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I thought I would just share a few thoughts in a brief time that we've got this morning about how the international investor market is looking at the CEE accession countries. I'm really going to focus on what specialist emerging market investors think because these are the people who have been following these markets for ten years or so now and take an on-going interest. And I'm also going to talk or just focus really on their concerns rather than on the good things because we can list all the good things and just say a few words about what's exercising them at the moment. Clearly, regulatory business environmental issues are very important, but even more important at the moment is how they see some of the macroeconomic and fiscal events. And I think 2004 is really going to be a pivotal year for international investors interested in this region. 2003 clearly a golden year for investors driven apart by the whole convergence play with the EU, equity markets are up very substantially, sovereign debt, prices are margin compression, and so forth. Will this continue? I think people expect the global economic environment to continue certainly for the first half of this year, and this has been sustaining in the economies in Central and Eastern Europe. But then more, and I think there is a fear among some investors that we're living in something of an asset bubble. There are three key macroeconomic issues, which are at the top of the agenda really at the moment if you speak to the institutional market.

Firstly, growth. A lot of governments in the region are clearly hoping and assuming that growth will carry on and will bail-out some of the economic imbalances. But is this going to happen? There are signs of a US slowdown, various data coming out now, which are not encouraging, and clear problems in Euroland with the strength of the euro against the dollar and some of the sclerotic economic issues, which should be touched on this morning.

Secondly, the twin deficit issue, which is affecting a number of countries in the region. That's the budget deficit and clearly linked to that the current account deficit. Excess is based in countries where there is a low level of private sector savings and I think what is concerning the market here is something, which Mr. Mikloš touched on in the opening address, is frankly you got the political and economic cycles out of sync. And some very profound economic measures would need to taken to address some of these imbalances, but that's very difficult to do at the time when you have important elections coming up, i.e. the EU elections maybe not seen as that important but they will be, I think, a significant touchstone. And then you got general elections in Poland next year, Hungary the year after, and so on. And as Mr. Mikloš himself knows it‘s quite difficult in the current political environment to take some of these draconian measures.

And thirdly, there is the timetable for joining EMU for these countries and even more significant when they go into ERM II, and basically, investors see two camps here. Those economies, where there is some confidence in the economic fundamentals and those countries can, therefore, take a more relaxed view when they go in, and only go in when the economic fundamentals are right, and therefore, minimise the dangers of being in the ERM when the economies are unstable, which is clearly very difficult thing to manage. And Slovakia is obviously in that camp. And then the other camp, where people perceive more fundamental economic problems and where joining ERM II is really got to be seen as an anchor to hold the economy on track. And there you have clearly Poland and Hungary more in those camps. I think Hungary is now wondering whether it will go into the EMU at the time it originally indicated and the new Finance Minister obviously wants to sort things out. I think a big question as far as investors are concerned is what does it mean about ERM II. The European Central Bank wants to delay not going to the ERM II because it has worries about the credibility of the whole ERM mechanism. I think the market would react very badly to Hungary delaying going into ERM II, they‘d begin to doubt whether things could be stabilised.

Just a few couple of words on structural issues concerning investors. The major structural issue is the liquidity or lack of liquidity in the stock markets in the region. The free float of the top three markets is just over 20 bn. USD, that‘s about the size of the Portuguese market, and that market is shrinking as companies are taken private, the most notably Český telekom proved this at some point this year. So there is a decreased focus on countries as markets to go to with the exception, I think, of Poland and more are focused on specific companies and what they're doing. And that has dangers for the markets, I believe, for the economies because you risk a withering of the local capital markets. And that means that it's very difficult for venture capital private equities to start because there is no exit, and that has implications for capital, for the corporate sector. And then which companies are you looking at? Obviously those, which can benefit from catch-up in terms of economic penetration in the financial sector, mobile telephones. Those with special expertise and strong exports like some of the pharmaceutical companies and the one or two regional champion companies like MOL the Hungarian oil company.

I think finally, I mean just to say couple of words in conclusion. The emerging market funds are clearly worried about some of these challenges facing the market as they go into the EU. What needs to be done to address this... I think that anything that can be done to develop the domestic institutional investor base in these countries as has happened in Poland with the development of the pension funds, I think a number of other countries obviously wanted to do this, but anything which can lead to have some institutions wanting to invest in the local market will develop the local stock markets, will attract more foreign investors, will then lead to private equity coming in, and that will be very important for moving the corporate sector up the skills curve away from low labour advantages and benefiting from some of the educational systems, which ranks are highly on the Lisbon school card. And in addition to that, the big need to build credibility through good economic management and sound policies. Slovakia - a fine example, the proof of the pudding is in the strong foreign investor interest in coming in, FDI in 2003 moved twice the current account deficit, Hyundai coming in. As they go into the EU, a number of these markets are going to a much bigger pond and you have the little fish big pond syndrome and you have to get noticed in this big pond. The institutional investors will then be looking at investing in EU debt, particularly debt, as a whole... how does Slovakia, how does the Czech Republic, how do they get noticed? They have to be noticed because they’re excellent and they’ve established the track record. Some of the specialist funds are now moving away from the accession countries, the game is over, they’re looking further east to a more exciting place and the trick is going to be to get the following from the developed market funds. Thanks.