

**Report No.102**

**PROJECT ON BUSINESS AND POLITICS IN THE MUSLIM WORLD**

**Central and Eastern Europe including Russia and Baltic States**

**Weekly report 10<sup>th</sup> Jan to 16<sup>th</sup> Jan 2010**

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## **Head Lines**

### **Central Europe (Poland, Czech Republic, Slovakia & Hungary)**

#### **Poland**

- Support for Polish ruling party down-Web posted at: 1/13/2010-Source-REUTERS
- Poland to Sell 16% Of Enea Before Strategic Sale
- Race for President Heats Up-13 January 2010-The Warsaw voice News-by W.Z
- Polish conservatives go after Bible-tearing heavy metal singer-Jan 14, 2010, 14:22 GMT
- Nord Stream, a Waste of Money-From Barents Observer-Energy Tribune
- Poland May Double PGE Share Sale, Raise \$2.9 Billion-January 12, 2010, Bloomberg
- Poland's New Bonds Look 'Cheap,' Morgan Stanley Says (Update1)
- Czech Republic, Poland: East European Bond, Currency Preview
- Poland open to cutting Lotos stake to below 50 pct
- Chinese president accepts credentials from 8 ambassadors-www.chinaview.cn
- Poland stands alone in refusing swine flu vaccines-Associated Press Writer –

#### **Czech Republic**

- Israel: Night-Time Ramallah Raid, Arrest-12 January 2010--Popularstruggle.org
- EU enlargement commissioner vows to keep Turkey talk's going-Jan 12, 2010,
- Communist past not an issue for Enlargement commissioner (Roundup)-Jan 12, 2010
- Czech senior official will visit Azerbaijan: ambassador-15.01.2010
- Not a bad year for Czech banks, stock market-chinaview.cn-01-09-by Jaroslav Hofer

- Czech Republic donates cash to Haiti Jan 14, 2010,
- Czech authorities demand answers on organ harvesting-Gabriel Ronay, Kosovo- 9 Jan

### **Slovakia**

- Slovak minister defended over explosives-The Irish Times - Monday, January 11, 2010
- The paper clip, 6 January-Wednesday 6 January 2010
- Slovak anger over security debacle
- Slovakia felt the priorities of EU membership after entering Schengen: interior minister
- EU pressures Bulgaria over Slovak candidate-1/15/2010-REUTERS
- Slovakia gives in to truckers' demands-By Tom Nicholson in Bratislava-January 12 2010
- Slovak President Swears In New Central Bank Governor Makuch
- Political battle deepens over new EU Commission

### **Hungary**

- Ottawa eyes visas for Hungarian visitors
- EU State Aid: European Commission Approves Hungary's Liquidity Support Scheme-
- Hungary PM: 2010 Budget Deficit Goal In Reach If Policy Tight-01/14/2010
- Incoming employment commissioner says creating more jobs top priority for EU
- Hungary sticks to 2009, 2010 deficit targets
- E Europe trade boosted by euro zone rebound-Reuter-14-1-2010
- Hungary needs further cautious rate cuts -c.banker
- Slovenia set sights on quarter-finals-15 January 2010

## **Eastern Europe (Belarus & Ukraine)**

### **Belarus**

- Georgia's President thanks Belarus deputy PM for firmness in non-recognition of separatists-14.01.2010
- RA President, OSCE MG US Co-Chair discuss Karabakh problem-16.01.2010
- EU trade chief nominee backs Russia's WTO entry-2010-01-12
- Belarus continues to receive Russian oil-1/11/2010-Reuters
- Future Plans for Exports from Belarus-06 January 2010

### **Ukraine**

- Ukraine set for presidential vote
- Pro-Russian set to win Ukraine vote-2010-01-16
- Kyiv's crisis: the EU role- Andreas Umland, 16 January 2010
- International election observers deploy across Ukraine
- Ukraine faces even tougher year after election- Reuters-Jan12-By Sabina Zawadzki Analysis
- Analysis-Despair in West over Ukraine-January 14, 2010-By David Brunnstrom -Reuter
- Ukraine's oligarchs place their poll bets-By Stefan Wagstyl and Roman Oleachyk-
- Ukraine 'model farm' to help sell ND ag supplies-Associated Press Writer
- Ukrainian-billionaire-and-his-presidential-candidate-2010/01/14
- Ukraine's election votes for sale on the Web-Reuters

## **Baltic States (Estonia, Latvia & Lithuania)**

## **Estonia**

- Estonia close to joining euro zone - EU's Rehn-Jan 11, 2010
- Public finance problems in Greece posing “a very serious challenge” for the euro;
- Estonia likely to be the next country to join the Eurozone-By Fin facts Team-Jan 12,
- Estonia Legalises Online Gambling 01/12/2010
- Korea, Estonia Agree on Effort for Early EUFTA Ratification-01-12-2010
- Estonia prepared to help victims of Haiti earthquake-Government of Estonia-13 Jan 2010
- Estonia November c/a surplus falls to 6.1 mln kroons
- Estonia c.bank remains cautious on euro hopes
- EE: Company Registration Portal Is the Fastest In the World-14 January, 2010

## **Latvia**

- Latvia deputies to vote on IMF/EU deal amid wrangle
- Latvian recession "worst in history" says economist-Jan 13, 2010,
- Latvia Shows the Damage That Far Right Economic Policy Can Do-The Guardian Unlimited.
- With Support from the European Union and IMF-January 16, 2010-By Mark Weisbrot-The Guardian Unlimited.
- Latvia c.bank says bought net 5 mln euros last week
- Latvia's consumer prices fall January 11, 2010
- Crisis-hit Latvia ends year on deflationary note

