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NATIONAL NEWS

PM and President Reach Compromise over Lisbon Treaty

Dziennik p. 1, March 31 2008

During the meeting held in the presidential summer residence in Jurata, President Lech Kaczyński and PM Donald Tusk reached a compromise regarding the ratification of the Lisbon Treaty; Tusk and presidential minister Michał Kamiński did not hide their enthusiasm for the outcome of the talks. The PM and the President have also requested Sejm Speaker Bronisław Komorowski to hold an extraordinary Sejm session on 1 April in order to hold the vote on the issue. The agreement reached by Tusk and Kaczyński foresees adoption of the government version of the ratification bill. The Sejm is also to adopt a separate resolution including the demands presented by the President and the Law and Justice (PiS) party. PiS is yet to learn about the details of the compromise.

Agreement over US Anti-Missile Shield Reached This Spring?

Gazeta Wyborcza p. 3, March 31 2008

On 27 March, Foreign Minister Radosław Sikorski held a teleconference with international affairs advisors for the three main candidates in the US presidential elections concerning the planned establishment of the US anti-missile shield on Polish territory. According to one of them, it seems that Poland has decided to give green light to the shield project. Other participants in the teleconference also stated that as they saw it Poland agreed to host the project in return for military equipment from the US. In the eyes of one advisor, the Polish head of diplomacy made it clear that the final agreement on the issue could be reached this spring. Reportedly, Sikorski also agreed for the Patriot missile systems that Poland wanted to obtain from the US to be delivered in a few years' time. He also declared Warsaw's readiness to partially finance the operation.

SLD Announces End of LiD Coalition

Gazeta.pl, March 30 2008

At a press conference held on 29 March, Democratic Left Alliance (SLD) leader Wojciech Olejniczak announced the end of the Left and Democrats (LiD) coalition, which apart from his party included the Polish Social Democracy (SdPI), the Democratic Party (PD) and Labour Union (UP). "The present form of our co-operation with PD has expired. We need new solutions,"

he said, at the same time expressing hope that the two parties would continue to co-operate in many areas. Meanwhile, PD head Janusz Onyszkiewicz announced that Olejniczak had not consulted his decision with him. His party might leave LiD's parliamentary caucus and is "90-percent sure" that it will not take part in the European Parliament (EP) elections together with SLD. Olejniczak's decision has also upset SdPI leader Marek Borowski, who described it as "embarrassing".

Tusk Brings Bad News to Ukraine

Dziennik p. 7, March 28 2008

Following his arrival in Ukraine, Polish PM Donald Tusk announced that during the approaching NATO summit in Bucharest, the leaders of its member states will not present Ukraine with a plan for its accession to the Treaty. According to people from Tusk's entourage, Poland was the only country that pressed Ukraine's case. Most of the remaining members are reluctant to see Ukraine in NATO, in order not to upset Russia. For this reason, all that Kiev can hope to hear from them at the summit is that presenting it with a plan of accession to NATO is possible in the future. Regarding the prospects of Ukraine joining the EU, at present most EU members are willing to give the country certain privileges rather than have it among them. Today, Tusk and head of the Ukrainian government, Yulia Tymoshenko, are to sign an agreement on low-intensity cross-border traffic between the two countries.

Poland to Persuade EU to Address Situation in Tibet

Dziennik p. 6, March 28 2008

PM Donald Tusk's declaration that he would not attend the opening ceremony of the 2008 Olympic Games in Beijing met with support from representatives of all major political parties in Poland, including the opposition. "The PM's approach to the issue is very proper. While he refuses to participate in the opening ceremony, which is a political highlight of the event, he will not boycott the entire event," says former Foreign Minister Bronisław Geremek. The Polish government also has full support to persuade other EU members to come up with a common stance towards China's repression against the people of Tibet. Head of Polish diplomacy Radosław Sikorski will launch efforts in this area during his meeting with counterparts from other EU member states. Meanwhile, Tusk's declaration has already triggered a reaction from the Chinese Foreign Ministry, which on 27 March summoned the Polish ambassador to Beijing to its headquarters.

Interest Rates Up

Gazeta.pl, March 26 2008

The Monetary Policy Council (RPP) has decided to raise interest rates by 25 basis points to 5.75 percent. The RPP cites growing inflation. This is the third rise in 2008 - in 2007, the RPP raised interest rates in April, June, August and November, by a total sum of 150 basis points. Experts say the RPP might announce another rise this April and this would be the last in 2008. Dariusz Filar of the RPP said that the latest economic indices confirm the need to raise the rates to 6 percent, while Deputy PM and Economy Minister Waldemar Pawlak is anxious that this rise means that zloty will be more expensive and bank loans will be more difficult to obtain. Pawlak said the country's inflation is merely a reflection of global economic processes. The RPP said that the annual inflation rate was 4.2 percent in February, which means exceeding the inflation goal (2.5 percent) and is far above the top margin set at 3.5 percent. The RPP claims inflation will remain at the 3.5-percent level.

