

Central European Update

Poland

On 18 July, Polish Prime Minister Marek Belka became the first head of a state with troops in Iraq to visit with interim Iraqi Prime Minister Iyad Allawi. However, the Polish government is expected to scale down its military presence in Iraq after elections early next year. Prime Minister Allawi confirmed the need for a continued Polish presence in Iraq and asked to be consulted on Poland's future plans. The Defense Ministry said last week that Poland would cut its troop levels from about 2,400 to between 1,000 and 1,500 next January, though Belka said he will keep some troops in Iraq at least through the end of 2005.

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In a recent policy speech, Prime Minister Marek Belka identified healthcare reform as one of five basic tasks for the Polish government to address. To head the changes, President Aleksander Kwasniewski appointed Marek Balicki as Minister of Health after Marian Czakanski resigned the post. Balicki favors a decentralization of Poland's healthcare system and is likely to base reforms on the widely disputed principle of patient co-financed health services.

The controversial rules, according to which patients would have to co-finance some treatments and therapies, have provoked objections from left-wing circles. However, the public, who already pays for their national healthcare, generally supports the reforms.

The Czech Republic

On 20 July, Czech Prime Minister-designate Stanislav Gross vowed to quickly form a new government after leaders of the current governing coalition agreed to cooperate. The leftist Social Democrats, chaired by Gross, alongside the centrist Christian Democrats and rightist Freedom Union hope to form a coalition similar to that of outgoing Prime Minister Vladimir Spidla. Gross told reporters that the agreement paves the way for the "new-old" coalition to issue a government manifesto that will guide the country until the 2006 general election. Coalition leaders are due to discuss the manifesto on Friday, focusing on state budgetary issues, changes to tax laws, and foreign policy.

The outgoing government recently approved an outline of next year's state budget, including the revenues and expenditures of individ-

ual ministries, but failed to agree on the size of the public finances deficit. Finalizing the 2005 state budget has thus been left to the new cabinet, which will enable individual ministers to draft budget proposals favorable to their respective ministries. The government does not anticipate any difficulties since the new government is likely to mirror the outgoing coalition.

Hungary

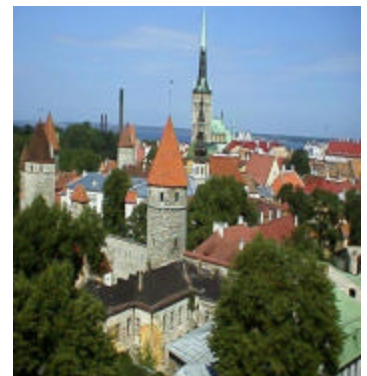
The Hungarian government, along with Poland and Slovenia, is protesting the proposed reduction of EU agricultural subsidies even though the countries' expected contributions to the joint purse have simultaneously decreased by €27 million. European officials contend that the reduced contributions to the purse will offset the subsidy decrease. Hungary, however, feels that this is insufficient compensation for the two-thirds cut in expected intervention funds.

As a result of the subsidy reform, Hungary's sugar industry will be greatly threatened and may even become extinct. Cheaper imports from abroad as well as EU regulations lowering the price of sugar and imposing production quotas

mean that Hungary's sugar sector is becoming relatively overpriced and noncompetitive. The Czech Republic has also voiced concern over changes to the EU's sugar policies.

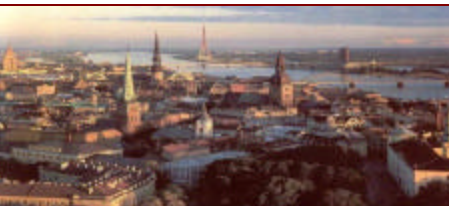
Slovakia

According to the European Bank for Reconstruction and Development (EBRD), Slovakia's economy is one of the strongest in Central Europe despite the remaining economic challenges. In order to promote greater regional development, the Bank will encourage the flow of foreign direct investments in areas outside Bratislava. The EBRD has signed forty contracts in Slovakia worth €3.6 billion.



Featured photo: Tallin, Estonia

Baltic States Update



Featured Photo: Riga, Latvia

Lithuania

Lithuanian President Valdas Adamkus has expressed concern over the operation of Russian-based Lukoil's D-6 drilling operation just 23 kilometers from Lithuania's Courland Spit. The Russian outfit is expected to pro-

duce 600,000 tons of oil annually but, if mismanaged could also pose a serious environmental threat to the surrounding Baltic Sea region. Adamkus is calling upon Russia to sign an agreement with Lithuania on preventive measures regarding pollution of the sea. He wished also to establish measures for preventing accidents as well as compensatory arrangements for possible safety failure scenarios.

Estonia

On 20 July, the Russian Foreign Ministry officially voiced its discontent over allegedly inflammatory remarks made last week by Es-

tonian Foreign Minister Kristiina Ojuland. At a press conference, Ojuland said that Russia was returning to "early 1990s tactics" to exert undue influence over the Baltic state. Ojuland stated that Russian pressure on Estonia and Latvia over the rights of Russian-speaking minorities reminded her of Moscow's exploitation of the same issue to oppose the Baltic countries' independence in the early 1990s. Russia has issued public accusations of human rights violations in Estonia, but Tallinn refutes these claims and regrets that Russia's interference could complicate Estonia's integration into the EU economy.

