

MSZ Supplement

PNB Publications - the most comprehensive and up-to-date source of information on Polish politics, economy and current affairs:
Monday to Friday - *PNB Daily* • Tuesday and Friday - *PNB Economic Review* • Wednesday - *PNB Law Supplement* • Thursday -
PNB Weekend Supplement • Monthly - *PNB Special Report*

NATIONAL NEWS

PiS Deputy Head Suspended

Gazeta Wyborcza online, July 5 2007

Following a request by PM Jarosław Kaczyński, Law and Justice (PiS) MP Karol Karski initiated disciplinary proceedings against the party's Deputy Head Paweł Zalewski, who also heads the Sejm Foreign Affairs Committee. Zalewski will be suspended as PiS member until his case is decided on by the party's tribunal. As Karski explained, the decision to launch the proceedings was tied to Zalewski's actions and statements in which he questioned the wisdom of Poland's foreign policy. On 3 July, in an interview for TOK FM radio station the head of the Sejm committee admitted that he was unable to obtain answers to his questions regarding the outcome of the EU summit in Brussels from Foreign Minister Anna Fotyga.

Pressure on Prosecutors

Gazeta Wyborcza online, July 5 2007

Gazeta Wyborcza gained access to testimony of prosecutors interrogating Barbara Blida, former construction minister, who shot herself over two months ago during her detainment at her home, conducted by the Internal Security Officers (ABW). The documents show that prosecutors running the investigation against Blida were working under pressure. They did not make the decision to apprehend the former minister unanimously. The date of Blida's apprehension was imposed by their superiors, while the ABW knew it even earlier than they did. The prosecutors also spoke of their fears that Blida's detention would be used as a tool for political propaganda by their superiors and the Justice Ministry. The article provoked huge emotional reactions even before its official publication. On Thursday evening, Ziobro called a special press conference, during which he called Wyborcza's text offensive.

Rydzik Goes OTT

Onet.pl, Gazeta Wyborcza online, July 8 2007

A crowd of 150,000 people gathered during the fifteenth pilgrimage to Jasna Góra, Poland's most important sanctuary, organised by the ultra-catholic Radio Maryja. They listened to the words of the PM Jarosław Kaczyński, who delivered an address after a speech from the broadcaster's founder Father Tadeusz Rydzik. "Father, we see your work here," Kaczyński said at the start of his speech. "I am here for the first time and I do not regret it," continued the PM. The PM may not regret having come to Jasna Góra, but Father Rydzik may soon start regretting what

he said of the PM's twin-brother, President Lech Kaczyński and his wife in April this year. "The first lady is a witch, who should undergo euthanasia. (...) The President is a swindler succumbing to Jewish pressure. (...) The case of Jedwabne (the name of a town in which Poles murdered Jews during WWII - PNB) was revealed only to let Jews wheedle \$65bn out of Poland," are fragments of Rydzik's lectures at his private university, recorded by a Wprost journalist.

Nurses Still on Strike

Dziennik p. 7, July 6 2007

Health Minister Zbigniew Religa has been meeting representatives of medical unions since Monday. He always arrived smiling, while nurses emphasised they were ready for dialogue. On Thursday both sides changed tactics. Religa started with a firm proposal: the government would assign 40 percent of next year's surplus from the National Health Fund (NFZ) - currently amounting to ZŁ1.2bn - to salaries for health staff. Nurses instantly demanded that 80 percent of that sum be used to finance their salary raises. After a meeting with the PM Jarosław Kaczyński, Religa declared the government was ready to accept the demands of the nurses, but only if other trade unions approve it too, while the nurses themselves would close down the camp site in front of the PM's chancellery. The doctors from the OZZL union agreed. The health sector's Solidarność still has its doubts.

LPR Fights for Survival

Gazeta Wyborcza p. 7, July 9 2007

"Today we will start our great march to reconstruct the League of Polish Families (LPR)," said the party's leader Roman Giertych at the LPR congress in Warsaw. The League desperately needs reconstructing, because polls show that support for the party amounts to only 2-3 percent. Giertych delivered the main speech. "The LPR will do everything to stop Poland ratifying the treaty reforming the European Union. We must have a national referendum on the issue," Giertych said. "The superiority of European law over Polish law, the superiority of European courts over Polish courts. Will EU subsidies compensate for the loss of our sovereignty?" Giertych asked. Roman's father, Maciej Giertych, the LPR's MEP, also addressed the party's members. He rebuked the Polish delegation for not defending the square root voting system at the EU summit. "With no approval for the issue, we should have broken the summit," he said.

