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NATIONAL NEWS

Kaczyński to Visit Georgia Despite Encountered Problems?

Dziennik p. 3, April 22 2008

According to *Dziennik* daily, despite the recent clash between Warsaw and Moscow over the issue President Lech Kaczyński has not given up on his plan to visit Georgia. The title maintains that should the tension in the country rise, Kaczyński will fly to Tbilisi together with Lithuanian head of state Valdas Adamkus to demonstrate against Russia's alleged plans to recognise the sovereignty of two Georgian regions: Abkhazia and South Ossetia. Preparations for the Polish President's potential visit to Tbilisi were carried out last weekend by his chancellery. Its representatives met with top Georgian politicians, including President Mikheil Saakashvili. "We are considering all possible options; however, before any further steps are taken the President intends to consult them with PM Donald Tusk," says Mariusz Handzlik of the Presidential Palace.

Sarkozy Delays Visit

tvn24.pl, April 22 2008; Gazeta Wyborcza p. 4, April 23 2008

According to French daily *Le Figaro*, President Nicolas Sarkozy decided to reschedule his Wednesday visit to Poland from 23 April to 9 May because he has lost patience with the continued dispute between Polish head of state Lech Kaczyński and PM Donald Tusk. The title's revelations were swiftly denied by presidential minister Michał Kamiński. Meanwhile, *Le Figaro* writes that it was Tusk who refused to accept the planned visit, as in his opinion it privileged Kaczyński. Experts stress that in France leaks to serious press titles are usually inspired by the authorities. According to Stefan Batory Foundation head Aleksander Smolar, the situation will probably weaken Warsaw's position in talks with Paris.

Battle for Leadership in SLD Enters Decisive Phase

Dziennik p. 5, April 22 2008

On 21 April, Democratic Left Alliance's (SLD) Secretary General Grzegorz Napieralski announced that he will run for head of the party, who will be elected during a convention in June. As he declared, his aim is to restore SLD's dignity and its members' hope for victory in the next parliamentary elections. Napieralski's decision means that his conflict with current SLD head Wo-

jcich Olejniczak is entering a decisive phase. During his appearance in TVN24 news channel, the latter politician stated that if he wins the elections in June, he will not offer his opponent the post of Secretary General. The outcome of the clash between Olejniczak and Napieralski is difficult to predict; while the current SLD head appears to have the favour of the party's top politicians, its Secretary General is more popular among local activists.

Handelsblatt: Buzek to Run for EP President, Denials Follow

Rzeczpospolita p. A4, April 23 2008

According to the German daily *Handelsblatt*, there is a nearly 100-percent chance that Polish MEP Jerzy Buzek will run for President of European Parliament (EP). The paper writes that the Christian Democrats and Socialists, which are the two biggest factions in the EP, have already reached an agreement regarding the issue. Reportedly, the Polish MP has the support of Socialist Group leader Martin Schulz. Meanwhile, Buzek dismisses *Handelsblatt*'s revelations as pure speculation, saying that the matter was never discussed between the factions. At the same time, he stresses that Poland deserves one of the high posts in the EU. "It is all a part of a political game. *Handelsblatt*'s revelations about an agreement having already been reached forced all parties featured in the article to deny them, which only weakens Buzek's actual position," explains Socialist Group member Marek Siwiec.

Investigative Committee Faces Problems During First Session

Rzeczpospolita p. A4, April 22 2008

21 April saw the first session of the Sejm investigative committee looking into the controversy surrounding the death of former Construction Minister Barbara Blida. The first person to appear before the committee was prosecutor Małgorzata Kaczmarczyk-Suchan, who prepared the decision regarding Blida's apprehension and the search of her house by the Internal Security Agency (ABW). Kaczmarczyk-Suchan refused to answer nearly all of the posed questions, claiming that otherwise she would have to disclose confidential information. The situation forced the committee to treat its further work as classified, which enabled the witness to speak freely about confidential issues. As expected, following the session the committee's members refused to discuss the details of Kaczmarczyk-Suchan's testimony.

740 Companies Privatised by 2011

Gazeta.pl, April 22 2008

In the years 2008-2011 the State Treasury is planning to privatise 740 companies, including all the companies in the financial sector. The Treasury Minister Aleksander Grad evaluates that their combined income in the next 4 years could amount to PLN30bn. The money will partially be used for paying off pension benefits. "One of the key incentives for development is increasing competitiveness and innovations, and this works much better in a free market economy, than a government-driven one," said PM Donald Tusk. He described Grad as his aid and accomplice in "this daring and innovative plan". According to his statement, many of the 740 firms will be privatised before the end of the year. The list includes PKO BP, companies from the electric energy sector, as well as gas and oil companies. Grad added that 19 companies will be privatised through the stock market, including PLL LOT, PKP Cargo, Jastrzębska Spółka Węglowa and the WSE itself.

