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NATIONAL NEWS

US Will Modernise Polish Army

Gazeta.pl, March 10 2008

During his meeting with PM Donald Tusk, President George W. Bush thanked Poles for their efforts during the intervention in Iraq and Afghanistan. Tusk said the main topic of discussion was the anti-missile shield, adding that Bush was very understanding of the demands of the Polish side. The US side made several declarations, promising to modernise the Polish armed forces - Bush gave assurances that he would see to it that all its needs are fulfilled before he leaves office, voicing his intent to take responsibility for the political consequences of the decision. Bush also declared that he understands why Poles are frustrated by the decision of Congress to retain the visa obligation for their country. He said that if Poland fulfills the minimum criteria, his administration will abolish the obligation instantly.

Sikorski: Tusk Achieved Everything He Could and More

Gazeta.pl and tvn24.pl, March 11 2008; Dziennik p. 4, March 12 2008

According to Foreign Minister Radosław Sikorski, during his meeting with George W. Bush, PM Donald Tusk achieved more than could be achieved. Sikorski also reveals that Bush promised to modernise the Polish army in return for Warsaw's consent to locating the US anti-missile shield on Polish territory. Moreover, the White House is supposed to persuade Russia to accept the project. Commenting on the issue, Michał Kamiński from the Chancellery of President Lech Kaczyński stresses that it is a good thing that the present government no longer denies the sense of establishing the US shield in Poland. Meanwhile, in the opinion of German daily *Süddeutsche Zeitung*, the Polish PM has achieved much more than his predecessor; on the other hand, *Der Tagesspiegel* writes that in reality Bush has not promised Tusk anything.

Tusk Promises to Solve Jewish Property Restitution Problem

tvn24.pl, March 11 2008

During his meeting with representatives of Jewish organisations in New York, PM Donald Tusk promised that the problem of restitution of private Jewish property in Poland will be solved by the end of the year. The operation is to concern all Jews who received Polish citizenship and were born before 1939, with re-

lated procedures to be very simple. According to PM's Chancellery head Sławomir Nowak, the government should complete its work on the relevant draft bill in the spring, so that the document could be presented to the Sejm by autumn. Tusk expressed his belief that the bill would be signed by President Lech Kaczyński. At the same time, he stressed that Poland will not be able to satisfy the claims demanding restitution of a large share of the property's value.

Foreign Ministry Has New Eastern Affairs Expert

Gazeta Wyborcza p. 5, March 12 2008

Professional diplomat Andrzej Kremer is the new deputy foreign minister responsible for Eastern affairs. According to unofficial information, Andrzej Grajewski put forward too-stiff conditions. The Foreign Ministry spokesman confirms the news about Kremer's nomination. He is probably the longest-awaited deputy minister in Radosław Sikorski's ministry. The foreign minister has been looking for an appropriate candidate since last autumn. So far, Grażyna Bernatowicz, who is an EU expert, also dealt with Eastern issues. Grajewski appeared in Antoni Macierewicz's report on Military Information Service (WSI) agents. Kremer is less controversial. He is described as a typical diplomat without political ambitions. However, he does have diplomatic experience. He used to be a general consul in Hamburg.

Kwaśniewski as MEP?

Rzeczpospolita p. A3, March 11 2008

It is still not known when the elections for the European Parliament (EP) will be held and how the MEPs will be elected, but political parties are already starting their preparations. However, they are reluctant to name any candidates. "We are currently only thinking of the selection procedure," says Civic Platform (PO) MP Grzegorz Dolniak. His party intends to propose several important changes to European electoral law, including the idea to treat the whole country as one constituency. Unofficially, Science Minister Barbara Kudrycka and Defence Minister Bogdan Klich are almost bound to be on their list. The left wing, in turn, is quite open about its intent to select former President Aleksander Kwaśniewski as their candidate. Even in Law and Justice (PiS) more and more MPs are considering standing for the EP, including former Justice and Defence Ministers Zbigniew Ziobro and Aleksander Szczygło. The elections could also be the last lifeline for those who failed to make it into the Sejm - namely, former Agriculture Minister Andrzej Lepper and former Sejm Speaker Marek Jurek.

Removal of Russian Embargo by End of Month?

Gazeta.pl, March 10 2008

According to Polskie Radio's source in Brussels, the European Commission (EC) has reached an agreement with Moscow that is to finally end Poland's problems in selling its agricultural products in Russia. The agreement is to be signed in the last two weeks of March. Should this scenario take place, there would be no more obstacles to Russia lifting the embargo on Polish vegetable food products, which would enable trade relations between the two countries to return to normal. Meanwhile, Polish sources reveal that the EU is very close to adopting a declaration concerning its energy security. Reportedly, in an eight-line declaration, there is only one more word that still needs to be agreed upon.

