

# **MSZ** Supplement

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## **NATIONAL NEWS**

### **Kaczyński, Peres on 65th Warsaw Ghetto Uprising Anniversary**

*Gazeta.pl, April 15 2008*

On 15 April, President Lech Kaczyński and his Israeli counterpart Shimon Peres celebrated the 65th anniversary of the Warsaw Ghetto Uprising. The celebration was held in Warsaw, near the Ghetto Heroes Monument, and was also attended by Polish Foreign Minister Radosław Sikorski and head of French diplomacy Bernard Kouchner, as well as the last living leader of the uprising Marek Edelman and Irena Sendler, who helped to save around 2,500 Jewish children during World War II. In his speech, Kaczyński stressed that before the liquidation of the Warsaw Ghetto, over only one year around 100,000 out of 450,000 of its inhabitants were killed by disease and Nazi oppression. Meanwhile, Shimon Peres announced that 65 years after the Warsaw Ghetto Uprising the Jewish nation still wants revenge. "However, it is different kind of revenge. We established Israel, a world-leader in agriculture, medicine and high technology. That is our revenge," he said.

### **Ukrainian President in Poland**

*Gazeta.pl, April 14 2008*

The Ukrainian President Viktor Yushchenko came on a visit to Warsaw on Monday. The first point on the agenda was a meeting with the Polish President Lech Kaczyński. One of the topics the two politicians discussed was the organisation of Euro 2012. Yushchenko declared that his country was working according to the schedule and will put up the necessary stadiums and infrastructure on time. He also stressed the importance of expanding the road and rail network connections between the two countries. The presidents reached an agreement regarding the creation of Nowa Sarmatia, the firm to extend the Odessa-Brody oil pipeline to Gdańsk. Their meeting with Ukrainian community representatives was marred by an awkward incident. Having read out the names of the Greek Catholic delegation, the presidential Chancellery official failed to greet the Orthodox Church delegation in the same way.

### **Bartoszewski on Visible Sign**

*Gazeta.pl, April 14 2008*

The governmental Spokesman for International Dialogue Władysław Bartoszewski said that he would not block the appointment of head of the German Centre Against Expulsion

Erika Steinbach as a member of the body supervising the activity of the Visible Sign, a centre commemorating the compulsory resettlement of German citizens after WWII. Bartoszewski added that her presence in the body will, "of course, affect ... our attitude of increased alert as to any actions of this institution." He announced that he would visit Berlin next week, where he will make a public address together with the German government's Spokesperson for Relations with Poland, Gesine Schwan. If the topic crops up, he intends to say: "do as you please, but watch how you're doing it, because we will later assess what you are doing, and not what you are implicating."

### **Deputy PM in Trouble**

*Gazeta.pl, April 15 2008; Puls Biznesu pp. 4-5, April 16 2008*

Anti-Corruption Minister Julia Pitera has announced plans to "thoroughly verify" Puls Biznesu's revelations about the Progress Foundation, whose board of curators is headed by Deputy PM and Economy Minister Waldemar Pawlak. According to the title, in reality the foundation is a business entity and operates as a company, which is against the law. Initially, Pawlak denied its accusations. However, on 15 April the Agriculture Ministry's spokesperson Małgorzata Książek announced that the ministry demanded that the foundation eliminate the irregularities that had put it in bad light. Still, it did not give the foundation any deadline for settling the issue. Meanwhile, Pitera underlines that politicians cannot hold any seats in institutions involved in any sort of a business activity. At the same time, she puts the present situation down to bad laws.

### **Poland Under-Represented in EC Administration**

*Puls Biznesu online, April 14 2008*

Poland is lagging behind in filling administrative posts in the European Commission (EC). Although there are already 994 Polish officials working in Brussels, this constitutes only 76 per cent of the pool of positions allocated to Poland in 2004, to be filled by 2010. It is the worst result among all EU member states. Almost half of the Polish employees work at the lowest levels of the administration hierarchy. Apart from Poland, the Czech Republic and Cyprus have not performed very well, but the remaining countries which accompanied Poland during the accession to the EU have either used up their limits or exceeded them. The situation is not likely to improve in the near future, as the EC has pointed out that there are not many Polish candidates kept as back-up.

## March Inflation Lower Than Expected

*Puls Biznesu online, April 15 2008*

Tuesday saw the Central Statistical Office (GUS) present some reassuring macroeconomic data. The inflation rate in March rose less than expected by 0.4 percent month-on-month and amounted to 4.1 percent year-on-year (in comparison to 4.2 percent in February). The price of fuel for private vehicles was reported to have risen the most. The GUS also released data on the average gross salary, which in March amounted to PLN3,144.41, having grown 10.2 percent year-on-year and 3.7 percent month-on-month. Analysts are not unanimous about the impact of the data on the April decision of the Monetary Policy Council (RPP). Some predict that the prospect of another interest rate hike has moved away, others still expect it to happen this month. On one thing they, however, agree - that inflation will reach its 5-percent peak in August.

