He is a member of the Council of Experts at the Patients' Rights Ombudsman and expert for European Structural and Investment Funds in health care at the European Commission. He is also an assistant professor at the Warsaw School of Economics, where he teaches strategic management in health care. Co-founder of the Institute of Health and Democracy, which is a forum on the value of public health.

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**Łukasz Jankowski**
Chairman, Regional Medical Chamber in Warsaw

Łukasz Jankowski is a doctor, specialist in nephrology, doctoral student at the First Medical Faculty of the Medical University of Warsaw and member of the Supreme Medical Council. He works at the Clinic of Transplantation Medicine, Nephrology and Internal Diseases in Warsaw. He is a social campaign organizer currently aimed at the issue of insufficient access to healthcare for non-COVID-19 health issues patients.

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**Maria Libura**
Head of Medical Training and Simulation Centre, University of Warmia and Mazury

Maria Libura is the head of the Department of Didactics and Medical Simulation at the Collegium Medicum of the University of Warmia and Mazury in Olsztyn as well as a health expert at the analytical centre of the Jagiellonian Club. She is also vice-president of the Polish Society of Medical Communication and a member of the Council of Experts at the Patients' Rights Ombudsman.

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POLITYKA
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Polityka Insight is Poland's leading and most valued source of political analysis and business intelligence. Launched eight years ago, it features three main pillars of business: analytical services available on a subscription-only basis (PI Premium, PI Finance, PI Energy, and PI Energy & Climate Weekly); bespoke reports, presentations and training for companies, public administration and international organisations; as well as high-profile debates and conferences. Since 2017 we also publish podcasts, which have become an increasingly significant part of our work.

Polityka Insight has over 1,000 recipients who represent the highest levels of public administration, international organizations which operate in Poland, state-owned companies, as well as private domestic and foreign companies. Embassies and diplomatic missions are among our clients, which allows for our content to travel abroad. Moreover, Polityka Insight is a recognizable source of analytical knowledge among EU institutions. We prepare reports with a view to enhancing the agenda and visibility of business and political stakeholders in Brussels.

Polityka Insight actively participates in vitalizing the public debate. PI's events department organizes conferences on current events in the global, European and national economy with the participation of business leaders, policy makers and well-known experts. Depending on the customers' needs, we organize debates, seminars, webinars, round tables and expert breakfasts on a selected topic.

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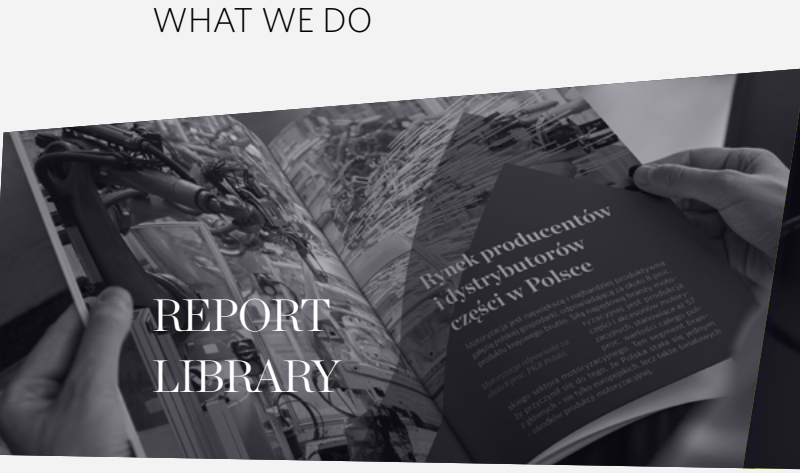


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# Partners

## MAIN PARTNER


Orange Polska is a leading provider of telecommunications services in Poland in all segments of the telecommunications market. It has the largest infrastructure in the country. It offers customers modern technology, including convergence services, which combine mobile telephony, home, and mobile internet and numerous multimedia services. It provides comprehensive solutions for business, and local authorities. It conducts research and development activities and supports innovativeness. It invests in ultra-fast fiber internet, 4G / LTE and #hello5G mobile internet. Orange Polska belongs to the most socially committed companies in the country. It also has the largest employee volunteering program in Poland. Through the Orange Foundation projects, the company effectively counteracts digital exclusion. It encourages knowledge acquisition, contribution culture and building the community with skillful use of the Internet and technology.

# PARTNERS

E.ON edis energia has been representing the E.ON energy concern in Poland for almost 20 years. It has direct and indirect shares in several Polish heating companies, which are responsible for the supply of heat, energy and gas to several dozen cities in almost every corner of Poland. The company's key activity is providing unconventional, technically innovative energy solutions for customers. E.ON edis energy has been investing in urban infrastructure for years, creating trends in the field of heating, i.e. decentralization, decarbonisation and digitization, as well as placing great emphasis on sustainable solutions for customers of all sizes - from cities and enterprises to large production plants. At E.ON, we are aware of the changing climate - that's why we focus on providing solutions to decarbonise the energy world. Improving people's lives and creating a better tomorrow is our foremost priority. We act responsibly, transparently and competently to constantly strengthen the trust held in us by our clients, associates and society.

