

MSZ Supplement

PNB Publications - the most comprehensive and up-to-date source of information on Polish politics, economy and current affairs:
Monday to Friday - *PNB Daily* • Tuesday and Friday - *PNB Economic Review* • Wednesday - *PNB Law Supplement* • Thursday -
PNB Weekend Supplement • Monthly - *PNB Special Report*

NATIONAL NEWS

Withdrawal from Iraq Underway, More Troops in Afghanistan?

tvn24.pl and Gazeta Wyborcza online, January 2 2008

On 2 January, Defence Minister Bogdan Klich announced that the government had prepared a schedule of withdrawing Polish troops from Iraq and that the operation was already underway. "We have updated the inventory of our military equipment in the country," he said, adding that Poland will receive help in conducting the entire operation from the US. At the same time, the official stated that Poland should increase its involvement in the mission in Afghanistan and take steps in order for the Polish troops deployed in the country to be concentrated in one area. Klich also said that Poland will not engage in reconstruction of the country. Additionally, the defence minister declared readiness to send around 350 Polish soldiers to Chad on the condition that the EU took the entire responsibility for the mission.

Tusk to Try and Block Ambassadorial Nominations?

Gazeta Wyborcza online, December 31 2007

Donald Tusk's government wants to block two controversial ambassadorial nominations performed by Jarosław Kaczyński at the last minute. The matter concerns Andrzej Sadoś, a Polish ambassador in the OSCE, and Jerzy Achmatowicz, designated as ambassador to Mexico. During Law and Justice's (PiS) term of office, Sadoś was a Foreign Ministry spokesman, then deputy foreign minister. His nomination was signed by the president without being accepted by the Sejm Foreign Affairs Committee. The candidature of Achmatowicz was supported by Father Tadeusz Rydzyk, the Catholic Radio Maryja station director. How does Tusk intend to block their nominations? Achmatowicz still needs the PM's approval, which he may simply not get. As for Sadoś, his nomination cannot be withdrawn, but according to sources in the PM's office, there are still several methods to be used.

No End to Dispute over Doctors' Salaries

Dziennik p. 1, January 3 2008

Law and Justice (PiS) leader Jarosław Kaczyński and former Health Minister Zbigniew Religa have attacked the present government for doing nothing to solve its dispute over salaries with the medical profession. According to the former, it was indecent

of Tusk's cabinet to try to shift the blame for the situation in the Polish health sector onto PiS, while Religa stated that he had presented his successor with two healthcare financing proposals. Health Minister Ewa Kopacz responded instantly, wishing to know why the previous government had not implemented Religa's "wondrous" solutions when it faced mass protests in the summer of 2006. At the same time, Kopacz warned that if doctors refused to work over 48 hours a week, the government could forbid them from working both for state hospitals and private clinics. In reply, medical trade unions stated that the public healthcare sector would face labour shortages.

It Will Be Tusk's Year

Dziennik p. 1, January 2 2008

It is not a honeymoon anymore - it looks like the whole year will belong to Donald Tusk. Support for the PM and his party is still extremely high. Almost half of those polled declared that they would vote for Tusk, if he took part in the presidential campaign. Asked about who on the political scene could compete with Tusk, most do not mention his main rival, Jarosław Kaczyński from Law and Justice (PiS), but rather his coalition partner Waldemar Pawlak, head of the Polish Peasants Party (PSL). On his professional path, the new PM is bound to encounter some pressing challenges - and it seems that his policy of careful distance is accepted by most citizens. In his reluctance to introduce religion as a high school exam subject, he can count on the support of over 50 percent of Poles. Seventy-two percent want the government to refund in-vitro fertilisation procedures, despite the Church's objection.

Presidential Address

Puls Biznesu and Gazeta Wyborcza online, January 1 2008

It is a tradition that on the last day of the year the head of state gives a televised message to the public and 2007 was no different in this respect. In his message, President Lech Kaczyński concentrated on economic issues and international affairs. He stressed that the previous year had seen rapid economic growth, which was accompanied by falling unemployment and foreign direct investment (FDI) growth. "It seems that our country has been making very good use of the opportunities created following its accession to the EU," he said. Kaczyński also underlined the fact that in 2007 Poland has significantly strengthened its position on the international scene; he highlighted three events: signing the Lisbon Treaty; Poland's entry to the Schengen zone; and its election as co-host of the 2012 European Football Championships.

Employment, Wages to Rise Despite Economic Slowdown

Wall Street Journal Polska p. 3, January 2 2008

The Polish economy will expand this year at a slower pace than the estimated 6.5 percent in 2007. Economists forecast GDP at 5-5.6 percent in 2008. They estimate that a 5-percent growth pace will allow Poland to catch up with the euro-zone countries in 2028. Still, economists are optimistic about the future. The main driver behind economic growth will be domestic demand. "Consumption will grow as personal income rises, not only due to wage growth but also due to increasing employment," said Maciej Reluga, chief economist at BZ WBK. Piotr Kalisz of Citibank Handlowy estimates that wages will rise more than 10 percent in the first half of the year, to slow down a little in the future.

