

Central European Update

Czech Republic

The Czech Republic formally ratified the treaty of EU accession for Bulgaria and Romania scheduled for January 2007. Czech President **Vaclav Klaus** signed the document on 2 February. As the deadline for completing the necessary reforms is nearing, Sofia and Bucharest have been under immense pressure from the EU to remain committed to the process.

Hungary

On 8 February Economy Minister **Janos Koka**, Finance Minister **Janos Veres**, and Hungary's MOL oil company CEO **Zsolt Hernadi** met Gazprom's CEO **Alexei Miller** in Moscow. They reviewed the disturbances in gas deliveries from Russia in January 2006 and discussed opportunities to increase the future reliability of energy supplies. Koka proposed a multinational agreement in which rules would be laid down in a transparent way in order to guarantee accountability. He added that Hungary hopes to strengthen its role as a gas transit country. Miller charged that the recent disruption in gas deliveries happened in part due to illegal Ukrainian tapings.

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On 7 February, the U.S.-based electronics company Flextronics, which has been present on the Hungarian market for more than 10 years, announced that in 6 months they will dismiss 950 employees from their plant in Nyiregyhaza, in eastern Hungary. HR director **Peter Papp** said that reasons for the dis-

missals include seasonal production cycles and a decline in orders. Some production will be relocated from Hungary to Ukraine.

Poland

On 9 February Polish President **Lech Kaczynski** met U.S. President George W. Bush at the White House. The two discussed U.S.-Polish trade and a projected extension of Poland's military presence in Iraq until 2007. Kaczynski is due to meet Secretary of State Condoleezza Rice and congressional leaders in his first official visit to the United States. The Polish President will also witness the signing of bilateral agreements on scientific and technological cooperation.

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Polish mobile operator P4 has signed a 150 million euro deal with China's telecommunications equipment firm Huawei Technologies. The Shenzhen-based, private-held Huawei Technologies will provide P4 with a new generation mobile network, capable of operating on the universal mobile telecommunications system standard. The construction of the network is expected to begin this year.

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By 2009 Poland will be ready to adopt the euro, according to Polish Finance Minister **Zyta Gilowska**. She is optimistic that the necessary reforms can be completed during a three-year period. Gilowska's main objective will be to lower the current state budget

deficit of 4.7 percent of GDP to the EU requirement of 3 percent.

Slovakia

After the Christian Democratic Movement (KDH) withdrew from the government on 6 February, the Slovak parliament approved holding early elections on 17 June instead of September. The governing coalition now has only 53 out of 150 seats in parliament. The political rift was caused by Prime Minister **Mikulas Dzurinda's** refusal to sign a draft treaty with the Vatican on the right of conscientious objection. The treaty would give Slovaks the right to refuse tasks that are against their conscience such as doctors carrying out abortions or churchgoers working on Sundays.

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On 8 February President **Ivan Gasparovic** appointed three new ministers for the positions vacated after the Christian Democratic Movement (KDH) withdrew from government. The new interior minister is **Martin Pado** from the Slovak Democratic and Christian Union (SDKU). The position of minister of education was filled by **Laszlo Szigeti** from the Party of the Hungarian Coalition (SMK), while the new justice minister is **Lucia Zitnanska**, an independent. The head of KDH **Pavel Hrusovsky** resigned from his post as parliamentary speaker, asking his deputy **Bela Bugar**, chairman of SMK, to take over his duties.

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Prime Minister **Mikulas Dzurinda** announced that based on a political agreement the cabinet will place several major privatization deals on hold. The sale of the Kosice and Bratislava airports will be concluded, but the privatization of the two energy distributors and the railway freight transporter, Cargo Slovakia, will be frozen for the time being. A parliamentary vote will be necessary to complete the signed deal with the Italian Enel on the sale of the Slovak power producer Slovenske Elektrarne.

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Health Minister **Rudolf Zajac** will remain in his post after he survived a no-confidence vote on 8 February. The opposition harshly criticized Zajac for what they called "major mistakes" in the reform of the health care sector. Only 68 MPs supported the motion, which required 76 votes to pass. Besides MPs of the ruling coalition, members of the Christian Democratic Movement (KDH), now in opposition, also backed the minister.



Featured Photo: Bojnice, Slovakia

Baltic States Update

Estonia

On 7 February **Toomas Hendrik Iives**, an Estonian member of the European Parliament and deputy chairman of its Foreign Affairs Committee, said that the European Parliament should take a stance on the recent Muhammad cartoons scandal because it concerned a num-

ber of EU member states. The Estonian press has decided not to publish the cartoons.

Latvia

On 7 February, Latvia's Saeima Speaker **Ingrida Udre** said that Latvia may take part in a peacekeeping operation in the South Ossetian disputed region in Georgia if the operation is

carried out under the aegis of an international organization. Udre made the statement while participating in the interparliamentary conference "Strategy and Cooperation" that opened in Tbilisi on 7 February. She said that Latvia could benefit from its experience of participating in peacekeeping operations in Kosova, Afghanistan, and Iraq.

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Baltic States Update Contd.

Lithuania

On 8 February the Lithuanian government's negotiations with Russian oil company Yukos over its majority stakes in the refinery Mazeikiiai Oil reached a deadlock. Officials in Vilnius are currently looking for an investor that could ensure stable crude oil supplies, while Yukos wants to sell its stakes to the highest bidder. **Saulius Specius**, advisor to the Lithuanian prime minister, was quoted saying that the gov-

ernment and Yukos have different goals. Currently, two potential buyers of the Yukos-held stake in Mazeikiiai Oil are Poland's PKN Orlen and Kazakhstan's state oil and gas company Kaz-MunayGaz.

