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NATIONAL NEWS

Gov't Faces Pay Rise Demands

Rzeczpospolita p. A1 and A4, January 19-20 2008

Friday saw a 12,000-strong demonstration by teachers who came to Warsaw to demand better pay. Education Minister Katarzyna Hall, who met with the protesters' representatives, argued that the government had already expanded the scale of teachers' pay rises, from the 3.3 percent prescribed in the budget to 10 percent. Apart from more satisfactory remuneration, the teachers unions called for the right to early retirement and opposed the proposed changes to the method of dividing the state subsidy for education between local governments. PM Donald Tusk's head advisor Michał Boni went out to meet with the unions. According to Polish Teachers Union President Sławomir Boniarz, the two sides settled that the government would present its proposed solutions to the early retirement question. Not only teachers are calling for pay rises. Nurses plan to picket in Warsaw on Monday. As much as ZŁ11bn is needed to satisfy the demands of nurses and doctors.

Poland Starts to Appease Russia Ahead of Decision on US Shield

Dziennik p. 4, January 21 2008

Today, Foreign Minister Radosław Sikorski is on an official visit to Moscow. His mission is to start defusing tension with the Kremlin over US plans to deploy an anti-missile shield on Polish territory. Sikorski is supposed to meet with Russian Foreign Minister Sergei Lavrov and President Vladimir Putin's spokesman for EU affairs, Sergei Jastrzembki. He will try and prepare them for Poland's possible "yes" to the US plan. The mission will be continued by PM Donald Tusk, whose visit to Moscow is due on 8 February. Meanwhile, on 1 February US Secretary of State Condoleezza Rice is supposed to tell Sikorski whether Washington will agree to equip Poland with the Patriot defence system in exchange for the anti-missile shield. Polish diplomatic sources stress that Warsaw and Washington agree in their assessments of the military threat to Poland from Russia. They expect the US government to offer very advantageous agreement conditions.

US Assurances Regarding Shield

tvn24.pl, January 17 2008

National Defence Minister Bogdan Klich, who has just returned from an official visit to Washington to discuss the US anti-missile shield, has stated that the US government confirmed it

wanted to deploy on Polish territory ten missile launchers, and was ready to meet Poland's demands. Klich also played down the significance of the Pentagon representatives' critical comments, which recently spilled into the media. He said he presented the US government with Poland's new stance, in which the country's safety was the most important element. Poland will stand by its position that the Americans equip the country with medium-range missiles. Concerning doubts over whether the area on which the shield will possibly be deployed would be Polish or US territory, Klich decisively stated that the US would not infringe Poland's sovereignty.

Miners' Wives Arrive in Warsaw

tvn24.pl and Gazeta.pl, January 16 2008

The conflict at the Budryk mine over salary issues continues to escalate. On 16 January, the wives of the striking miners came to Warsaw to force Economy Minister Waldemar Pawlak to meet with a representative of the strike committee. "We want Pawlak to become aware of the actual situation in the company, learn about the real reasons behind the conflict and hear proposals for its resolution," said one of them. Meanwhile, Pawlak is not actually in Warsaw, choosing to comment on the issue from Lublin. "We are no longer living in a communist reality. Trade union activists should not use women to push through their demands," he stated. In these circumstances, three of the protesting women decided to meet with First Lady Maria Kaczyńska. So far, 150 miners have gone on an underground strike; six of them are also holding a hunger strike.

Sun Setting on Polish Left?

Rzeczpospolita p. A1, January 18 2008

According to the most recent public opinion poll carried out by GfK Polonia for *Rzeczpospolita* daily, support for the Left and Democrats (LiD) coalition has melted from 13 percent three months ago to 4 percent at present. Political scientists wonder whether the steep fall in support augurs the party's downfall. According to Kazimierz Kik of the Świętokrzyska Academy, the LiD has no future. "The Polish left will not be able to raise itself from this fall for several years," he says. He is also confident that the trend will continue. The crisis is compounded by the majority of the media's dislike of the left. Jarosław Flis of the Jagiellonian University, in turn, does not expect left-wing parties to disappear completely from the political scene. He points out, however, that the conflict between the executives of the Democratic Left Alliance (SLD) - Wojciech Olejniczak and Grzegorz Napieralski - is not helping.

Russian Embargo Partly Lifted

Gazeta.pl, January 20 2008

Late in the evening of 18 January, Polish Agriculture Minister Marek Sawicki and his Russian counterpart Alexei Gordeyev signed an agreement regarding the recognition of Polish sanitary certificates by Russia. "It is an important step forward in the relations between our countries. Full success will be achieved when the European Commission reaches a separate agreement regarding the issue with Moscow, as it will re-open the Russian market to all Polish agricultural products," says Sawicki. According to Małgorzata Książczyk from the Polish Agricultural Ministry's press office, the agreement reached on Friday concerns certificates issued for agricultural produce used for animal feed and industrial purposes. She also explains that it does not concern food safety issues, which due to earlier agreements have to be handled separately by the EC and Russia.