Government Plans to Cut on Inspections in Companies

Wall Street Journal Polska p. 1, April 22 2008

The Economy Ministry is verifying whether the competencies of some of the inspectorate institutions do not overlap. If so, some bodies may be consolidated, said deputy Economy Minister Adam Szejnfeld. At the moment as many as 47 agencies have the right to carry out inspections in companies. It seems that clarification is needed in the case of at least a few institutions. However Szejnfeld is not the first minister to try to limit the number of inspections in companies. Introduction of special clauses to the bill on economic freedom did not do the trick, because inspectors claim their work is regulated by extraordinary regulations, and such limiting clauses do not concern them. Another issue is that inspecting bodies employ more than ten thousand people, and consolidation will lead to lay offs.

Consumption Follows Industrial Output and Slows Down

Puls Biznesu pp. 12-13, April 23 2008

The Central Statistics Office (GUS) has published another set of data, which indicates that the economy is slowing down. However, experts say it is too early to speak of a weak economic situation. Consumption in March clearly slowed down. The annual growth rate fell by more than 8 percentage points to 15.7 percent. Meanwhile, analysts expected a 20.5 percent growth. Moreover industrial output grew less than 1 percent YoY, when economists expected it to rise by up to 15 percent. Weaker data may also mean that exporters are in trouble, especially since the zloty appreciated even more. Economists say that the March results are no reason to panic yet. The economy should continue stable growth; the GDP should grow by 5.2-5.4 percent. According to the IBnGR institute this year investment will grow by 18.4 percent, domestic demand by 7.1 percent and exports by 8 percent, with unemployment falling below 8 percent.

Economy Minister Seeks Chances to Extract Iraqi Oil

Gazeta.pl, April 22 2008

The Economy Ministry is verifying whether the list of companies admitted to the tender for extraction of Iraqi oil is already closed. Among 35 foreign companies there is no Polish representative. For the time being PM Donald Tusk does not wish to comment the situation. When asked if this is the last opportunity to engage Polish companies in Iraq, while Polish troops are still there, PM answered he would not link the two issues, because soldiers will never replace a will to cooperate. The Economy Ministry assured it is in touch with the Iraqi ambassador and the Polish embassy in Iraq. Meanwhile Poland's two largest fuel companies PKN Orlen and PGNiG say for the time being they are not interested in contracts in Iraq. They say the situation there is still dangerous. Some experts blame successive governments for not securing a place for Polish companies in Iraq.

EU Aid Brings Positive Effects in Small Businesses

Rzeczpospolita p. B3, April 22 2008

EU aid for microbusinesses during the years 2004-2006 amounts to about EUR56m. Some 2,700 companies received aid. That may not seem much, but the positive effects are remarkable. According to an analysis performed by Re-Source consulting company, almost 90 percent of microbusinesses from the Dolnośląskie, Śląskie and Podkarpackie provinces which received aid, increased employment. Before getting aid the companies in those provinces employed an average of two people. Now they employ around eight people. Positive effects are also visible in terms of financial situation. Some 85 percent of companies declared their financial situation improved and 61 percent recorded growth in revenue. Before receiving EU funds only 13.6 percent of respondents had revenues exceeding PLN1.2m, and after realisation of the EU project, 24 percent had such revenues. However about 10 percent of companies recorded lower revenues.

Labour Costs Rising Rapidly

Wall Street Journal Polska p. 3, April 23 2008

In Q4 of 2007, labour costs in Poland were 14.5 percent higher than in the respective period of 2006; the average year-on-year increase in the EU has amounted to 3.4 percent. Despite this disproportion, at the end of 2007 the cost of one hour of work in Poland amounted to EUR6.7, which is the 23rd lowest result in the EU. According to labour market expert Elżbieta Kryńska, because of the fact that labour costs in the country remain low, in the next few years labour costs on the domestic market will continue to grow much faster than in the old EU member states. So far, the labour cost rises have been caused mainly by sharp salary growth, with the remaining factors, such as pension and health premiums, going in the opposite direction. Kryńska stresses that the increasing labour costs will inevitably result in relocating factories from Poland to other, cheaper countries.

