

# **MSZ** Supplement

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## **NATIONAL NEWS**

### **President Suddenly Summons Sikorski**

*Dziennik p. 1 and Gazeta Wyborcza p. 1, January 29 2008*

While attending an important meeting with other EU foreign ministers in Brussels, Polish head of diplomacy Radosław Sikorski was urgently summoned to Warsaw by President Lech Kaczyński, who refused to discuss the issue over the phone. Sikorski arrived at the Presidential Palace at 9 pm and left one and a half hours later. In a communique issued following the meeting, the Chancellery of the President announced that it concerned the basic guidelines of Polish foreign policy and was tied to Sikorski's visits to the US and approaching visit to Ukraine. Sikorski did not comment on the issue at all after leaving the Presidential Palace. Most commentators have no doubt that the incident was yet another episode in the power game between the Foreign Ministry and Kaczyński.

### **Nationwide Protest to Paralyse Poland?**

*Gazeta Wyborcza p. 1, January 30 2008*

At a press conference held on 29 January, Solidarność trade union head Janusz Śniadek announced that due to the government's failure to react to its appeal to commence negotiations regarding salary rises in the public sector, the union will begin preparations for a nationwide protest. "We will consult the issue with trade union representatives in order to decide whether to organise a demonstration in Warsaw or regional protests," he said. Despite receiving assurances from Labour Minister Jolanta Fedak that the public sector's salary demands would soon be discussed by the Trilateral Committee, Śniadek refused to call off the consultations. While he demands that the government guarantee the public sector annual wage rises dependent on current GDP growth, Sejm Public Finance Committee head Zbigniew Chlebowski has already announced that such a solution is impossible.

### **ABW Head Responds With Lawsuit to Newspaper's Accusations**

*Rzeczpospolita p. A3, January 29 2008*

In a recently published article, *Rzeczpospolita* daily suggested that new Internal Security Agency (ABW) head Krzysztof Bondaryk had undertaken efforts to protect his brother Marek from facing prosecution for smuggling gold in the mid-1990's. According to the newspaper, he stood behind the dismissal of prosec-

utor Sławomir Luks, who headed the case. *Rzeczpospolita* stresses that Luks was dismissed by the present Justice Minister Zbigniew Cwiakalski. The title also claims that the entire smuggling scheme could not have been successful without support from the special services, pointing out that at the time, Krzysztof Bondaryk was head of the Office of State Protection (UOP). Commenting on the article, ABW issued a statement denying any involvement of its head in Luks's dismissal, which was later followed by a lawsuit against its author and the entire editorial staff of *Rzeczpospolita*.

### **Ukraine Concerned with Situation on Border Crossings with Poland**

*Gazeta Wyborcza p. 8, January 30 2008*

On 29 January, Polish head of diplomacy Radosław Sikorski arrived in Kiev, where he met his Ukrainian counterpart Volodymyr Ohryzko and President Viktor Yushchenko. Their talks revolved mainly around the problems with trans-border traffic created by Poland's recent entry to the Schengen zone. Commenting on the issue, Sikorski and Ohryzko announced that they are currently preparing an agreement facilitating movement across the Polish-Ukrainian border, which should be signed in early February. Despite the difficult situation on the border, for which the blame falls mainly on Poland, the politicians have on several occasions stressed that relations between the two countries remain positive, with Yushchenko having announced that 2008 will be the year of the most intensive diplomatic co-operation between Warsaw and Kiev so far. He also thanked Poland for supporting Ukraine's ambitions to join the EU and NATO.

### **PiS Begins Battle for Intellectuals**

*Gazeta.pl, January 28 2008*

During his meeting with representatives of Cracow's academic circles, Law and Justice (PiS) leader Jarosław Kaczyński announced that his party will launch a campaign to increase its popularity among intellectuals. "This meeting is the first step on our road to convincing Poland's intellectual elite that it is represented in the PiS and that this representation plays a very important role in the party," he said. Kaczyński also spoke about a "gigantic misunderstanding," as a result of which the PiS, despite being a pro-intellectual political movement, has been successfully presented to the public as exactly the opposite. "Our great task for the present is to reverse this situation," he stated. During the meeting, the PiS leader also stressed that one of his party's aims is to increase expenditure on science, art and culture.

## EU Parliament to Assess Nord Stream Pipeline

*Rzeczpospolita p. B1, January 29 2008*

The European Parliament is to hold a public meeting today on the environmental and economic consequences of the planned construction of the Nord Stream Pipeline under the Baltic Sea. The initiator of the hearing is the Petitions Committee headed by MEP Marcin Libicki. EU Environment Commissioner Stavros Dima and Energy Commissioner Andris Piebalgs will participate in the hearing. Representatives of the construction consortium Nord Stream have also been invited. This public hearing is important in the context of the planned report on the environmental impact of the pipeline and the upcoming debate in the European Parliament, says Libicki. Poland is not the only country which voices its reservations towards the Baltic pipeline - the governments of Sweden, Finland and Lithuania has also expressed their disapproval.