EC Agrees to Lower VAT Rates

Gazeta Wyborcza online, July 5 2007

The lower VAT rate on selected goods and services negotiated by Poland during accession, will stay in force until 2010, proposed the European Commission on Thursday. This means a zero rate for books and specialist journals, a 3-percent rate on unprocessed agricultural products, a 7-percent rate on gastronomy, housing construction and renovation. The agriculture produce means no longer fall under the 3-percent category. The Commission proposed postponing the VAT raise until 2010, assuming that by that time the Member Countries will manage to reach an agreement concerning a comprehensive reform of the VAT system. Bearing in mind that the issue is a delicate one, the EC proposed to prolong the status quo by 3.5 years.

Offsets to Bring \$3.5bn This Year

Wall Street Journal Polska p. 1, July 6 2007

According to the Economy Ministry estimate Poland is to receive \$3.5 billion thanks to new offset agreements. The army will probably sign contracts for the supply of corvettes for the Navy, helicopters for VIP and radiostations and IT support systems for the F-16 programmes. At the end of June, the ministry launched a catalogue of offset needs (KPO) to which companies, higher education institutions and scientific institutes may submit their suggestions. So far thanks to 11 offset agreements \$8.7 billion has made its way into Poland. The biggest investments, worth \$4 billion, were carried out through contracts with Lockheed Martin Corp., which delivers F-16 aeroplanes. Altogether there are to be 48 F-16 jet planes. The ministry wants offset contracts to be signed before contracts for the supply of equipment or technology. This is to protect the buying party against a failure to honour the contracts on the part of the investors.

Optimistic FDI Data

Gazeta Wyborcza online, July 5 2007

According to the data collected by the economy ministry, in Q1 of 2007 foreign direct investment (FDI) growth went up nearly 30 percent year-on-year. In the entire 2006, the respective figure was 16.5 percent, with FDI value exceeding EUR11bn. Economy Minister Piotr Woźniak says that the total value of foreign investment projects carried out in Poland so far amounts to around EUR90bn. He also points out that EUR1bn invested in Poland translates into EUR0.8bn growth in exports. "This is a positive tendency given that the majority of foreign investment projects carried out in other countries from the region are targeted at the external market," he explains. The minister also says that while the government does not have any influence on the type of investments located in Poland, there is no fear of the investors relocating their production further East in the near future, even though labour costs in the country have been rising recently.

ZŁ164bn for Roads by 2015

Puls Biznesu online, July 5 2007

During a press conference held on 5 July, Transport Minister Jerzy Polaczek announced that the total cost of road and infrastructural investment in the years 2007-2015 will amount to ZŁ164bn. According to the official, dual carriageway and motorway construction will consume ZŁ131.5bn, with the remaining amount to be spent on modernisation and maintenance of existing roads. Government plans foresee building 1,145 kilometres of motorways, 2,817 dual carriageways and 487 kilometres of ring roads, as well as modernisation of around 2,000 national roads. Polaczek also said that out of the total ZŁ164bn, ZŁ22.5bn will be spent on Euro 2012-related projects. He also explained that it is important that implementation of the government programme is accompanied by "stability of financing sources and budget flexibility", adding that the near future will see the completion of draft bills aimed at accelerating the related procedures.

Labour Productivity on the Rise

Wall Street Journal Polska p. 2, July 7-8 2007

According to the latest data collected by the Central Statistical Office (GUS), labour efficiency in Poland is continuing to improve. Between January and June, the sales of production companies per one employee were 8.2 percent higher than in the respective period of last year. In the whole of 2006, they went up 9.4 percent, while in 2005 - only 2.9 percent. "The rising labour efficiency results from constantly improving work organisation. Moreover, employees are using better equipment and new technology," explains BRE Bank economist Jacek Kotłowski. This in turn is caused by the rapidly growing investment. Łukasz Tarnawa from PKO BP stresses that in Q1 its value soared nearly 30 percent. Nonetheless, labour efficiency growth in Poland is being accompanied by salary growth.

Cabinet Decides on Couples' Pension

Puls Biznesu p. 6, July 9 2007

This week the cabinet is to decide if the pension reform will include a pension for married couples. On Friday it was revealed that the reform team was considering withdrawing from the project. "Nothing has been determined yet. The decision will be made next week," said Paweł Wypych, head of Social Insurance Board (ZUS). However, two members of the team Romuald Poliński and Stanisław Kluza oppose the idea of pension for married couples and only Wypych was in favour until recently and now has a few doubts. The opinion of Przemysław Gosiewski, which unfortunately remains unknown, will be decisive. The withdrawal from the idea is controversial, as it means that the money saved by a pensioner will not be inherited by anyone after his or her death. The pension for married couples will allow a spouse to benefit from the deceased spouse's pension. Individual pensions are also unfavourable for families in which one of the spouses earns significantly less.