Coal and Gas to be Strategic Fuel for Energy Industry

Wall Street Journal Polska p. 1, January 3 2008

The government is working on the country's new 30-year strategy on energy. The plan changes the priorities set by the former cabinet. The basic change is a delay in the construction of a Polish nuclear power station. The Law and Justice-led (PiS) government assumed that Poland will start producing nuclear energy in 2025. However, the new plan not only delays the plant's construction but also projects that Poland will be importing nuclear energy no earlier than in 2025 as it will not insist on building the Ignalina-based nuclear power plant, which was planned to deliver energy as part of the power bridge between Poland and Lithuania. Anonymous representatives of the Economy Ministry told WSJ Polska that it has not been decided yet whether Polish companies will join the venture building the Lithuanian plant. The new government plans to make coal a strategic fuel for the Polish energy industry over the next 22 years. The second key fuel will be natural gas.

Lithuania Makes Big Step Towards Ignalina Project

Rzeczpospolita p. B3, December 31 2007

On 29 December, the Lithuanian government presented the country's parliament with a detailed model of the enterprise which is to become the national investor for crucial international energy investments. One such investment is the Ignalina nuclear plant project, which apart from Lithuania is to involve Poland, Latvia and Estonia. The new enterprise will be called Lithuanian Electricity Organisation (Leo LT). Apart from the Ignalina nuclear plant, which in total is expected to consume EUR5bn-6bn, it is also to co-operate with Lithuania in the Polish-Lithuanian powerlink project, the cost of which is estimated at around EUR300m. Should the Lithuanian MPs accept the government's proposal regarding Leo LT, the country could start concrete negotiations regarding Ignalina with its foreign partners in January.

GMO Bomb Already Ticking

Puls Biznesu p. 6, January 2 2008

The war on the use of genetically modified organisms (GMO) in Poland has begun. 24 December was the deadline for the Polish government to respond to the warning issued by the European Commission - the EC views the Polish act on feed, which is to come into law in August 2008, as contrary to EU law. The Agriculture Ministry asked the EC to extend the period for giving a response. The EC may send the case to the European Tribunal of Justice, which may result in severe financial punishment for Poland. However, the process is likely to last for years. The Polish act on seed production, which bans trading in genetically modified seeds, was also regarded as inconsistent with EU law by the EC. New Agriculture Minister Marek Sawicki said he is against GMO cultivation in Poland, but does not support a ban on genetically modified feed. The EU allows the cultivation of genetically modified plants which are more immune to pests and more productive. Although there is no law against cultivating GMO in Poland, there is a ban on trading in GMO seeds and other restrictions.

Ruling Party to Revive Old VAT Law

Puls Biznesu p. 8, January 3 2008

The ruling party, the Civic Platform (PO), wants to change the law on Value Added Tax (VAT). It will not, however, lobby for its own ideas and a new law but will revive the draft law, discussed by the lawmakers of the previous term in 2006, to revise the existing regulations. The draft was prepared by the experts of the private employers association PKPP Lewiatan and backed by former Deputy Finance Minister and Construction Minister Mirosław Barszcz. "It was approved by various parties and by the finance ministry so it's not sparking off any controversy and includes solutions expected by the tax payers," said Zbigniew Chlebowski, head of PO parliamentary club. "It won't be the government's draft as we want to avoid inter-ministry consultations and pass it quickly." The experts support the plan.

Central Bank Loses Deputy Head

Gazeta Wyborcza online, January 2 2007

On 2 January, Polish central bank (NBP) deputy head Krzysztof Rybiński announced his resignation, at the same time refusing to give the reason for his decision. Officially, he will remain in post until his dismissal by President Lech Kaczyński. Once that happens, the central bank's head Sławomir Skrzypek will be left with only one deputy. So far, he has not announced who will replace Rybiński and take over his duties at the NBP and the Commission for Financial Supervision (KNF). Rybiński joined the central bank in early 2004, when it was headed by Leszek Balcerowicz; shortly afterwards, the two economists had a disagreement, which resulted in the former's competence being considerably limited. Rybiński returned to supervising the more important departments following Balcerowicz's replacement by Skrzypek. Recently, however, they have presented different views on the future price trends on the food market.

AmRest Among European Leaders of Food Service Industry

Wall Street Journal Polska p. 6, January 2 2008

For the first time, a Polish company has been ranked among the 100 largest food service companies in Europe. The operator of Burger King, KFC and Pizza Hut restaurants in Poland was ranked the 91st largest company, with an annual revenue of EUR162m in 2006 in the survey by Horizons. AmRest plans to triple sales within the next three years, after boosting them by 41.7 percent in the third quarter last year from a year earlier. It was ranked 9th in the Top 10 Growth Makers, thanks to average sales growth of 25.9 percent in 2006, said Paweł Kudzia, a PR manager at the company. Last year, AmRest started investments which helped boost its share of the European market. It launched Burger King in Poland, started restaurants in Serbia and Bulgaria, took over KFC restaurants in Russia and signed a memorandum on buying 180 Russian restaurants called Kroshka-Karkoshka. It also signed a contract with Starbucks and will be opening its bars this year in Poland and the Czech Republic.

