Poland

If Poland manages to enter the Euro-zone in 2007, it should prepare for the tough fiscal measures of the Exchange Rate Mechanism 2 (ERM2). Should Warsaw fulfill the Maastricht criteria by keeping its budget deficit below 3 percent of GDP, and the public debt under 55 percent of GDP, it could be ready to meet ERM2 criteria by 2005 and join the Euro-zone in 2007. Such an early start in adopting the euro is beneficial to Poland’s economy, according to Central Bank Vice-President Krzysztof Rybinski. A pivotal role in the process is played by the Monetary Policy Council (MPC), which recently raised interest rates by a quarter of a percent in order to overcome inflation. – – –

On 11 August Prime Minister Marek Belka named Andrzej Ananicz as the head of the Polish Intelligence Agency, following the resignation in May of previous head Zbigniew Siemiatkowski. Ananicz’s candidacy aroused some controversy, because a number of experts fear that he is a political appointee. – – –

At the invitation of the President of the United States of America, Polish Prime Minister Marek Belka visited Washington, DC on 10 August, where he met President George W. Bush at the White House and U.S. Secretary of Defense Donald Rumsfeld at the Pentagon. This was Belka’s first visit to the United States since his cabinet was formed and since Poland joined the European Union.

Czech Republic

President Vaclav Klaus has criticized the coalition agreement between the three parties in the new government. He claimed the agreement was vague and it failed to clarify the government’s policy priorities. Klaus also criticized the opposition, the Civic Democrats, for not reacting to the government plan more quickly. The Civic Democratic Party (ODS) was co-founded by Klaus himself in April 1991 and he was its chairman from the onset until December 2002. He was also highly critical of former Prime Minister Vlado­mir Spidla’s appointment as the Czech Republic’s next EU Commissioner. – – –

According to the first draft of the new Czech government’s policy agenda, the new administration will aim to create 100,000 new jobs in the next two years, chiefly in the unemployment-afflicted regions of Moravia, Silesia, and Northwest Bohemia. The draft program envisions pension reform and a variety of social programs, while also seeking to decrease the public deficit under four percent of GDP in 2006. After the conclusion of cabinet discussions over the policy agenda, it will be presented to the members of the Chamber of Deputies on 24 August.

Slovakia

On 9 August ninety-six Slovak troops returned from Iraq. The soldiers served at Hilla in the Slovak engineering unit. A new contingent arrived in Iraq last week under the command of Lt. Col. Anton Sládecek and took over the land-clearing activities. The Slovak Foreign Ministry also confirmed its firm stance not to succumb to terrorist demands, indicating that Slovak troops would remain in Iraq even in light of the recent hostage crises.

Hungary

On 4 August, the U.K. Ambassador John Nichols and Hungarian State Secretary in the Defense Ministry Imre Ivancsik signed an agreement on sharing costs of joint military exercises. This is the first protocol in Hungary that will regulate bilateral military cooperation. The document was signed ahead of the upcoming British-Hungarian-Swedish air battle exercise, planned for mid-August near Kecskemet, Hungary. Simultaneously, in Bucharest Mihály Zámboori, Undersecretary of State for Economic Affairs in the Hungarian Defence Ministry and Gheorghe Matache, Chief of the Weapons Department and Secretary of State in the Romanian Defence Ministry, discussed weapons acquisitions and upgrades. – – –

Baltic States Update

Lithuania

The government of Lithuania reported an increase in inflation of only 1.9 percent year-on-year for July. With GDP growth at an impressive 7.7 percent and 6.9 percent for the first and second quarters of the year respectively, the latest data demonstrates that Vilnius is successfully controlling inflationary pressures in the midst of an economic boom. – – –

On 6 August, Russia’s Foreign Ministry expelled Lithuania’s military attaché, Sigitas Butkus from Moscow. This marks the latest salvo in an ongoing diplomatic feud between Russia and its former Soviet satellite. In March 2004, Russia expelled three Lithuanian diplomats for alleged spying.

Latvia

The Latvian cabinet of ministers has adopted amendments to the national security law. As a result, the government obtained the right to request the help of foreign armed forces in case of an emergency within the country. According to the amendment, Latvia may now enlist the services for up to six months of a 100-strong foreign military contingent to settle domestic conflicts.

Estonia

Early this year eight Social Liberals (SL) left the Center Party due to irreconcilable differences with the party leadership, including Tallinn Mayor Edgar Savisaar. In an attempt to increase their political leverage on the eve of the upcoming budget battle, leading parliamentary parties have begun courting the group of eight SL lawmakers. The chairmen of both Res Publica and the Reform Party, two of the three ruling coalition partners, went so far as to offer the eight parliamentarians membership in their respective parties. The group will meet on 18 August to weigh the various proposals.
Southeast European Update

Slovenia
The NLB, Slovenia’s largest bank, signed in London on 11 August a syndicated loan worth 400 million Euros. Thirty-four banks from twelve countries including the United States, Canada and Japan will provide the loan – the largest in Slovenia’s history. Several European Union countries are also contributors. The NLB will use the money to finance domestic enterprises and infrastructure projects over the loan’s five-year period. Borut Stanic, an NLB board member, believes the loan was secured in part because of Slovenia’s recent accession to the EU and a boost in NLB’s credit rating from Standard&Poor.

In a meeting on 10 August Slovenian President Janez Drnovsek and European Commissioner for Regional Policy Jacques Barrot discussed the roles that the EU and Slovenia could play in South-East European Update.

Euro Quiz

1. Who was named the first President of the European Central Bank?
   A. Alan Greenspan C. Jean Monnet
   B. Wim Duisenberg D. Claude Monet

2. The European Parliament may now have how many members under the Treaty of Nice?
   A. 435 C. 732
   B. 270 D. 586

3. The United States and the European Union agreement (article 457) gives the EU and US an opportunity to develop a mechanism for joint EU-US consumer policy recommendations.
   A. a listserve that allows EU and US consumers to exchange ideas and opinions, and product warnings
   B. a consumer forum developing and agreeing on joint EU-US consumer policy recommendations
   C. an open forum held once a year at which EU and US officials announce consumer policy developments
   D. a videoconferencing and calling plan for US and EU consumers

4. Which country was not eligible for the 2003/2004 accession?
   A. Slovenia C. Romania
   B. Poland D. Estonia

5. The Transatlantic Consumer Dialogue (TACD) is:
   A. a listserve that allows EU and US consumers to exchange ideas, opinions, and product warnings
   B. a consumer forum developing and agreeing on joint EU-US consumer policy recommendations
   C. an open forum held once a year at which EU and US officials announce consumer policy developments
   D. a videoconferencing and calling plan for US and EU consumers

6. The European Central Bank (ECB) is located in:
   A. London C. Strasbourg
   B. Frankfurt D. Brussels

7. What does ERM2 stand for?
   A. an exchange rate mechanism
   B. Europe-Russia-Middle East free trade zone
   C. European Economic and Monetary Union
   D. The European version of the TV series ER

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