Poland Ready to Withdraw Veto on EU-Russian Negotiations

Gazeta Wyborcza p. 28, March 12 2008

Probably at the beginning of April, the EU will adopt a mandate for talks with Moscow about the new EU-Russia treaty. In this case, the talks could start before the June EU-Russia summit. So far, Poland has blocked adoption of the mandate, demanding that it also include declarations on energy matters. Apparently, negotiations on the Polish side are almost finished. Poland wants the mandate to include a statement that the EU expects countries to abide by "the same" principles as in the Energy Charter. The European Commission proposes the term "main" principles. The Energy Charter signed in 1994 includes regulations for investments in the energy sector. With this declaration, Poland wants to force the EU to show greater solidarity on energy matters. The second Polish condition for withdrawing the veto has also almost been realised. Russia has lifted its embargo on Polish meat products and partially lifted the ban on Polish fruit and vegetables.

Every Third Firm Increases Employment

Puls Biznesu p. 9, March 12 2008

Despite the phantom of economic decline looming over Europe, Polish companies are still prospering. According to research performed by Manpower, as many as one third of employers want to increase their staff numbers. Only 3 percent declare their intent to dismiss employees. "The results confirm that the situation on our job market is favourable," says General Director of Manpower Polska Iwona Janas. The mood seems to be the best in the construction sector, which might have been prompted by the start of the season. The high percentage of planned staff increases is also characteristic of firms from the mining and trade sectors. Workforce demand seems to be the lowest in energy, gas and plumbing sectors. "Working abroad stopped paying off," says PKO BP economist Karolina Sędzimir-Domanowska.

Labour Ministry Prepares Bridge Pension Act

Gazeta.pl, March 10 2008

So-called bridge pensions will only apply to those born between 1949 and 1968; they will later be abolished. The right to collect bridge pension benefits will be given to 130,000 people and the money will be paid from the Bridge Pension Fund. In the years 2009-2015, it would cost PLN670m. The ministry plans to submit the bill for public consultations in April, and the final version would be presented in June. "The maximum number of people receiving bridge pension benefits will reach 18,000 people a year and the costs in the years 2019-2026 will exceed PLN40m a year," states the ministry. Persons entitled to bridge pensions are those who worked in "specific conditions" for at least 15 years. According to *Gazeta Wyborcza* daily, the list of professions entitled to bridge pensions has been dramatically shortened compared to old provisions.

Merrill Lynch: Inflation in Poland May Exceed 5 Percent

Rzeczpospolita p. B7, March 11 2008

Investors fear that inflation and interest rates are growing. Merrill Lynch experts forecast that inflation in Poland will exceed 5 percent within three months. On Thursday, the Central Statistical Office (GUS) will announce the official inflation data for February. It will be the most important indication for the capital markets this week. Inflation forecasts average 4.6 percent year-on-year. Monetary Policy Council (RPP) member Prof. Dariusz Filar is of the opinion that the main reference rate will soon exceed 6 percent. It is almost certain that the RPP will continue raising interest rates. On Monday, for the first time since March 2005, the three-month WIBOR reached 6 percent. It has increased by 0.1 percentage points since the beginning of March and by 0.35 percentage points since the beginning of February. In January, inflation reached 4.3 percent.

Food Exports Reach EUR10bn

Wall Street Journal Polska, March 12 2008

Polish companies thrive on the world's growing demand for food. Polish food exports in 2007 grew by 18 percent, compared to 2006, and reached EUR10bn, says the report of the Agriculture and Food Economics Institute (IERiGŻ). According to IERiGŻ expert Wiesław Łopaciuk, this impressive performance was caused by high prices of resources and farm produce on foreign markets, as well as by Polish companies' growing expansion into EU markets. "EU countries received 81 percent of Polish agricultural exports. The EU is delighted with our products, which doubled our exports volume in the last three years," said Łopaciuk. Dairy products are one of Poland's export hits, bringing EUR1bn in 2007. Poultry is another success, with EUR587m gains, which is 40-percent growth year-on-year. Next year might not be that good, as the zloty is growing stronger and exports less profitable, farmers say. Experts say that despite this obstacle, Polish exports will continue to grow at 5-10 percent.