## Customs Strike May Hurt Economy

*Puls Biznesu p. 6, January 29 2008*

The customs strike has paralysed Poland's foreign exchange trade, blocked the production process at many companies and caused financial losses to companies which pay for stocking goods and delivery delays. The Association of International Road Transport Carriers in Poland (ZMPD) estimates that as many as 5,000 trucks queued yesterday at customs on Poland's eastern border. The customs at sea ports and airports have been stopped by the striking officials almost entirely. "The production process at our factory is based on just-in-time supplies, which means that the components are delivered directly to an assembly belt," says Grzegorz Górski of Toyota Motor Manufacturing Poland, which makes car engines in Wałbrzych. Tomasz Buraś, head of DHL Express Polska, said that not only carriers may suffer, but exporters from the Far East may also quit sales to Poland.

## Balcerowicz Calls for Spending Cuts

*Gazeta Wyborcza pp. 18-19, January 29 2008*

Former National Bank of Poland Governor and Finance Minister Leszek Balcerowicz says that Poland should meet the requirements for euro adoption as soon as possible, in order to balance the budget and turn the deficit into a surplus. "I never said that we should adopt the euro as quickly as possible - rather, that we should meet the Maastricht criteria as quickly as possible, as Poland needs this regardless of whether and when we adopt the euro," Balcerowicz told *Gazeta Wyborcza*. The former central banker claims that public spending should rise at a slower pace than the economy, given that Poland's public debt nears 50 percent of GDP and annual spending accounts for 45 percent of GDP. "Sound public finances are beneficial mostly for jobless people, as they allow stable economic growth, which anybody can take advantage of," he said. Balcerowicz said that only lower spending will allow the government to cut taxes and narrow the budget gap. He also called for wage discipline.

## Revenue Office Employees Want Raises Too

*Puls Biznesu p. 8, January 30 2008*

Businesses are still feeling the effects of the customs officers' protest on Poland's eastern border. More trouble is brewing. Revenue office employees are threatening to strike, if the PM disregards their demands. They say that for many years they have been victims of neglect. They want raises and reform of the tax system. Revenue office unions have prepared a list of demands, which include implementation of a plan which will lead to raising average salaries to PLN5,000 within two years, higher bonuses, rationalisation of posts, improved working conditions, additional funds for outsourcing, additional holiday time and more training courses. Although the law forbids revenue office employees from striking, the unions say that clerks could suddenly "fall ill." At this time of the year, Poles file their annual tax reports. Such a form of protest could lead to turmoil.

## NBP: Polish Companies Expect Favourable Business Cycle

*Gazeta.pl, January 28 2008*

According to the statement published on Monday by the National Bank of Poland (NBP), the situation in private business enterprises in the fourth quarter of 2007 and the forecasts for the first quarter of 2008 suggest that a favourable economic situation will prevail. Meanwhile, the Central Statistic Office (GUS) announced that the indexes of consumer trust decreased in January. In its summary, the NBP pointed out that, despite the uncertainty regarding the future economic trends, those surveyed were also highly optimistic. The optimism was mainly expressed by construction companies, but also public enterprises, including mining companies and the energy sector. The main problem which they mentioned were the expected increases in raw material and production prices, as well as workers' wages. In Q1 most companies are planning to increase their investments, but the pace could slow down in the later quarters.

## LiD Wants Tax Abolition for Poles Living Abroad

*Gazeta.pl, January 29 2008*

Left and Democrats (LiD) MPs submitted a bill proposing several changes to the tax system. They demand tax abolition for Poles working abroad, as well as VAT imposed on donations for public service organisations. According to the project, Poles working abroad, including those in England and Ireland, in the years 2002-2006, would be exempt from income tax in Poland. Those who have already paid the tax would be entitled to a return. The LiD wants the new regulations to come into force before the end of 2008. "Our aim is to encourage young people to return to Poland and invest the money they earned abroad," said deputy LiD head Marek Borowski. He emphasised that double taxation is one of the main factors discouraging people from returning. The other project proposes that donations for charity organisations be exempt from VAT.

