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NATIONAL NEWS

US Proposal: Poland and Russia Could Inspect Each Other's Bases

Rzeczpospolita p. A10, March 21 2008

American diplomats are attempting to persuade Russia to accept the deployment of the anti-missile shield on Polish and Czech territory. Washington has proposed that military attaches from the Russian embassies in Warsaw and Prague could monitor the American bases in Poland and the Czech Republic. In return, the two countries would have the right to inspect Russian bases. Details of respective agreements would be negotiated with the participation of Polish and Czech governments. PM Donald Tusk stated several days ago that he would not consent to a permanent Russian presence in military bases on Polish territory, but most experts agree that the solution put forward by Washington would be acceptable.

PM and President to Meet Next Week over Lisbon Treaty

Rzeczpospolita p. A4, March 21 2008

There are signs of a possible compromise between the Civic Platform (PO) and Law and Justice (PiS) over the EU Treaty. PM Donald Tusk and President Lech Kaczyński are supposed to meet and discuss the issue next week. It is possible that the two politicians will make some official decisions. According to Minister in the PM's Chancellery Rafał Grupański, the president is said to have a new proposal. Tusk, in turn, during Thursday's visit to Slovenia, declared that the ratification would take place before the end of the hosting country's presidency of the EU (mid-year), and maybe even before May 3, Poland's national holiday. According to *Rzeczpospolita's* findings, the ruling PO wants to offer the PiS to accept its postulates (the Ioannina compromise guarantee and the British Protocol) in the form of a preamble passed in the form of a Sejm resolution.

Five Years in Iraq

tvn24.pl, March 21 2008

In March 2003, despite the objection of the majority of Polish society, the executive powers of Poland decided to participate in the American Operation Iraqi Freedom. On 20 March the special military formation GROM stormed and took control of the port of Um Kasr. In appreciation of this success, the US ally granted Poland command of the South Central occupation zone as well as military bases in Diwani and Al-Kut. The official

nature of the Polish mission has changed from stabilisation to advisory-training. Also the size of the Polish contingent changed, decreasing from 2,500 soldiers to 900 presently. The last soldiers are to leave Iraq by November 2009. Weighing up the losses and gains of the Polish war effort in Iraq, Defence Minister Bogdan Klich pointed to the benefit of experience for the army. According to Foreign Minister Radosław Sikorski, any failure to make a stronger economic presence was not Poland's fault; it resulted from the internal conflict's escalation.

Dispute over Lisbon Treaty to Cause Rift in PiS?

Gazeta.pl and tvn24.pl, March 19 2008

There is growing unrest in the Law and Justice (PiS) party over its leader Jarosław Kaczyński's decision to vote against the ratification of the Lisbon Treaty by Poland should it not contain the preamble he had proposed. On 19 March, PiS MP Lucjan Karasiewicz announced that he will vote for ratification, while several other MPs, including popular PiS member Mariusz Kamiński expressed their hope for reaching a compromise that would enable them to do the same. Should the all the MPs of the Civic Platform (PO), the Polish Peasants Party (PSL) and the Left and Democrats (LiD) vote for ratification of the Treaty, they would need only six PiS MPs to do the same in order for the vote to be a success. Meanwhile, the PiS parliamentary caucus head Przemysław Gosiewski announced that there will be party discipline in the vote.

Largest Trade Unions Refuse to Sign White Summit Agreement

Gazeta.pl and tvn24.pl, March 19 2008

The largest and most influential trade unions - All Poland Professional Association of Doctors, All Poland Professional Association of Nurses and Midwives and NSZZ Solidarność - refused to sign a document recapping the "white summit's" work over the last two months. It recommends introducing a small payment for health care services, creating a system of additional health insurance policies and increasing spending on the health service by up to 6 percent of GDP. In the next few days the organisations participating in the summit will submit their reservations to the Sejm health committee. At the end of the summit, PM Donald Tusk announced a proposal to raise the health contribution by 1 percent in 2010. The former Health Minister Zbigniew Religa described the decision as "ridiculous", arguing that such a small change would be barely noticeable.

Polish Firms Made Gigantic Profits Last Year

Gazeta.pl, March 20 2008

Last year's performance by Polish companies employing at least 50 people was not affected by growing salaries or the strengthening national currency. In 2007, Polish firms reported PLN88bn net profits, improving the previous year's result by 26 percent, announced the Central Statistical Office (GUS). Enterprises managed to enhance their financial results owing to the fact that costs increased more slowly (14.1 percent) than revenue (14.6 percent). The fastest growth was reported in the construction sector (30 percent), healthcare (25.6 percent), property and firm service (23.4 percent) and trade and repair service (15.8 percent). According to Małgorzata Starczewska-Krzysztozek of the employers organisation PKPP Lewiatan, the data testify to the fact that the structure of Polish economy is changing; there is a shift from industry to services. In a record result for many years, firms lost only 93.8 percent of their revenue to costs.