IKEA's vision is to create a better everyday life for the many people. IKEA offers functional and well-designed home furnishing products that combine quality and affordable price. It operates in line with sustainable development, implementing the People & Planet Positive strategy. Poland has a special place on the global map of IKEA activity. The Ingka Group (formerly known as the IKEA Group) currently runs eleven IKEA stores and sixty-four Order Collection Points (including Mobile Points) in Poland, which are managed by IKEA Retail. It also owns five shopping centers managed by Ingka Centers Polska and the Distribution Center located in Jarosty near Piotrków Trybunalski, supplying 32 IKEA stores on 13 markets. Over 25 million people visited Polish IKEA stores in the financial year 2020 and the IKEA.pl website recorded over 154 million visits. The Ingka Group also owns six wind farms in Poland, which produce more renewable energy than the annual energy consumption related to IKEA's operations on the Polish market. There are also other elements of the IKEA value chain represented in Poland: production (20 IKEA Industry factories), suppliers (nearly 90 external factories) or a shared service center: Ingka BSC in Poznań, one of the three innovative IKEA shared service centers in the world, next to Baltimore and Shanghai. 2021 is the year of the celebration of the 60th years of IKEA being present in Poland. Globally, the Ingka Group manages 378 stores in 31 countries, with 706 million visits in the last financial year. IKEA.com, on the other hand, had over 3.6 billion visits during this time.

## PARTNERS

Microsoft enables digital transformation for the era of an intelligent cloud and an intelligent edge. Its mission is to empower every person and every organization on the planet to achieve more. Microsoft provides a platform of solutions that are the foundation for others to develop – a better life for citizens, the transformation of Polish companies, schools, offices and the expansion of Polish IT companies – Microsoft Partners – who create their own solutions based on Microsoft technology. The company's aspiration in Poland is to contribute to the creation of the Polish Digital Valley, in which technology allows to accelerate the development of Polish enterprises and organizations. In May 2020, the company announced a plan to invest $1 billion in digital transformation in Poland, including access to local cloud services from its first data region. Microsoft has consistently changed the way people live, work, learn and play, and they draw on their free time and communicate with technology. As a leader in cloud computing, the company is constantly creating new cloud services and solutions and AI mechanisms that help transform institutions, businesses, and entire industries.
Microsoft Corporation was founded in 1975 in the USA, and the Polish branch of the company has existed since 1992. In Poland, Microsoft is represented by nearly 500 managers and professionals who support the company's customers and partners in digital transformation on a daily basis.

Visa is the world's leader in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payment network - enabling individuals, businesses and economies to thrive. Our advanced global processing network, VisaNet, provides secure and reliable payments around the world, and is capable of handling more than 65,000 transaction messages a second. The company's relentless focus on innovation is a catalyst for the rapid growth of digital commerce on any device for everyone, everywhere. As the world moves from analog to digital, Visa is applying our brand, products, people, network and scale to reshape the future of commerce.

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Radio TOK FM is Poland's first news and talk radio, with spoken word representing ca. 90 percent of all programming. It is currently present in 23 urban areas in Poland, as well as worldwide - via the tokfm.pl web portal and the TOK FM mobile application. The station's programming is addressed to listeners who seek reliable and exhaustive information about Poland, people who are interested in getting deeper insights into important matters from premium commentators. TOK FM has been broadcasting on the Polish market since 1998 and since 2003 as "the first news and talk radio".

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The German Marshall Fund of the United States (GMF) is a non-partisan policy organization committed to the idea that the United States and Europe are stronger together. GMF champions the principles of democracy, human rights, and international cooperation, which have served as the bedrock of peace and prosperity since the end of World War II, but are under increasing strain. GMF works on issues critical to transatlantic interests in the 21st century, including the future of democracy, security and defense, geopolitics and the rise of China, and technology and innovation. By drawing on and fostering a community of people with diverse life experiences and political perspectives, GMF pursues its mission by driving the policy debate through cutting-edge analysis and convening, fortifying civil society, and cultivating the next generation of leaders on both sides of the Atlantic. Founded by Guido Goldman (November 4, 1937 – November 30, 2020) in 1972 through a gift from Germany as a tribute to the Marshall Plan, GMF is headquartered in Washington, DC, with offices in Berlin, Brussels, Ankara, Belgrade, Bucharest, Paris, and Warsaw.

# RISKS & TRENDS 2021