Petrolinvest Negotiating Purchase of New Extraction Firm

Puls Biznesu p. 8, January 2 2008

The recent withdrawal of Petrolinvest from its plans to purchase oil extraction companies in Russia does not mean that the Polish enterprise has given up on the idea. According to unofficial information, the situation is exactly the opposite. "Petrolinvest is in advanced talks regarding the purchase of a stake in an extraction firm located in one of the regions it has been interested in," says Puls Biznesu's source in the company. This could mean either Russia or Kazakhstan. Apart from planning future acquisitions, Petrolinvest is still making exploratory boreholes in its Russian and Kazakh oil deposits, including the most promising of them - the Zubantam oil field. According to one representative of the Polish enterprise, the sale of oil from this field is to begin in March or April. Forecasts from autumn 2007 say that Zubantam holds around 1.2 billion barrels of oil; however, according to unconfirmed information, only about 250 million barrels are actually extractable.

Prosecutor and Secret Service Probe Shipyards' Contracts

Puls Biznesu p. 6, January 3 2008

The Internal Security Agency (ABW) and a prosecutor are trying to establish who is responsible for the financial losses of the shipyards in Szczecin, Gdańsk and Gdynia. The Treasury Ministry said in its opening report that Stocznia Szczecińska Nowa

(SSN) has 30 contracts, with 28 of them generating as much as \$15m per ship. SSN CEO Artur Trzeciakowski admitted he had filed notice to the prosecutor. However, representatives of the management board, which had signed those contracts, feel no guilt. "The prices were in line with market trends," said former CEO Andrzej Stachura. "Steel prices rose, the U.S. dollar exchange rate fell." The contracts signed by Andrzej Buczkowski, former deputy CEO of Stocznia Gdynia, are also being scrutinized by the ABW. Buczkowski claims he was authorized by the management and supervisory boards to sign them. Additionally, the restructuring program of the shipyard is also under scrutiny.

2007: Record-Breaking Year for Polish Stock Market

Rzeczpospolita p. B1, December 31 2007

According to data collected by Rzeczpospolita daily, in 2007 domestic companies listed on the WSE obtained nearly PLN7bn from share sales, thus setting a new record. Around PLN3.8bn of that amount went to stock market veterans, with domestic and foreign firms debuting on the Polish bourse collecting around PLN3.2bn and over PLN2bn, respectively. In total, the value of share offerings conducted on the WSE during the previous year amounted to around PLN11.9bn. Last year also saw a record number of WSE debuts, with the number of newcomers to the market reaching 80 firms. Twelve of them were foreign, with the biggest IPO having been conducted by Austrian property developer Immoeast. Among domestic private companies, the biggest gains from share issues were collected by LC Corp, J.W. Construction and Pol-Aqua. The year ended on a high note with the debut of Italian financial giant UniCredit, which has become the biggest enterprise listed on the WSE.

Deutsche Telecom Wants PLN14bn

Parkiet p. 11, January 3 2008

Companies from the Deutsche Telecom (DT) group, T-Mobile Deutschland and T-Mobile Poland, are demanding PLN2.137bn compensation from Elektrim each and have already sent the case to the arbitration court in Vienna. According to DT, the owner of the Era mobile operator, PTC, was to suffer PLN14bn losses due to the fact that representatives of Elektrim Telekomunikacja (also called Telco) and the French company Vivendi joined the board of PTC, not allowing DT to implement its new strategy for PTC. DT supports its case by citing a report from a London-based firm PA Strategy Partners, according to which the operator would have been worth PLN22.95bn last year, instead of PLN13.95bn. The difference in value would follow from the short-term strategy implemented by Vivendi and Telco. If the strategy of DT had been implemented, Era operator's market share would have shrunk only by 4.9 percent instead of 10.1 percent from 2000 to 2006 (down to 34.2 percent). Elektrim did not comment on DT's claims.

Editor-in-Chief: Ewa Szczęsna; **MSZ Supplement Editor:** Alicja Minda;

PNB Company - Sp. z o.o., ul. Lenartowicza 34, 02-614 Warsaw, Poland; tel. (48-22) 847 52 56; fax (48-22) 847 52 57; web: www.pnb.pl; e-mail: pnb@pnb.pl; sales: sales@pnb.pl;

For further information and free trial subscription of PNB publications, please contact us at pnb@pnb.pl or call (48)22-847-52-56.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form, by any means, including mechanical, electronic or photocopying, without written permission of the Publisher. No legal responsibility is accepted for any errors or omissions or misleading statements, however caused, in either source or final texts.