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While visiting Vilnius on 8 February, Polish Foreign Ministry Undersecretary **Stanislaw Komorowski** stressed the importance of good relations between the two neighbors. Komorowski is also the Polish national coordinator of the Lithua-

nian-Polish governmental cooperation council. During his meeting with Lithuanian Foreign Minister **Antanas Valionis**, he addressed joint projects in transportation and infrastructure, European energy security issues, and relations with Eastern neighbors. Komorowski also met with Lithuanian parliamentary opposition leader **Andrius Kubilius**, presidential foreign policy advisor **Edminas Bagdonas**, and Lithuanian foreign policy chief **Darius Pranckevicius**.

Southeast European Update

Bulgaria

On 3 February Bulgaria's Privatization Agency (PA) announced the cancellation of its tender for the sale of a 400-MW power plant in Russe, northern Bulgaria. The Russian company Unified Energy Systems (UES) with its offer of USD 215 million was the highest bidder, but after lengthy negotiations, it withdrew from the deal. The PA chose to cancel the tender, because the second highest offer by the Czech CEZ was less than half of that by UES. The privatization of the Russe plant will be rescheduled, but no timetable has been provided yet. Meanwhile, Bulgaria is also accepting bids for power plants in Varna and in Bobov Dol.

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On 6 February Bulgarian Defense Minister **Vesselin Bliznakov** told journalists that his government is expecting to sign a deal with the United States on two joint military bases by the end of April. Bliznakov said that the negotiations are ongoing and the agreement should be finalized during the upcoming visit to Bulgaria by U.S. Secretary of State **Condoleezza Rice**. The two earmarked sites are the Novo Selo training range and the Bezmer airbase. It is estimated that the bases will host about 3000 troops from both the U.S. and Bulgaria for joint training exercises.

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On 3 February Bulgaria's parliament passed on first reading amendments to its constitution to allow more comprehensive reforms of the judiciary in line with EU requirements. The legislators are expected to vote on the final adop-

tion of the amendments by the beginning of April. Bulgaria has been harshly criticized by the EU for its slow pace of judicial reform and recently officials in Sofia have made an effort to expedite the process to avoid accession delay. The European Commission is due to release its final assessment on Bulgaria and Romania's preparedness in mid-May. The report will determine if Sofia will join the EU in 2007 or 2008.

Croatia

During a state visit to Croatia on 8 February, Estonian President **Arnold Ruutel** expressed his country's support for Croatia's accession to the EU and NATO and its readiness to share its experiences. President Ruutel met with Croatian President **Stjepan Mesic**, President of Parliament **Vladimir Sheks**, and Prime Minister **Ivo Sanader**. The two delegations opened a Croatian-Estonian economic forum. Sanader told President Ruutel that it was important to enhance bilateral economic ties. In particular, better infrastructure, especially the joining of Via Baltica with Via Adriatica, was deemed essential.

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On 7 February the European Commission gave a green light to begin detailed talks on the first of 35 chapters on Croatia's EU accession. Since the 3 October decision to begin membership negotiations, the European Commission has been screening the compatibility of Croatian and EU laws in 35 separate areas. The first area to be negotiated is on science and research, which is expected to be one of the least complex to finalize.

Romania

On 7 February, the Romanian Ministry of Foreign Affairs hosted a meeting of the Working Group on science and technology of the Black Sea Economic Cooperation (BSEC). Representatives of Romania, Ukraine, the Russian Federation, the International Center for Black Sea Studies, the European Commission, and the BSEC International Permanent Secretariat discussed programs in science and technology, which would be adopted at the next meeting of the group in Athens on 21-22 March.

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After completing its two-week review of the Romanian economy, the International Monetary Fund welcomed the agreement reached with Bucharest on macroeconomic targets for 2006-2007. However, the IMF stressed that in order to ensure robust economic growth Romania has to lower its inflation target and its public debt, as well as improve the business environment and guarantee the proper absorption of EU funds.

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On 6 February, the U.K. House of Lords approved Romania's and Bulgaria's EU Accession Treaty. The Dutch Parliament on 7 February ratified the Accession Treaty for the two candidate countries with almost two thirds in favor. The Romanian Minister of Foreign Affairs **Mihai-Razvan Ungureanu** said that the ratification in both the U.K. and Netherlands showed that reforms initiated by Bucharest are removing skepticism about Romania's readiness to join the EU.

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Slovenia

On 7 February, Defense Minister **Karl Erjavec** announced that Slovenia would continue improving the preparedness of its armed forces according to the plan of activities for 2006. The main goal of the plan is to advance the mobility of Slovenian forces.

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On 7 February, the Slovenian parliament passed a bill, which allows for a 1.03 billion euro (\$1.23 billion) loan to the state company DARS for the upgrading of 90 percent of Slovenia's motorway system. 572.6 kilometers of roads are to be built or rebuilt by 2010.

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On 5 February, at the 42nd Munich Security Conference Slovenian Defense Minister **Karl Erjavec** and his Russian counterpart **Sergey Ivanov** discussed NATO membership prospects for Ukraine and Georgia. The Russian Defense Minister underscored that if NATO's role is more political than military in ensuring stability and security then Russia would have few objections to Ukraine's and Georgia's membership in the alliance.



Featured Photo: Korcula, Croatia

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