Lotos Looking for Baltic Oil

Parkiet p. 1, 3, July 6 2007

The Petrobaltic company, controlled by the Lotos Group, dealing in mining and research, is looking for oil and natural gas on the bottom of the Baltic Sea in Latvia's economic zone. Currently, only initial research is being conducted, consisting probably of analysing the satellite picture data, with no drilling so far. The research is supposed to determine which part of the shelf may contain deposits of valuable substances. It is possible that the results will be used by the Latvians to specify the future areas of concession. A desire to extract oil from the bottom of the Baltic Sea has been expressed not only by Lotos, but also by Orlen. The company claims to be engaged in "analytical studies", but experts declare that it has no previous experience in this area. They also believe, that, although the promising results of the research is good news for Lotos, it will not necessarily stimulate growth in the company's results.

Pekao-BPH Merger Delayed

Gazeta Wyborcza online, July 5 2007

The merger of Pekao and Bank BPH, accompanied by a takeover of 200 BPH branches by GE Money, was planned to be concluded in the third quarter of the year. Nonetheless, the Commission for Banking Supervision (KNB) still has not approved the operation and the Italians are no longer that optimistic. "The real date for a legal consolidation of the banks is the end of this year," said Federico Ghizzoni, UniCredit's man responsible for the Polish market in Milan on Thursday. The operational merger would take place six months after the legal unification. Now everything depends on the KNB's approval (its decision could be made in August; Rzeczpospolita recently wrote that the PM Jarosław Kaczyński gave the deal the green light a few days ago) and on GE. Unofficially, UniCredit's reps say GE Money has started to take excessive advantage of its exclusive rights to negotiate mini-BPH's purchase. Off the record, they even claim it was a bad idea to negotiate with one bank only.

Boeing to Build Anti-Missile Shield in Poland

Puls Biznesu online, July 5 2007

During the latest session of the Sejm Foreign Affairs Committee, Deputy Defence Minister Witold Waszczykowski announced that should Poland and the US reach an agreement on the establishment of an anti-missile system on the Polish territory, the US base would be build by Boeing. "If the Congress adopts the budget for the project, the company would receive \$400-600m for carrying out the operation," he said. According to estimates, maintenance of the base would cost the US around \$30m per

year. Waszczykowski went on to say that while it is possible that Poland would bear the cost of adapting the land, it would be only a marginal burden on the state budget. It is also likely that Poland would partially bear the related protection costs and, additionally, Warsaw might have to pay the local taxes. The Deputy Defence Minister also said that so far the US has presented Poland with two versions of the agreement on the anti-missile shield.

Growing Popularity of Share Funds

Gazeta Wyborcza p. 18, July 9 2007

Poles are becoming more and more involved in investment funds. They are enticed by the promise of staggering profits. As many as three quarters of their investments are allocated to the most risky funds, those that invest in stocks of listed companies only. This could result in over-investment, experts warn. Earlier on a census showed that Poles were among the most cautious nations in Europe. This does not seem to be the case any more. Recently, a huge amount of the personal savings of Poles have gone towards risky share funds. Last year only ZŁ12.5bn was allocated in share funds. Now the figure is ZŁ38.5bn. The increasing number of customers is the result of a four-year bull's market on the WSE and convincing adverting campaigns, that often do not inform customers about all the potential risks. Many of the new investors enticed by share funds have never experienced a loss and so they remain unaware of possible danger when investing in funds.

LOT Flying East

Gazeta Prawna p. 6, July 9 2007

The strategy of LOT national carrier which is to be ready in September envisages developing connections to the Far East. "We want to fly to places where our businessmen go, i.e China, Korea, India and Japan. The first connection will start in 2008 when we receive the first Dreamliner aeroplanes. We've bought eight of them," said Piotr Siennicki, PLL LOT's CEO. Siennicki also plans to attract foreign clients who could use Warsaw as stopover. "If we provide greater comfort and better catering for a slightly higher price, our service will be interesting not only for Poles, and it will be worth using Warsaw as a springboard in order to go east from here," he added. At the same time LOT does not want to neglect European connections and plans to increase the number of connections with Ukraine. Siennicki assured that after H1 LOT's results are better than in June 2006. He said there was no need for LOT to sell any property this year. It also plans to make an operational profit in 2007.

Editor-in-Chief: Ewa Szczęśna; **MSZ Supplement Editor:** Maciej Onoszko;

PNB Company - Sp. z o.o., ul. Lenartowicza 34, 02-614 Warsaw, Poland; tel. (48-22) 847 52 56; fax (48-22) 847 52 57; web: www.pnb.pl; e-mail: pnb@pnb.pl; sales: sales@pnb.pl;

For further information and free trial subscription of PNB publications, please contact us at pnb@pnb.pl or call (48)22-847-52-56.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form, by any means, including mechanical, electronic or photocopying, without written permission of the Publisher. No legal responsibility is accepted for any errors or omissions or misleading statements, however caused, in either source or final texts.