Robust Industrial Production Surprises Analysts and Market

Gazeta.pl, March 19 2008

According to the Central Statistical Office (GUS), in February industrial production grew by 1.6 percent month-on-month and 14.9 percent year-on-year. Construction-and-assembly production grew by 25 percent in comparison to January, and by 20.7 percent in comparison to the same period last year. Sold production of industry increased in 26 out of 29 branches year-on-year. The data, combined with the information on PPI (3.2-percent increase), proved quite a surprise for the analysts, who claim that they may be equally surprising to the Monetary Policy Council (RPP), prompting it to make a quick response. They no longer have any doubts that the council will raise interest rates next week. In Invest Bank's head economist Jakub Borowski's view, the fast pace of production growth was largely due to increased production in the mining and processing industries.

Poland May Buy Gas from Ayatollahs

Gazeta.pl, March 19 2008

More and more European states are seeking alternative gas deliveries to become less dependant on Russian deliveries. PGNiG has decided to try its luck and has joined other countries in a bid for Iranian gas. Poland's natural gas monopoly signed, after few months of secret negotiations, a letter of intent with an Iranian Offshore Oil company on cooperating to extract Lavan island's gas deposits in the Persian Gulf. According to Stanisław Niedbalec, who was in charge of gas extraction on the PGNiG management board by mid March, these deposits contain between 240 billion and 400 billion cubic metres of gas. The extraction of Lavan deposits would cover all of Poland's gas consumption for at least 15-25 years. However, according to the Iranian media PGNiG would import about 3.7 billion cu m of LNG.

TETRA System for PLN4bn

Rzeczpospolita p. B6, March 21 2008

Within a few weeks Interior Minister Grzegorz Schetyna will present a blueprint of a communication system for the emergency services. Construction and maintenance costs of the system may reach PLN3,5-4bn in the next 12 years. In order for the system to be ready for the Euro 2012, the government has to take the decision this year and hold a tender at the beginning of 2009. Interior Ministry would like the system to be created by a consortium formed by the government, municipalities, telecoms and perhaps energy firms. There are opinions that the existing mobile phone network or CDMA radio network being constructed by TPSA could be used, which would be cheaper. Piotr Durbajło, director of communication and IT department at the ministry, says however that TETRA is the best solution. At the beginning of the present decade Motorola was to be the provider of the TETRA system as part of the offset programme for F-16 fighter jets, but the PLN5bn project turned out to be expensive and the government backed out.

Further Escalation of Conflict in Central Bank

Gazeta.pl, March 19 2008

According to PM Donald Tusk, the situation at the National Bank of Poland (NBP) is critical. "Thus far, there have never been worse relations between the Monetary Policy Council (RPP) and the president of NBP. We still do not know, or we do not want to speak publicly about the reasons for the dismissals of two deputy-heads," he said for TOK FM radio. He added that he discussed the issue with President Lech Kaczyński. At the beginning of March, the PM refused to nominate one of the candidates for new deputy head presented by NBP President Sławomir Skrzypek, Witold Koziński. Allegedly, Tusk has serious reservations to Koziński, on account of his interference with the competence of the RPP. Also experts are anxious about the situation in the NBP. PricewaterhouseCoopers head economist Witold Orłowski said that the conflict had a damaging effect on the bank's image and reputation.

GDP to Reach 6 Percent in 2008

Gazeta.pl, March 20 2008

The Economy Ministry is optimistic about GDP growth in Poland this year. According to its head Waldemar Pawlak, in 2008 the Polish economy will grow by 6 percent. "While there are certain risks tied to the high oil and food prices, the economy has stable foundations for further development," he says. Meanwhile Deputy Finance Minister Stanisław Gomułka expects the production output in March to be considerably lower than that observed in February. In his opinion, the high production output from last month was caused by several one-off factors. At the same time, the official believes that the most important problem for the Polish economy in the future may be inflation. "I assume that the inflation in 2009 and 2010 will be lower than this year. Still, it is difficult to forecast if the return to the inflation target set by the central bank at 2.5 percent is possible," he explains.