Slower Industrial Production Growth

Rzeczpospolita p. B1, January 19-20 2008

December 2007 saw a considerable slowdown in industrial production growth. According to data collected by the Central Statistical Office (GUS), in the last month of the year it was only 6.2 percent higher than in the respective period of 2006. While according to expectations the figure was to exceed 8 percent, economists remain calm, stressing that it could have been just an odd fluctuation. "I would not treat this data as a sign of an economic slowdown. I predict that in Q4 of 2007 GDP rose 6.3 percent year-on-year, with total GDP growth last year amounting to 6.6 percent," says BPH Chief Economist Ryszard Petru. Meanwhile, on 18 January the central bank (NBP) presented a rather positive forecast regarding exports, which in November 2007 are believed to have been 12-percent higher than in the respective month of 2006. Its experts stress that while imports are growing even faster, the situation remains under control.

Government Plans to Spend Less

Rzeczpospolita p. B1, January 18 2008

Radical spending cuts are needed to realise one of the most important goals which Donald Tusk's government has set: to lower the public sector deficit to 1 percent of GDP by the end of this parliamentary term, said Deputy Finance Minister Katarzyna Zajdel-Kurowska. The autumn update of the convergence programme does not include the 2011 estimates. However, the budget deficit in 2010 is planned at 2.5 percent of GDP, 2.8 percent in 2009, and 3 percent in 2008. Now these forecasts may be lowered. The new updated version will be sent to the European Commission in the spring. Zajdel-Kurowska says the ministry has to evaluate the risk associated with inflation and slower economic growth. Earlier, Deputy Finance Minister Stanisław Gomułka announced the lowering of the share of fixed costs from 70 to 50 percent, mainly thanks to professional activation of so-called young pensioners. The ministry is looking for further means to cut spending, so as to achieve a budget surplus in 2011.

2008 to See Continued Salary Growth

Puls Biznesu p. 6, January 17 2008

According to data collected by the Central Statistical Office (GUS), in December 2007 the average gross salary amounted to ZŁ3,246, which constitutes a 5-percent month-on-month rise and a 7.2-percent year-on-year increase. The latter figure was a surprise to many economists, given that the average wage in late 2007 was at least 10-percent higher than in 2006. Nonetheless, most analysts believe the December result to be a one-off and forecast a 12-percent pay rise in 2008. "The lower-than-expected salary growth in December 2007 was connected to the fact that miners received their bonuses one month earlier than in 2006," explains Bank BPH economist Maja Goettig. Meanwhile, Fortis Bank Chief Economist Marcin Mróz predicts that while particular months may show a two-digit year-on-year average salary growth, in the whole of 2008 wages will rise 8-9 percent.

Higher Energy Prices

Rzeczpospolita p. B1, January 17 2008

Today or tomorrow the head of energy regulator the URE will accept new energy tariffs. According to unofficial sources, new prices will come into effect on 1 February and prices will rise on average by 12-13 percent. The rise will be the largest for many years. As a result, the energy spending of the average household will increase by ZŁ80 per year. Clients of the Warsaw energy company RWE Stoen have been paying higher prices since the beginning of the year - Stoen did not send its tariffs for approval to the URE, as its former head Andrzej Szafrński did away with the duty to send tariffs for acceptance. That decision cost him his post and the present URE head has returned to the duty of accepting tariffs. The URE may impose a ZŁ120m fine on Stoen, but the company plans to appeal. The URE is still negotiating with gas supplier PGNiG, which also intends to raise prices by 8-9 percent, but so far has failed to persuade the regulator.

Poland Opposes EU Plan to Cut CO2 Emissions

Gazeta Wyborcza p. 22, January 21 2008

Poland is the strongest opponent of the European Commission (EC)'s plan to revise energy law, which includes a reduction in carbon-dioxide emissions. The new regulations would allow a 20-percent decrease in emissions by European Union members through 2020. The EC estimates that the reduction within 12 years could be obtained by boosting the share of energy generated from renewable sources, reform of the emission allowances trading system and abolishing the national barriers in eco-energy trading. Poland is among the group of EU countries which plan to boycott the plan. Gazeta cites the list of arguments which the government plans to use as its objection. First, Poland opposes the limit on the recommended share for renewable energy in total consumption and wants it between 11 and 13 percent. Second, the country wants the EC to consider the outlook for renewable energy and not GDP and it also criticises the existing limits on CO2 emissions.