## Exports Rising Sharply Despite Continued Złoty Appreciation

*Puls Biznesu p. 9, April 16 2008*

Despite the continued appreciation of the złoty and the pessimistic forecasts from the analysts, Polish exporters are doing very well. According to the data collected by the central bank (NBP), in February the value of Polish exports exceeded EUR10bn, which constitutes a nearly 29-percent year-on-year increase; predictions spoke of a 23-percent rise. "The performance of exporters is much better than estimated; while the market expected their results to worsen, there is no sign of this. This situation is probably tied to the fact that the appreciation of the złoty has been gradual and smooth, which is much less harmful to companies selling their produce abroad than sharp fluctuations," says Raiffeisen Bank economist Marta Petka. Her view is shared by BRE Bank Chief Economist Wiesław Szczuka, who admits that surging exports in such unfavourable conditions are a big surprise.

## Weak FDI in 2007

*Parkiet p. 13, April 16 2008*

Today the Polish Information and Foreign Investment Agency (PAIIZ) and the NBP will present the structure of FDI in Poland for 2007. The value of FDI was EUR12.83bn, which is almost EUR900m less than forecasted earlier, and EUR2.3bn less than in 2006, when FDI amounted to EUR15.17bn. Also this year may slower in terms of FDI. According to preliminary NBP data FDI in January amounted to less than EUR1.1bn, and in February it increased to EUR1.255bn. This is over EUR100m less than last year. Also the amount of total FDI fell. Last year it was only 30 percent of the money invested. In 2006 it was 37.5 percent and in 2005 42.8 percent. Higher FDI was only recorded in reinvested profit. Although new companies are coming to Poland experts do not expect any surprisingly high investments, because Poland's attractiveness has not changed much. The value of FDI should amount to some EUR10-15bn annually. Many investors are looking at the country's infrastructure or state aid.

## Energy, Cigarette and LPG Prices Up

*Gazeta.pl, April 14 2008*

On 15 April, Deputy Finance Minister Jacek Kapica dashed the energy sector's hopes for a lowering of excise tax; he explained that the excise rate will not go down because in 2009 the state budget income from PIT will be considerably lower than in the previous years. This is connected to the fact that next year the PIT rates will fall to 18 and 32 percent. As a consequence, the state budget will lose around PLN10bn. 2009 will also see higher cigarette prices, a fact which has been known since Poland joined the EU in 2004, when it obliged itself to level taxation on cigarettes with that effective in the EU. Next year, the excise on tobacco will go up 15 percent, which will enable Poland to achieve this goal. Finally, 2009 will see a rise in the excise on liquefied petroleum gas (LPG) of PLN0.23.

## MinFin Disciplines Slow Public Spenders

*Wall Street Journal Polska p. 1, April 15 2008*

The Finance Ministry wants to punish state institutions that are unable to spend allocated money on time. According to deputy Finance Minister Elżbieta Suchocka-Roguska, the organs concerned have already received letters, in which the Finance Ministry orders them to cut spending. But this is only the beginning. "Any institution that has free cash in its account will not get another tranche," Suchocka-Roguska said. The government borrows money and pays large interest on it. These giant funds, instead of being spent on investment, languish in bank accounts. "We are able to determine very quickly which unit is not spending its money on time," Suchocka-Roguska said. The Finance Ministry is said to have doubts to the methods of cash spending at the Defence Ministry (with a PLN20bn budget). The Supreme Board of Inspection is currently examining them, Suchocka-Roguska said.

## MVNO Fiasco

*Puls Biznesu p. 8, April 15 2008*

Press conferences, high-flown declarations, huge expectations. Effects? Almost none. There are 191 firms registered as mobile virtual network operators (MVNO) in Poland, but only six have started operations. Till the end of the previous year, they won just 51,000 clients. The clash of expectations and reality looks bad for MVNOs. myAvon, for instance, was hoping to find 220,000-500,000 customers by the end of 2007. mBank mobile said at the end of 2006 it wanted to win 150,000 new customers in a year. "The new operators have not been functioning too long, let's give them a chance," says Anna Streżyńska, head of the telco market regulator UKE. The UKE estimates that in two years the MVNOs will control 5-10 percent of the market in volume. At the end of 2007, the value of aggregated revenues of the four largest players stood at PLN23.5bn. This year, according to researchers from PMR, the market is to grow to some PLN25.4bn. This means that in 2010, the total revenues of MVNOs should reach as much as PLN2.5bn.

