



SELECT BRIEFING EUROPE EAST

Center for Strategic and International Studies ■ Washington, D.C.

CSIS New European Democracies Project

Volume 3 | Number 24 | June 23, 2006

Central European Update

Czech Republic

The South Korean car parts maker Plakor is planning to build a new plant in the Czech Republic near the planned location of the Hyundai factory in Novosice. After its completion, Plakor will provide Hyundai's plant with plastic components for automobile production. Plakor will also supply the Korean-owned KIA factory in Slovakia.

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The Czech electricity company Energo-Pro has won a USD 312 million tender for the privatization of six hydroelectric power plants and transmission grids in Georgia. Energo-Pro outbid several foreign and domestic investors including Russia's Unified Energy Systems. This deal follows an agreement concluded in April with Turkey for the construction and operation of two hydropower plants near the Georgian border.

Hungary

On 22 June U.S. President **George W. Bush** visited the Hungarian capital to mark the 50th anniversary of the 1956 Hungarian Revolution. Bush met Hungarian President **Laszlo Solyom** and thanked Hungary for its contribution to the missions in Iraq and Afghanistan. Solyom emphasized that the fight against terrorism is a common interest for both countries, but that every step taken should be in line with international law. Bush also met with Prime Minister **Ferenc Gyurcsany** and discussed the issue of voiding visa requirements for new EU member states.

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On 21 June Hungarian Oil and Gas Company MOL signed an agreement with Russian Gazprom on extending the Bluestream pipeline from Turkey. Economy minister **Janos Koka** announced, after meeting with Gazprom CEO **Alexei Miller**, that they also established a joint research company that is to assess the possibility of building gas reserve terminals in Hungary. Prime Minister **Ferenc Gyurcsany** held talks with Miller as well, along with Gazprom deputy-CEO **Aleksandr Medvedev**. Koka pointed out that Hungary supports the construction of the Nabucco pipeline, which is considered a rival route importing gas from Iran and bypassing Russia. He noted that the government remained interested in building a liquefied natural gas (LNG) reserve and pipeline to Croatia.

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On 21 June the Hungarian parliament started the debate on amending the constitution, which would allow for comprehensive reform of local government. One of the proposed changes envisions decentralizing the public administration by establishing regional governments and ceding a variety of central powers to them. Justice minister **Jozsef Petretei** told parliament that the first regional assemblies should be elected in 2009, at the same time as the next European parliamentary elections. According to the plan, seven regions will be established in the

country in harmony with the EU's regional system in order to facilitate the absorption of EU subsidies. The motion requires a two-thirds majority of MPs to pass. However, opposition parties have argued that there is no reason to give up the country's traditional 19-county system.

Poland

Polish Foreign Minister **Anna Fotyga** started a three-day visit in Washington on 18 June. She met with U.S. Secretary of State **Condoleezza Rice** and other high-ranking officials to discuss U.S.-Polish relations and the course of reforms in Ukraine. Further discussions were held on the Polish military presence in Iraq and Afghanistan and the possibility of deploying anti-rocket defense systems in Poland.

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The first Polish contingent to be deployed in an African country departed from Wroclaw on 19 June to take part in a four-month tour with the EU peacekeeping mission in Congo. The entire EU force is comprised of two thousand peacekeepers of which 131 are Polish soldiers. The main mission of the EU contingent will be to provide security during Congo's elections. The Polish unit is in charge of the safety of EU mission commanders and UN international staff, as well as the security of N'Dolo international airport in Kinshasa.

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Poland is preparing to deploy in early July the 56th Helicopter Regiment to Iraq. The unit's main duty will be to provide combat support and transport for ongoing operations and assist in humanitarian relief.

Slovakia

The elections held on 17 June in Slovakia resulted in the victory of the left-leaning *Smer* party led by **Robert Fico**. Election results gave *Smer* 29 percent of the vote, with 18 percent going to the ruling Christian Democrats. Outgoing Prime Minister **Mikulas Dzurinda** was in power during Slovakia's entry into NATO and the EU and his government has been credited for successful free-market reforms that turned Slovakia into one of the most successful economies in Central Europe. Fico had promised to increase social benefits, improve health-care, and address the issue of high unemployment.

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The international ratings agency Standard & Poor's warned on 19 June that Slovakia's rating could weaken if the new cabinet wasted resources and postponed the planned introduction of the euro by 2009. *Smer* leader **Robert Fico** stated that he intends to postpone euro adoption until the situation is more favorable for the Slovak economy. A lower rating for Bratislava could signal difficulties in upcoming loan negotiations.

Baltic States Update

Lithuania

On 20 June the Lithuanian parliament rejected President **Valdas Adamkus'** nomination of Social Democrat **Zigmantas Balcytis** for prime minister. Out of 132 parliamentarians, 52 voted in favor of Balcytis, 48 against, and 32 ab-

stained. Under Lithuanian law, approval of the prime minister requires a simple majority vote, which means his candidacy needed at least 67 votes to pass. The president has 15 days to nominate a new prime minister.

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On 21 June Lithuanian President **Valdas Adamkus** began a two-day visit to Turkey. Meeting with Turkish Prime Minister **Recep Tayyip Erdogan**, Adamkus emphasized Turkey's role in energy transit and asserted that Turkey belonged in the European Union.

Estonia

On 16 June Estonia opened a new deep-sea port on the western island of Saaremaa. The port, which is expected to help boost revenues from tourism, can accommodate cruise ships and other passenger vessels up to 650 feet long.