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Southeast European Update

Slovenia

The Slovenian People's Party (SLS), in cooperation with partners from Austria, proposed the creation of a new Euroregion of the "Alps-Adria Community" to foster stronger economic ties between Slovenia and regions of Austria. Unlike most Euroregions, which are formed among subsections of countries, the proposal would join all of Slovenia under one region to promote development. Nada Skuk, SLS vice president, described the effort as an opportunity to promote Slovenia's economic competitiveness. Croatia and Italy may also become involved with the region. The proposal was positively received by the Austrian provinces of Carinthia and Styria although no official actions have been taken.

Bulgaria

Bulgarian officials unanimously rejected the possibility of troop withdrawal from Iraq after Sofia received a concrete warning specifically targeting Bulgaria. The threat was posted on an Islamist website and comes from a terrorist group affiliated with Abu Musab Al Zarqawi. It claims that Bulgaria will drown in a "sea of blood" if it does not withdraw its troops. Intelligence and special service sources asserted that there do no seem to be specific plans for attack and that the ultimatum is merely a form of blackmail. Still, they assured that Bulgaria is

fully prepared to protect its critical infrastructure, its borders, and its historical landmarks from potential threats. Bulgarian President Georgi Parvanov asserted that Bulgaria will not succumb to terrorist pressure and vowed to keep his country's 485 troops in Iraq.

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On 21 July, parliamentarians from National Movement Simeon II (NMS), the Movement for Rights and Freedoms (MRF), and the "New Time" political group passed the Strategic Defense Review. The document represents Bulgaria's vision for military reform by 2015. Among the main tasks are the full professionalization of the armed forces, the reduction of the number of troops to 39,000, and the modernization of the defense sector. The government also plans to spend over 1.5 billion U.S. dollars on defense contracts in order to achieve NATO standards. The defense, economy, and finance ministries simultaneously released their official strategies for assigning contracts, which are meant to avoid the scandals associated with similar contracts in the past.

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During his visit to Washington, D.C. and New York this week, Bulgarian Foreign Minister Solomon Passy met with U.S. National Security Advisor Condoleezza Rice, U.S. Secretary of State Colin Powell, and UN Secretary General Kofi Annan. Powell praised Bulgaria's decision not to cede to the

demands of terrorists or kidnapers, who recently abducted two Bulgarian citizens. In the roundtable discussion at CSIS on 22 July, Passy reaffirmed his country's commitment not to negotiate with terrorists.

In his capacity as OSCE Chairman-in-Office, Passy also met with Congressman Alcee L. Hastings. The two men discussed cooperation between governmental and parliamentary dimensions of the OSCE process.

Romania

Romanian Premier Adrian Nastase concluded a four-day visit this week to New York and Washington, D.C. where he and other top advisors discussed bilateral and multilateral issues in meetings with President Bush, UN Secretary General Kofi Annan, and other officials. On 20 July, Prime Minister Nastase chaired a public meeting of the UN Security Council emphasizing UN cooperation with regional organizations in stabilization processes. Romania currently holds the six-month rotating Council presidency. On

Wednesday, Nastase met with President Bush to discuss the war on terrorism, NATO's agenda, and Romanian involvement in the ongoing Afghan and Iraqi conflicts. Nastase hopes the visit will further strengthen ties between Romania and the United States in several spheres of cooperation.

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As part of the visit, Prime Minister Nastase witnessed on 19 July the signing of a bilateral framework with the U.S. on nuclear nonproliferation. The agreement was signed as part of the Bush Administration's Global Threat Reduction Initiative, which was announced by U.S. Energy Secretary Spencer Abraham in Vienna in May 2004. The agreement will repatriate to Russia fuel containing highly enriched uranium from a defunct Romanian reactor.

Bosnia-Herzegovina

On 23 July, nearly eleven years after it was destroyed in the Bosnian war, a historic bridge in the city of Mostar was reopened. The bridge was built by the Ottomans in the 1500s and had long been a powerful symbol of multiculturalism and ethnic tolerance in the country. It was destroyed during the 1992-1995 war and Mostar has remained ethnically divided between Croats and Muslims ever since. The UN high representative Paddy Ashdown has strongly pushed for Mostar's reunification since he assumed office.



Featured photo: Bulgarian Parliament

Other Developments

NATO

On 19 July, the three Baltic states began hosting eleven NATO member states and aspirants in joint exercises as part of NATO's Partnership for Peace. The participating nations—Armenia, Bulgaria, Georgia, Estonia, Latvia, Lithuania, Poland, Romania, the United States, Ukraine and Croatia—are learning how to clean-up in the aftermath of natural disasters

and to prevent terrorist acts. The drills also focused on medical and humanitarian aid and are part of increasing efforts to coordinate international anti-terrorist techniques.

The Visegrad Group (V4)

The Visegrad countries—the Czech Republic, Hungary, Slovakia, and Poland—signed a declaration requesting to join the Schengen

regime together. Joining the Schengen area would bring an end to internal border checks. Although an official joint application has not yet been submitted, the countries are not likely to be able to comply fully with Schengen standards until late 2006 or early 2007. Poland is set to ask the EU to examine the preparations of the Visegrad Four before the Schengen II Information system is completed.

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