Retail Sales and Unemployment Results Surprise Analysts

Puls Biznesu p. 10, March 27 2008

Retail sales in February surged by 23.8 percent vs. the same period last year, announced the Central Statistical Office (GUS). This surprised economists, who after a 20.9-percent surge in retail sales in January expected a slight fall to 19 percent. Growth by almost a quarter is a result of surging wages and high inflation. In February, the average salary increased by 12.8 percent year-on-year, employment by 5.9 percent, prices by 4.2 percent, and the rate of unemployment fell from 11.7 percent in January to 11.5 percent in February. Another factor influencing the growth of consumption is valourisation of pensions, and lowering of the pension premium. Although Poles do not take as many mortgages as they used to, they still take cash loans. Economists say that high consumption will be maintained over the next several months.

It's So Good It Can't Get Better

Parkiet p. 3, March 31 2008

The consumer confidence index (CCI) fell in March, according to the Central Statistical Office (GUS) data. The so-called current index, measuring the opinion of the current situation, remained unchanged from a month earlier at -5.1 percent (representing a balance between negative and positive opinions) but the leading index, measuring expectations of the next 12 months, dropped to -7.7 percent. "The level and trend of the CCI changes in the last four months indicate the possibility of a slowdown in individual consumption growth," the GUS said in a comment to the report. However, the analysts assure that a fall from the previous very good sentiment is not worrying and claim that the respondents to the GUS survey simply don't expect that it could get even better. Łukasz Tarnawa, chief economist at PKO BP, said that the welfare benefits valorization and tax rebates, due to be paid out within a few months, will make consumers feel more optimistic.

NPR Boosts GDP

Gazeta.pl, March 27 2008

Implementation of the National Development Plan (NPR) has helped push up GDP. The Central Statistical Office (GUS) estimates that GDP growth in 2007 reached 6.5 percent. "It is calculated that thanks to the implementation of the NPR, GDP growth in 2006 was 1.24 percentage points, and in 2007 - 1.71 percentage points," reads the report. The NPR is a document that sketches directions of development in the Polish economy for the first years after joining the EU in 2004. It concentrates on supporting the development of enterprises, the professional skills of workers, increasing employment rates and propelling investment. Since then, the NPR has allowed the implementation of over 80,700 programmes, which translates to PLN96.9bn. By Q2 2007, programmes worth PLN16bn had been completed; EU subsidies made up over PLN7.7bn of that sum.

NBP Back in the Game

Wall Street Journal Polska, p. 1, March 29-30 2008

The competition for the duties of the Commission for Financial Supervision (KNF) is intensifying. According to the Wall Street Journal Polska, the National Bank of Poland (NBP) intends to be responsible for a large part of the market. The daily mentions a planned NBP Act draft amendment, which would oblige investment funds to submit detailed data regarding their assets to the central bank. In the future the obligation is to be extended to brokerages, pension funds, insurance and leasing companies. The NBP, which only recently used to control much of the financial market, had to give up its last privileges to the KNF in January - now it is back in the game. Its offensive is supported by the European Central Bank, which wants statistical data from central banks. KNF representatives are warning that the NBP Act amendment is another step towards creating a second financial supervision body, while TFIs are unhappy about their increased information obligations.

Gas from Ukraine via New Intermediary?

Gazeta.pl, March 27 2008; Puls Biznesu p. 7, March 28 2008

PGNiG representatives went to Ukraine along with PM Donald Tusk. They are supposed to discuss the issue of gas supplies from Russia to Poland via Ukraine. The Ukrainian government has withdrawn the right for RosUkrEnergo (RUE) to transport gas from Asia via Ukraine to Western Europe. PGNiG Vice-President Mirosław Dobrut says Poland has guaranteed that gas will continue flowing. However, the Polish gas company wants to discuss the details and resolve any problems. RUE, which is tied to Gazprom, supplies a sixth of the gas to Poland. In mid-March, Naftohaz came to an agreement with Gazprom that RUE will be pushed out of the wholesale gas market in Ukraine. State-owned Naftohaz will take over transit of gas in Ukraine. The Polish delegation also wants to talk about the future of extraction company Dewon, which was founded by Naftohaz and PGNiG.