## Stocznia Gdańsk May Lose Investor

*Gazeta Wyborcza p. 20, January 30 2008*

At the end of 2007, ISD bought state-owned Stocznia Gdańsk (SG) for about PLN400m. The privatisation came as a surprise: despite a boom on the shipyard market, state-owned ship builders in Poland keep bringing losses. ISD Polska President Konstanty Litwinow said that his company knows how to make a profit. The only problem remaining concerned state aid. Since 2005, SG has been under the European Commission's scrutiny in connection with state aid, for example in the form of loan guarantees. The EC is of the opinion that SG should either limit its output or pay back the money. ISD and Treasury Ministry representatives went to Brussels, where they were given a choice: either close down two out of three ships; or pay back PLN700m. The Polish delegation was surprised: according to earlier estimates, SG would have to pay back between PLN30m and PLN106m. ISD's spokesman said the Ukrainians feel cheated and may consider withdrawing from the transaction.

## PKO BP Willing to Buy Citigroup Corporate Unit

*Parkiet pp. 2-3, January 30 2008*

Rafał Juszczak, CEO of PKO BP, said that his bank would be interested in acquisition of the corporate part of Citigroup's Bank Handlowy, if it was on sale. The speculation on the sale of Citigroup's Polish unit arose following the parent company's financial losses due to the mortgage crisis in the U.S. Jonathan Wodier, a spokesperson for Citigroup Europe, declines to comment on rumours, calling them only market speculation. Still, unofficially not only PKO BP would be willing to buy the Polish bank. BZ WBK and ING Bank Śląski are also allegedly interested. Marta Jeżewska, an analyst at DI BRE Bank, said that Spanish banks may bid for Citibank. Bank Handlowy is the second largest unit of Citigroup in Europe. It may post PLN800m net income this year, according to analysts. Experts forecast that Citigroup will not sell the entire Polish unit, but only a corporate business, which may be worth as much as PLN9bn.

## Czech CEO Arrested in Poland While Bribing KW Deputy Chief

*Puls Biznesu pp. 4-5, January 30 2008*

A Katowice-based prosecutor has arrested Roman V., the CEO of Czech company Tchas Trade from Ostrava, as he was trying to bribe Kompania Węglowa Deputy CEO Krzysztof Miśka, who formerly worked for Poland's UOP security services. Tchas Trade was an intermediary for Czech giant CEZ. It was delivering to CEZ 1.1 million tonnes of Polish coal per year, with 0.8 million tonnes from Kompania Węglowa. Miśka, who is in charge of trade at Kompania, wanted to break the contract with

Tchas, claiming that it is unprofitable. The Czech ambassador filed a written complaint to President Lech Kaczyński, protesting against Miśka's decision. Still, as a result of negotiations Tchas and Kompania agreed to end co-operation as of March 2008. Roman V. tried to bribe Miśka with EUR400,000 to continue co-operation and paid him an initial EUR5,000 in November last year. "It wasn't a secret that I worked for the state security office in the past," said Miśka. "I'm surprised someone dared to bribe me."

## Investment Protection for TPSA?

*Puls Biznesu p. 8, January 29 2008*

Two weeks ago, representatives of telecom TPSA declared the company would construct a new-generation network (NGN), if the investment was protected by law, which would guarantee economic viability. The announcement enraged alternative operators, who believed it was an attempt to thwart plans to divide TPSA. The director of the information office at the Infrastructure Ministry, Teresa Jankutowicz, said that the ministry will consider this proposal in amending the telecommunication law, as well as any other which will contribute to the development of telecommunication infrastructure. Deputy Infrastructure Minister Andrzej Panasiuk met with operators and telecoms on 11 January and, surprisingly, alternative operators said that it might be possible to find a solution which would satisfy all parties. Nevertheless, investment protection for TPSA might reinforce the company's monopoly and hamper market development. Another problem is that the European Commission might bring a case against Poland to the European Court of Justice, as it did with Germany for implementing a similar solution.

## KGHM Costs May Rise This Year by PLN200m on Wage Increase

*Parkiet p. 8, January 29 2008*

The labour unions of KGHM are demanding a 15-percent pay rise, which would amount to a monthly increase of PLN350. The increase would lift the company's labour costs by PLN200m to an estimated PLN3.68bn this year. The management board is offering a 4.1-percent pay rise. "Fifteen percent is a lot, given the average wage level at KGHM, which is twice as much as the average salary in Poland," said Krzysztof Kaczmarczyk, an analyst at Deutsche Bank. The unions do not believe in a compromise, citing their failure last year to obtain a 10-percent rise. They now threaten a strike. The situation is complicated, as the company is temporarily headed by acting CEO Ireneusz Reszczyński, who may not be willing to take any binding decisions. Grzegorz Lityński, an analyst at KBC Securities, said the rise is unlikely, as the company has strong arguments to oppose wage demands due to weakening dollar and copper prices, which will trim this year's profits.

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