PGNiG: Oil and Gas Extraction Up

Parkiet pp. 2-3, April 22 2008

PGNiG Polish oil and gas concern intends to increase natural gas extraction in Poland from 4.3 to 4.6bn cu.m a year. An unofficial forecast through to 2012 provides for a further increase to 5.5bn cu.m. The domestic oil extraction will remain at the fixed level of 0.5m tonnes in 2008, but will rise sharply to 1.1m in 2010, and further to 1.4m tonnes in 2012. For that purpose, PGNiG is conducting exploration activity in three geological areas - in Małopolska, Wielkopolska and Pomorze oil fields. "We plan to expand production both through extraction from already discovered deposits and through finding new ones," said the concern's director of exploration Piotr Gliniak. Apart from domestic activity, the company plans intensive oil and gas exploration abroad. Thus far, its only documented foreign resources are in the Norwegian Sea (35.8bn cu.m of natural gas, 15m tonnes of oil and condensate and 5.8m tonnes of NGL). Extraction is due to begin in 2010. PGNiG has an exploration concession in Denmark, where there may be deposits of 4.8bn cu.m of gas and 3.3m tonnes of oil. Outside Europe, the firm is looking for resources in Egypt and Libya.

Pol-Aqua and Polnord to Form Construction Giant

Gazeta.pl, April 22 2008

There has been a shake-up on the construction market. Pol-Aqua construction firm wants to merge with the development firm Polnord, taking over control of the company from Ryszard Krauze's Prokom Investments fund. Pol-Aqua announced yesterday that it had reached an agreement concerning the acquisition of one fifth of Polnord's shares from the fund and its subsidiary Osiedle Wilanów for PLN400m. The transaction will be finalised by 21 July, on the condition that the construction firm manages to borrow enough money. Afterwards, Pol-Aqua intends to suggest to both firms' shareholders a merger. In exchange for Polnord's stocks, its shareholders would obtain those of Pol-Aqua. As a result, the market will witness the creation of one of the biggest listed construction companies, with capitalisation of PLN4bn. Investors were not happy to hear about the plans; Pol-Aqua's share price dropped by 7 percent, and that of Polnord - by 3 percent. Analysts were also surprised.

PKO BP Privatisation to be Continued

Gazeta.pl, April 21 2008

The Treasury Ministry intends to sell a 30-percent stake in PKO BP. Its present shareholding in the bank amounts to 51.4 percent. Although following the sale, the Treasury would be left with just around 20 percent, the bank is supposed to remain under its control owing to a special clause in PKO BP's statute.

Still, the privatisation plan has to be accepted by the Council of Ministers. The ruling coalition is like-minded on the matter - PKO BP's privatisation should be continued. PKO BP lost its leader position to Pekao last year. Now the bank needs capital for investment. According to the development strategy accepted several months ago, at least PLN2-3bn is needed. The Treasury Ministry wants PKO BP's management board to present the bank's new investment strategy within three months. According to deputy Finance Minister Michał Chyżewski, PKO BP should engage in takeovers abroad, for example in Ukraine, because the domestic market is becoming more and more competitive.

UOKiK Investigates Pekao and Bank BPH Merger

Gazeta.pl, April 21 2008

The Customers and Consumer Protection Office (UOKiK) will investigate whether during the merger of Bank BPH and Pekao consumer rights were not violated. UOKiK president Marek Niechcial started the proceedings after receiving complaints from the customer's of the two leading financial institutions. The complaints submitted to the UOKiK state that the hitherto Bank BPH customers could have been unreliably informed about the consequences of the transaction and the transfer of their accounts to Pekao SA. The Office will also investigate whether during the transfer of customer data from one IT system to another some transactions were not settled incorrectly. According to law, if the accusations turn out to be true, the UOKiK president can initiate the proceedings regarding a mass violation of consumers' interests. The office can prohibit the questioned practices and punish the entrepreneurs with a fine amounting to 10 percent of last year's income.

Lidl for Sale in Poland for EUR250m

Rzeczpospolita p. B1, April 23 2008

Lidl is yet another retail chain with foreign capital which has decided to leave the competitive Polish market. A source close to the transaction says the decision was made recently. The main candidate to take over the Lidl chain is Germany's Aldi, which opened its first stores in Poland not long ago. However according to unofficial information Auchan, Elea and A-Tak may also be interested in the chain. Lidl belongs to the Schwarz group, which opened a set of Kaufland hypermarkets in Poland. Schwarz, which has annual revenues at the level of EUR50bn, is experiencing problems with its discount chain not only in Poland. Lidl is also supposed to be withdrawing from the Norwegian market. Over the last two years Ahold, Plus, Geant and Leader Price have decided to leave Poland. Lidl is growing more slowly than the competition, hence the decision to drop the Polish market. The chain has 260 stores in Poland, and the transaction may be worth up to EUR250m.

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