PKO BP to Post Record Banking Profits, Outpace Rival Pekao

Rzeczpospolita p. B1, March 27 2008

PKO BP may report more than PLN1bn net income in the first quarter, which would not only be the highest quarterly profits in its history, but also in the history of the Polish banking sector, according to *Rzeczpospolita* sources. CEO Rafał Juszczak did not rule out that Q1 profits may exceed PLN1bn. PKO BP's record quarterly result of PLN870m was posted in Q4 2007. Juszczak said that implementing new projects will help the lender to obtain more than PLN3bn annual net income. Allegedly, PKO BP boosted its profits by about 50 percent in January and February from the same period a year earlier. That would help PKO to outpace the current market leader, Bank Pekao. Before Pekao merged with BPH, PKO BP had the highest financial results in the domestic banking sector. "We want to outpace Pekao within two years in terms of net income," said Juszczak. PKO is currently undergoing restructuring, which should help in achieving this goal.

Ford to Invest EUR94m in Tychy

Puls Biznesu pp. 8-9, March 31 2008

Ford will invest EUR94m in the Fiat plant in Tychy, confirmed *Puls Biznesu* daily. Economy Minister Waldemar Pawlak is to officially announce the investment project today. *Puls Biznesu* daily announced the investment in August 2007. Deputy head of Polish foreign investment agency PAIIZ announced then that Ford was going to receive a subsidy of EUR5m for investing in production equipment at the Fiat plant in Tychy. Ford is to produce 120,000-125,000 Ka models yearly. The cars will be fitted on the same chassis base as the Fiat 500, production of which was launched last year by Fiat. According to earlier announcements, the first Ford Ka models are to leave the plant in Tychy in the middle of this year. The American auto maker currently has 7 assembly and 13 factories in Europe. In 2007 Ford sold 1.9 m cars in Europe and earned \$997m net profits.

Foreign Energy Giants May Return to Game to Get ZEPAK

Puls Biznesu pp. 4-5, March 31 2008

There is no progress in the talks over the sale of Elektrim's stake in Zespół Elektrowni Pątnów-Adamów-Konin (ZEPAK) to Enea. The Treasury ministry pointed to Enea as the preferred buyer of a stake in ZEPAK, which is controlled by the state. However, Zygmunt Solorz-Żak, a majority shareholder in Elektrim, claims that Enea cannot afford the purchase. "This venture requires multi-billion investment in upgrading the Pątnów I power station as well as in ZEPAK's coal mines, which deliver coal to power stations," Solorz-Żak said. "Enea would have to also pay for

Elektrim's stake and build a new unit at the power station in Koźlenice." He added that talks with Poznań-based company would be a waste of time. "Instead of negotiating with Enea, it's better to look for other partners, there are many willing to buy it," Solorz-Żak said. Among the potential bidders would be Czech giant CEZ, Sweden's Vattenfall, Germany's RWE and Spain's Endesa, which have already expressed an interest.

Orlen Takes Over 200 Stations

Wall Street Journal Polska p. 4, March 29-30 2008

PKN Orlen is preparing for dynamic expansion in Northern Germany. In mid-April the concern is to commence a marketing campaign abroad which is to promote its stations run under the Star brand and prepare the ground for taking over 10 percent of the German market. "We are particularly interested in Northern Germany, an area with a network of small petrol stations. We assume that we will be able to take over 200 facilities in the next three years," says Wojciech Heydel specialising in retail trade, temporarily in the post of the Orlen president. Last year Orlen began its "Rising Star" programme, which was supposed to bring its German affiliate Orlen Deutschland up to full efficiency and increase profits. The company's retail plans do not only involve Germany - it is now paying close attention to an even more important market - Lithuania and Latvia. Orlen's position on the market gained a strong foundation after it took over the refinery in Możejki - now it is looking for attractive plots of land and stations to be taken over. The company is planning to invest up to EUR200m in five years and increase the number of stations from 34 to 230.

Who Will Be Orlen CEO?

Parkiet pp. 1-3, March 28 2008

Wojciech Heydel and Marek Mroczkowski are quoted as favorites in the race to become president of PKN Orlen. Heydel is temporary head of the company and Mroczkowski, who was on the board of the Czech Republic's Unipetrol, is now heading Lithuania's Mazeikiu refinery. It is still not official that they will enter the contest. Dariusz Formela, responsible for the capital group on the company's management board, is also considering joining the race. The names shortlisted also involve Orlen Vice-Presidents Krystian Pater, Waldemar Maj and Krzysztof Szwedowski. External candidates include Jarosław Kryński (former vice-president of Lotos) and Dariusz Marzec (former vice-president of Unipetrol). As most of the present management of the company will try to be re-elected, there are no major changes expected. Igor Chalupiec, former head of Orlen, decided not to participate. Experts say that despite the new management to come, some of the board has to remain untouched, as there is a need to keep people who know the company from the inside. Both front-runners, Heydel and Mroczkowski, have a very good reputation on the market.

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