Ice Melting Between Treasury and Eureko

Gazeta.pl, January 17 2008

Following a three-hour meeting with representatives of minority PZU shareholder Eureko, the Treasury issued a communique announcing that the two parties intend to reach a compromise in their conflict over Eureko's presence in the insurer. The communique states that a group has been established whose task will be to prepare a document defining the methods and schedule of drafting the final agreement between the conflicted sides. It also reveals that the Treasury is willing to end the dispute on the condition that the agreement is reached in a Polish court. Meanwhile, Eureko has not objected to the invitation of the European Bank for Reconstruction and Development (EBRD) to prepare its own plan for settling the dispute over PZU, at the same time stressing that in order to be implemented, the EBRD's solution will have to be accepted both by the Dutch company and the Treasury. In the opinion of Eureko Polska CEO Michał Nastula, the meeting was a step in the right direction.

Petrolinvest Oil Field Contains at Least 1bn Barrels

Puls Biznesu p. 13, January 18 2008

Today, Ryszard Krauze's Petrolinvest will publish a report concerning its oil fields in Russia and Kazakhstan. The report was prepared by Canadian company McDaniel & Associates Consultants. According to unofficial information, two fields in Kazakhstan are estimated to yield more than 1bn barrels. Sources say the fields, which belong to Capital Energy (Petrolinvest subsidiary), hold another 300m barrels. Meanwhile, fields in Russia are rather small and usually do not exceed several dozen million barrels. Petrolinvest took over all EmbaJugNieft shares, bought 98.8 percent of Occidental Resources and took over 100 percent of Capital Energy shares. Petrolinvest announced that its potential extraction capacity has thus increased by 130 percent. Petrolinvest stressed its recent acquisitions are among the largest transactions performed by Polish companies abroad. The company decided to buy shares of the three companies in exchange for its own new shares, worth more ZŁ1.2bn.

Jan Kulczyk Looking for Oil

Puls Biznesu p. 4, January 17 2008

In July 2007, Kulczyk Investment House (KIH) bought 39 percent of Loon Energy (LE), an exploration-extraction company listed on the stock exchange in Toronto. LE owns several oil licenses on various continents. Preparations for extraction are underway in Brunei, Syria, Columbia and Peru. This means hundreds of millions of oil barrels for LE. In comparison, PKN Or-

len processes some 90m barrels annually. In Brunei, close to the LE field, new natural gas depots were confirmed in November 2007. KIH bought LE because it was undervalued and held licenses in many countries. It also employs a number of experts in the field of oil extraction. While there are no official plans for LE to debut on the WSE, KIH managing director Manoj Narendar Madnani says it is possible that LE shares will be launched on other trading floor besides Toronto; then Warsaw will be taken into account. Kluczyk's investments in the oil and gas sector resemble Ryszard Krauze's recent involvement in Kazakhstan.

Mysterious Gibson Group Buys Silesia

Puls Biznesu p. 8, January 17 2008

Kompania Węglowa, Poland's biggest coal producer, is selling the Czechowice-Dziedzice Silesia mine, which has been generating losses for several years now. The official announcement on who won the tender is expected any day, but the element of surprise is nearly eliminated due to the fact that there has only been one bid for the mine - that of Scotland's Gibson Group. The offer price was set at ZŁ111.5m, but Puls Biznesu has discovered that Gibson offered a lot more. It has also declared that it would invest \$100-150m in the mine, which has Poland's second biggest coal reserves - 500m tonnes. Can the Scottish firm, whose issue capital totals a paltry ZŁ500, afford this investment effort? Apparently, yes, since the money has already been siphoned into its account. According to Gibson spokesman Zbigniew Wasilkowski, the means are the firm's own. There is very little information available about the company, but a reliable, anonymous source suggested that it may be controlled by Russians, especially since until May 2005 its name was The UK Russian Company.

National Mail Privatised by 2013

Puls Biznesu p. 13, January 21 2008

Transforming Poland's national postal service Poczta Polska has proven too big a task for several governments. Now it is up to Donald Tusk's team to pass a commercialisation bill that would allow the privatisation of the gargantuan state-owned company. The draft bill was due for verification by the cabinet in January, but it has already been postponed. "I first want to get acquainted with the situation, talk with the company's management and unions," explains Deputy Infrastructure Minister Maciej Jankowski, who is responsible for the sector. At this stage, the ministry is planning to pass the bill before the end of the year, which would see Poczta enter the WSE in 2010 at the earliest, freeing the mail market for packages up to 50g by 2013. Poczta Polska is currently Poland's largest employer, with its 100,000 strong workforce represented by 45 trade unions - known for their efficiency, they will play an important role in the commercialisation of Poczta.

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