Poland Leaves Iraq Without Multi-Billion Contracts

Rzeczpospolita pp. B2-B3, March 20 2008

Polish troops are scheduled to leave Iraq by the end of this year following a five-year mission to help the U.S. in setting up a democracy after Saddam Hussein's dictatorship was abolished. Poland was among the most involved states in the U.S. offensive in Iraq, expecting to win in return multi-billion contracts for its companies in rebuilding the devastated country and in the Iraqi oil extraction. The expectations accounted for \$2.2bn contracts as according to U.S. politicians only members of the coalition were to be granted the contracts. However, after five years it turns out that the largest beneficiaries of the Iraqi investment projects were U.S. companies. Poland has earned only \$410m thus far. "Our economic hopes related to the military presence in Iraq were enormous and we heard many declarations but Lotos has never received any access to Iraqi oil," said Lotos CEO Paweł Olechnowicz. The vast majority of Polish contracts are for military equipment deliveries.

Mesko and ZWM Thrive on Arms

Rzeczpospolita p. B4, March 21 2008

Mesko, based in Skarżysko-Kamienna, and Military Mechanical Factory (WZM) based in Siemianowice head the ranking of the group of companies that supply the Polish army. Both companies are innovative and take advantage of the fact that the Polish military's budget for modernization is growing year to year. Mesko earned PLN510m, WZM earned PLN474.6m and the Navy shipyard in Gdynia came third, with contracts for PLN236.6m. The shopping list prepared by the Ministry of Defence (MON) gets longer every year. The Polish presence in Afghanistan and Iraq is a factor increasing the military's demand for modern supplies, as soldiers have to operate in varied conditions. Electrooptics, satellite communication and electronic command systems are top orders, especially if the Polish army is to reach NATO standards. MON plans to spend PLN4.9bn on equipment purchases in 2008 - even more than in the record breaking year of 2007 (4.63bn). This is good news for dozens of private arms companies willing to expand armaments production. However, Mesko and WZM seem to be unbeatable.

Polsat Tired of Investment Other than TV and Telecoms

Rzeczpospolita p. B8, March 20 2008

Zygmunt Solorz-Żak, owner of TV broadcaster Polsat, declares that he is tired of investing in other businesses than the media and virtual mobile services (MVNO). Solorz is focusing currently on content production and selling to TV, specialty channels, the Internet and mobile TV. Polsat is his priority as it has

the largest broadcasting range. The company has already filed motions for new concessions as it wants to launch several themed channels, including the new channel Polsat 24. Solorz declined in an interview to *Rzeczpospolita* to reveal details on other channels, saying only that Polsat wants to have a platform of various channels dedicated to different groups of viewers this year. Polsat 24 is ready to start operations as soon as it receives the concession. Separately, Solorz said he has not yet quit plans to see *Cyfrowy Polsat* debut on the Warsaw Stock Exchange and stated that it may be held when the situation on the stock market stabilizes.

Commerzbank to Change BRE Strategy

Puls Biznesu pp. 6-7, March 20 2008

Sławomir Lachowski, former CEO of BRE Bank, had to abandon his plans envisaging the bank's expansion because they were too ambitious. Such a conclusion can be drawn after Martin Blessing, deputy chairman of BRE supervisory board and management board member at Commerzbank, which controls BRE, revealed the German investor's expectations towards BRE policy. Lachowski pushed for BRE Bank's Internet unit mBank's expansion abroad. The success in Slovakia and the Czech Republic encouraged him to hatch plans to launch operations in Hungary, Romania and Bulgaria as well as in the countries where Poles have emigrated: the UK, Ireland, Germany, France and Austria. An anonymous source says Commerzbank found this strategy too risky. Blessing said that BRE will focus mainly on the domestic market, the Czech Republic and Slovakia will be ranked second in the priority list, ahead of expansion to other countries. He added that the bank will also expand its corporate and investment banking.

Centralwings' Uncertain Future

Puls Biznesu pp. 6-7, March 21 2008

Deputy Treasury Minister Zdzisław Gawlik says he does not know if national airline PLL LOT low-cost subsidiary Centralwings has much chance of survival: "We are waiting for a rescue plan from the board. ... There are many options." One of the options is that Centralwings will be liquidated after LOT takes over profitable parts of its business. Centralwings sustained a PLN73m loss in 2007, while PLL LOT earned PLN83m in the same year. The main shareholders of PLL Lot are the Treasury (68 percent of shares) and the receiver of failed Swissair airlines (25 percent). The Treasury Ministry made further steps regarding the stock market debut of the company. The company will carry out an IPO on WSE in 2009. Gawlik said that an agreement was reached in mid-February, according to which the receiver of Swissair will not sell its shares in LOT before the stock debut of LOT. LOT is currently interviewing candidates for the positions of chief executive and three deputy CEOs.

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