Baltic States Update Contd.

Estonia contd.

On 20 June Estonian President **Arnold Ruutel** promulgated a law that postpones increases in excise tax rates on alcohol, tobacco, and fuel for one and a half years. The law is intended to curb inflation and thereby help Estonia meet the Maastricht criteria for adopting the euro.

Latvia

On 20 June the Latvian government introduced a law according to which all residents

must file declarations with the State Revenue Service by 1 April 2008 stating their 2007 income and assets. In coming years, such declarations will have to be filed only by people whose assets change as specified by specific criteria.

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On 20 June the Latvian Cabinet of Ministers exempted citizens of Belarus from paying visa fees until Latvia's accession to the Schengen zone. The exemption is intended to promote contacts and cooperation between NGO's, mu-

nicipalities and other public organizations.

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On 22 June Latvian Foreign Minister **Artis Pabriks**, speaking at a meeting of the EU-Russia Parliamentary Cooperation Committee of the European Parliament, said that Latvia, as a member state of the EU, seeks a friendly and pragmatic relationship with Russia. Latvia is eager to sign a Latvia-Russia border treaty and an agreement to promote cooperation between the two countries.

Southeast European Update

Bulgaria

On 21 June Bulgaria's parliament passed new legislation allowing for stricter measures in combating money laundering in line with EU standards. The move comes after the May 2006 monitoring report by the European Commission criticized Bulgaria's finance ministry for its inability to obstruct suspicious financial transactions.

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The National Statistics Institute announced on 19 June that Bulgaria's economy grew by 5.6 percent in the first quarter of 2006. The increase was mainly a result of the 8.8 percent expansion of industry and 6 percent boost in the services sector. Meanwhile, unemployment in May fell to 9.6 percent, the lowest rate since September 1991.

Croatia

On 20 June **Damir Spancic**, state secretary at the ministry of sea, tourism, transport, and development, said that all remaining property that was seized during the 1991-1995 war will be returned to Serbian refugees this month. Of the 19,000 occupied houses, only 19 cases remain to be solved. However, **Veljko Dzakula**, president of the steering committee of the Serbian Democratic Forum, claimed that only 25 percent of Serbian refugees have returned to Croatia since the war.

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On 20 June the European Bank for Reconstruction and Development (EBRD) President **Jean Lamierre** signed a contract with

Angrokor President **Ivica Todoric** investing USD 138.3 million in the Croatian foodstuffs company. As a result, the EBRD gained an 8.33 percent interest in the company, allowing an EBRD representative to be on Agrokor's supervisory board. Thus far, the EBRD has invested USD 1.6 billion in Croatia by financing more than 76 projects.

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On 21 June Croatian President **Stjepan Mesic** met with Dutch Prime Minister **Jan Peter Balkenende** to discuss strengthening relations between the two countries. Balkenende stressed that Croatia's path to the EU should not be linked with the success or failure of the EU constitution and that he supported Croatia's efforts to join the bloc. However, Balkenende underscored that Croatia still needs to pursue judicial reform and combat official corruption.

Romania

The Romanian National Customs Authority (ANV) announced on 19 June that following EU accession on 1 January 2007, the country will automatically adopt a customs code identical to that of the EU. Exceptions would be made in the areas of sanctions and institutional organization, which differ between states.

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On 19 June the Romanian finance ministry announced that it would restart treasury note auctions in the fall of 2006 in order to finance the budget deficit. Finance Minister **Sebastian Vladescu** told the Bucharest daily *Ziarul Financiar* that the government plans to finance the

biggest part of the budget deficit from the domestic market.

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On 20 June, Rompetrol Rafinare announced that it had renewed a USD 110 million loan with Banca Comerciala Romana (BCR), HVB Bank Romania, and Bank Austria Creditanstalt to finance imports of crude oil, fuel oil, and gas condensate. Rompetrol Rafinare is the refining unit of the Romanian oil group Rompetrol.

Slovenia

On 17 June Slovenian Prime Minister **Janez Jansa** met with Gazprom President **Aleksey Miller** to reiterate Gazprom's interest in building a gas pipeline, which would run through Slovenia to Italy. **Joze Zagozen**, the general manager of Slovenia's power producer HSE, said that Ljubljana would be interested in construction of the pipeline as large quantities of gas transit would increase the reliability of gas supplies to Slovenia. Gazprom has also expressed interest in investing in Slovenian oil refineries.

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On 19 June the Slovenian foreign

ministry released a collection of documents, dubbed "The White Paper," outlining Slovenia's position on the unresolved border issues with Croatia. The disputed areas lie along the Bay of Piran and the Mura River, which provide Slovenia access to the Adriatic Sea. Croatian Prime Minister **Ivo Sanadar** is to release "The Blue Pages," which outlines Croatia's opinion of the "The White Paper" and Zagreb's position on the disputed areas. Croatian President **Stjepan Mesic** stated that he would seek an international judiciary court if the issue could not be resolved bilaterally.

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On 21 June Slovenian Prime Minister **Janez Jansa** praised the country's economic efforts. He asserted that Slovenia has narrowed the gap with the EU's average development level, secured its future by entering the EU and NATO, and should look forward to joining the Eurozone in January. Jansa also noted that Slovenia must improve its innovation capacity in order to catch up with the EU's most advanced countries.



Featured Photo: Timisoara, Romania

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