

## **FOR Communication 8/2022: Security is not just tanks and guns. 7 key issues**

The war in Ukraine will affect Poland's socio-economic situation through many channels, both in the short and long term. In the near term, we are facing phenomena close to stagflation: a weakening of economic growth and even higher inflation, even double-digit inflation. The short-term outlook is difficult. The economy will be far from balanced and prone to turbulence. We all hope that the war will end quickly. But it will trigger changes in many areas. Perhaps a new "cold war" will begin, which for Poland will mean having to function under a permanent military threat from an aggressive neighbour. Therefore, the strengthening of the country's security must be comprehensive - a broader perspective is necessary, and sustainable systemic solutions are required, including in the medium and long term.

### Summary:

- The war in Ukraine will affect Poland's socio-economic situation through many channels both in the short and long term. In the near term, we face weakening economic growth and even higher inflation, even double-digit inflation. Short-term prospects are difficult. The economy will be far from balanced and prone to turbulence.
- The negative consequences of this war may be stronger in many areas for Poland than for other countries because of its geographic location and the many unresolved structural problems that have worsened in recent years under the Law and Justice government.
- We all hope that the war will end quickly. But it will cause changes in many areas. Perhaps a new "cold war" will begin, which for Poland will mean the need to function under conditions of a permanent military threat from an aggressive neighbour. Therefore, strengthening the country's security must be comprehensive - a broader view is needed, and sustainable systemic solutions are necessary, including in the medium and long term. The special purpose law on assistance for citizens of Ukraine, which was submitted to the Parliament on 7 March, in the area of regulated professions, goes in the right direction, facilitating Ukrainian citizens to take up, to a limited extent, the professions of psychologist, doctor, dentist, nurse and midwife. However, the scope of liberalization is far too conservative and should be extended to professions not related to health care in the broad sense.
- A key element of national security is economic security - a country with a stable economy is better able to ensure its military security and is less susceptible to the turbulence that accompanies wars in other parts of the world. We cannot increase spending on military security on a scale that compromises the security of public finances, especially under conditions of high uncertainty and "fragility" of our economic situation. In the long run, high inflation, violation of the stability of public finances, higher interest rates will lead to a slowdown in the economy and ultimately reduce the pool of funds for defence and other

expenditures, such as health. Moreover, as the case of Russia shows, even high arms expenditures, when distributed in a non-transparent and uncontrolled manner, do not ensure the assumed military advantage.

- The security of the country is not just tanks and guns. Increasing the rule of law, building a strong position in the international arena (through participation in the European Union and NATO), and maintaining stable and transparent public finances are key to the country's security.

*Kontakt do autora:*

Sławomir Dudek, PhD, FOR Chief Economist