Private Equity Giants Set Eye on Poland

Rzeczpospolita p. B1, March 12 2008

According to Emerging Markets Private Equity Association, in 2007 private equity funds operating in Central Europe have gathered \$14.7bn for investment, out of which around EUR2bn they should spend in Poland. *Rzeczpospolita* daily writes that Advent International - one of the biggest private equity fund operating in the region - has begun preparations to launch a new fund called Abris, which will invest over EUR200m in Central European companies. Meanwhile, by the end of March Bridgepoint should complete the creation of its new fund, which will invest around EUR0.5bn in the region. Recently, Polish experts have joined other major funds, such as Montagu, 3I and Warburg Pincus, while rumour has it that Poland has attracted the attention of global giant Kohlberg Kravis Roberts. In the opinion of one investment banker, should the government decide to fully privatise companies such as PKN Orlen or PKO BP, it would not have any trouble completing the transaction.

WSE Ready for IPO

Parkiet p. 1, March 12 2008

The Sejm is expecting further details on the privatisation of the Warsaw Stock Exchange (GPW) from the Treasury Ministry (MSP). Today, it was announced by GPW and MSP representatives that the IPO should take place in Q3 or Q4 of 2008. The MSP will split its 48-percent share into two parts: one will be offered to private investors (19 percent); and the other to some pre-selected financial investors (29 percent). It is not known which financial institutions will be invited to participate in the offer. Neither Deputy Treasury Minister Michał Chyczewski, nor GPW President Ludwik Sobolewski share this knowledge. It is speculated that banks and brokerage houses, which already hold 1.18 percent of GPW shares, will not have a privileged position, but other "stable capital institutions might," Chyczewski said. Today, the Treasury holds 98.82 percent of the shares and the 48-percent stake may be worth PLN860m, according to last year's estimates. The second phase of GPW privatisation, should result in the Treasury holding 50.82 percent.

PGE Wants to Build Lubin Power Station for PLN1bn

Puls Biznesu online, March 10 2008

A new power station is to be built in the vicinity of Bogdanka mine for PLN10bn by Polska Grupa Energetyczna. Lubin power station is to consist of two blocks with 800 MW each. Construction is to start in two years and the station could open in 2015. The number of staff is to reach 300-400 people. According to PGE, the money needed for completing the investment will be

raised on the stock market. The Bogdanka mine will also be privatised through the WSE, which is to bring in money for exploiting the coal deposit in Stefanów and increasing capacity. PGE claims that in several years Poland might start to suffer from an energy crisis, so before 2010 the holding intends to build several new energy blocks in different places, with total power reaching 5,000 MW. PGE's subsidiary PGE Energia, which will be co-ordinating the company's main business line - energy distribution - officially started operating in Lubin..

Leroy Merlin to Invest PLN500m

Wall Street Journal Polska p. 5, March 11 2008

The French network of Leroy Merlin (LM) furnishing and decoration hypermarkets is planning to open 26 more stores in Poland in the next five years. "We estimate the market will grow by 11 percent annually in 2008-2009. We want to take advantage. This year alone, we will spend PLN500m on investments," said LM Corporate Director Anna Romaniecka-Mankiewicz. This operation will cost PLN2.5bn. According to the latest PMR report, sales in all stores offering products of this sort are growing fastest in these type of supermarkets. They grew by 33 percent in 2007 year on year. The planned sum of PLN500m will allow the opening of new locations in Zgorzelec, Świdnica, Opole and Gdańsk-Oliwa. 2009 will not only welcome Lublin, Cracow and other cities with new sites, but the company will also undergo the rebranding of three acquired Conforama stores. "We have also noticed that smaller towns need our supplies and we will invest there," said Mankiewicz. As experts estimate that the Polish real estate market still lacks 1.5-3m flats, hypermarkets specialising in redecoration and construction materials will have even more customers.

Naspers Buys Allegro

Gazeta.pl, March 10 2008

The South African consortium Naspers paid EUR1.5bn for the British company Tradus, which owns Polish online auction service Allegro.pl. The transaction took place on Friday. Official information appeared on Monday. Naspers already owns Polish instant messenger Gadu-Gadu. Tradus CEO Christian Unger says the company will continue taking decisions independently. This was one of the conditions for the transaction. According to Unger, independence means further dynamic growth of the company, whose crown jewel is Allegro.pl with 7.5m users. Along with its automotive and real-estate advertisement services, Allegro generates 75-80 percent of Tradus sales. Unger says the company is not planning to build another portal, which would be competition for Allegro. He adds that he would like Allegro to become the leading one-stop-shop address for Poles who do any sort of shopping. Although Allegro is not planning to compete with Polish Internet giants Merlin.pl or Empik.com, Unger does not rule out co-operation with the biggest players.

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