## LOT Will Sell Centralwings

*tvn24.pl, April 15 2008*

PLL LOT national airlines intends to divest its budget subsidiary Centralwings, announced the firm's supervisory board chairman Jacek Kseń during his appearance at TVN CNBC channel. He also stated that the airlines' employees can count on pay rises. "Our withdrawal from Centralwings should have been carried out three years ago," Kseń said. According to him, creating the low-cost airlines was a mistake. In 2007 LOT's subsidiary reported PLN73m losses, and in the year before that - PLN65m. Earlier, Centralwings CEO Waldemar Królikowski admitted that his firm was unable to compete against foreign budget airlines storming the Polish market. Kseń spoke, moreover, about investment planned by LOT. At the moment, the company is awaiting the first of its ordered Boeing 787 Dreamliner jet planes. The contract's realisation is being delayed, which, on the one hand postpones the launch of new connections and, on the other hand, pushes down the plane's price.

## Wiener Boerse Targets GPW

*Parkiet pp. 1-2, April 16 2008*

Austria's stock exchange Wiener Boerse is interested in purchasing Giełda Papierów Wartościowych (GPW), operator of the Warsaw Stock Exchange, Wiener Boerse president Michael Buhl told Parkiet in an interview, yet without revealing too many details of the potential transaction. The first opportunity to buy GPW will appear in Q4 2008, when the state-owned equity market operator will be privatised on... the WSE. The plans of the Treasury assume that first 19 percent of the GPW will enter free float and then another 29-percent stake will be offered to selected financial institutions. For now it remains a mystery whether this privatisation mode will be favourable for Wiener Boerse or not. "Wiener Boerse, just like other stock market operator, will be able to buy GPW in a public offer - there are no obstacles here, but going beyond the 5-percent threshold will require approval from financial market regulator KNF," deputy Treasury Minister Michał Chyczewski said. Declarations similar to Buhl's have already been heard from the presidents of NYSE-Euronext and OMX.

## Norwegian State-Owned Fund Invests on Polish Stock Market

*Gazeta Wyborcza p. 28, April 15 2008*

When Norway discovered oil its authorities decided to invest the money from this resource, so as to ensure welfare for Norwegian society and future generations. Some of the revenue from oil and gas fields was used to finance the Government Pension Fund - Global, which is managed by Norges Bank. Today it is one of the largest state-owned investment funds in the world. In

2007 its assets were worth almost \$400bn. At the beginning of April the Norwegian finance ministry decided to expand the fund's investment portfolio adding shares from five new countries. These are Poland, Hungary, India, China and Russia. Economists say this is good news for Poland, because it confirms that the foundations of Polish economy are strong. The investment will also raise the credibility of the Polish stock exchange in the eyes of foreign investors. Private funds often copy the strategy of government funds financed with money from extraction of oil.

## Bumar under New CEO: Strengthen Position and R'n'D Investment

*Puls Biznesu online, April 15 2008*

Four days after his appointment as the new CEO of the arms holding company Bumar, Edward Nowak presented the firm's priorities to the Polish Press Agency. "First of all, we need to regain our position on the Far Eastern and European markets," he said. "The second important question is internal restructuring and the third - reconstruction of long-term strategic relations with the army and the government. The fourth element that needs to be developed is the civil market," Nowak elaborated. He sees real chances of doubling Bumar's arms industry sales revenue, which presently amounts to PLN2.8-2.9bn. The result should rise to PLN5bn in three years. In order to increase its own competitiveness, Bumar intends to launch a research and development (R&D) centre to work on state-of-the-art defence and civil technologies. The new CEO also hopes to launch a long-term partnership with the National Defence Ministry.

## Enea and PGE Deny Guilt over Szczecin Blackout

*Parkiet p. 14, April 15 2008*

Two large state-controlled power holdings Polska Grupa Energetyczna (PGE) and Enea are wrangling over who should take the blame for the recent power crisis in Szczecin. PGE expressed its surprise with declarations from Enea representatives saying that some damage during the recent crisis could have been avoided if only Enea had an energy source located nearby, thus laying claim to the power holding ZE Dolna Odra (ZEDO), currently owned by PGE. Enea's representatives say that if they controlled ZEDO's power and heating stations near Szczecin, they would have conducted necessary investment that would have prevented the stations from production shutdowns. PGE snappily replied that the responsibility for the power cut was caused by Enea's Operator, which did not let ZEDO start back up again fast enough. Who will take the blame is an important issue for the two companies, both heading onto the Warsaw Stock Exchange. Market regulator URE has already demanded more explanations.

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