## **Lithuania**

- Lithuania Dec inflation eases more than expected
- Lithuania offers Azerbaijan to student voucher system: minister-14.01.2010
- Hearings in EP continue - comments in European press-13 January 2010
- EU centre-left threatens to block anti-fraud commissioner-Jan 12, 2010
- Lithuania c/a swings into surplus in Nov
- Lithuania main aim to finance deficit from market

## **Russia**

- Medvedev: U.S. arms talks progressing-By Associated Press
- Huge progress in nuke talks-(AFP)
- Bilateral Relations: Ukraine elections - who wins will determine the course of relations between Ukraine and Russia-Saturday, January 16, 2010
- Ukraine's presidential rivals look to EU and Moscow
- Nine polling stations for Ukrainian presidential election to open in Russia-15.01.2010,
- Russia Faces 'Win-Win' in Ukraine as Yushchenko Exits
- Russian, US envoys meet on Mideast-1/15/2010
- Analysis-NABUCCO conference in Georgia: Politics trumps economic reason-Friday 15 January-Tatjana Mitrova, Energy Research Institute, Russian Academy of Sciences
- 235 Russian Interior Ministry employees killed in North Caucasus in 2009-
- Russia rules could hurt US beef exports-senators
- Chile in OECD-January 10 2010
- Russian bank balances fall to 852.3 bln rbls

- Russian foreign debt \$469.7 bln at Jan 1 - cbank
- Russia looks to taxes to help diversify economy
- Smuggling of meat, frozen 35 years ago, blocked in Russia-11.01.2010
- Russia backs human rights reform [AFP]
- Photograph taken by Russian president raises \$1.7 million at charity auction

## **Report Summary**

The report is a collection of news regarding the socio- economic, political, cultural and environmental events in the Central and Eastern Europe and Russia. For the compilation of this news update the leading News Papers of the region has been explored through Internet. The Central and Eastern European region is consisted upon the following ten States: i.e. (Central Europe: Poland, Czech Republic, Hungary and Slovakia), (Eastern Europe: Belarus & Ukraine), (Baltic States: Estonia Latvia, Lithuania) and Russia.

### **Political and diplomatic front**

The SMG/KRC Mill ward Brown survey, published last week showed that support for Poland's ruling Centre-Right Civic Platform (PO) has fallen by nine percent since November, near its lowest point since it swept to power in 2007. PO has generally remained well ahead of its rivals over the past two years, winning praise for steering Poland through the global financial crisis without going into recession.

But contrary to that survey, the Political Observers are of the opinion that the Civic Platform (PO) has already strengthened its grip on power to a degree over the past two decades that the opposition Law and Justice (PiS) party chaired by president, Lech Kaczyński's twin brother Jarosław, stands no chance of being elected.

Polish Minister of Foreign Affairs, Radoslaw Sikorski maintains that the Nord Stream project (Underwater Gas Pipeline Project) is a "waste of money". The Polish authorities have pointed out several times that the Russo-German consortium led by Russian giant GAZPROM has not been able to explain why a sea route is better than the cheaper land option. The 1220 km long Nord Stream pipeline is planned to be partly fuelled by gas from the SHTOKMAN gas in the Barents Sea.

Four members of Poland's conservative Law and Justice Party took legal action against a death metal band after its lead singer tore up a Bible on stage. The politicians asked prosecutors

Wednesday to investigate whether Behemoth singer Adam Darski broke Polish law by shredding the Bible during a concert in Gdynia in September 2007.

Israel Stages Night-Time Ramallah Raid to Arrest an International Solidarity Movement's media coordinator, Eva Nováková, a Czech citizen. During the raid, the army occupied a number of rooftops at a location adjacent to the Palestinian Police Ramallah headquarters. She is currently being held in Given Detention Center awaiting deportation to the Czech Republic.

Three of the nominees for EU Commissioners did not pass the test in the European Parliament. These are: Romyana Zheleva (Bulgaria), Olli Rehn (Finland) and Algirdas Semeta (Lithuania), Belgium De Standaard writes. MEPs found their hearings poor and have not sent approving letters to them yet.

However, the Czech Republic's candidate for the European Commission successfully completed his hearing in front of the European Parliament in Brussels on Tuesday, despite fears that his Communist Past might lead some deputies to question his appointment. Stefan Fuele was nominated as Enlargement and Neighborhood policy commissioner. He was an active member of the Czechoslovakian communist party. The parliament is due to vote on the appointment of the new European Commission on January 26, after completing individual hearings with all 26 designated commissioners.

In a statement he evaluated that the European Union will staunchly support the Turkey's accession despite opposition in key member states such as France and Germany. Accession talks with Turkey started in October 2005, but have since stalled due to a lack of progress in democratic reforms in the country and wrangling over the 'Cyprus question.

Slovakia's Police have mounted a robust defense of the state's interior minister after opposition parties demanded his resignation over a botched security test in which a passenger innocently carried explosives on a flight from Poprad-Tatry to Dublin. The Police had planted 96g of plastic explosive in a luggage of Electrician Stefan Gonda (49) as part of a training exercise for a sniffer dog at Poprad-Tatry last Saturday week.

According to Slovakian Interior Minister Robert Kalinjak, Slovakia's entering in the SCHENGEN area was of an absolute priority for the country. The country has felt the priorities

of EU membership after entering SCHENGEN. He clarified that when they accessed the European Union, nothing has changed for the citizens the day after that. However, when the country entered the SCHENGEN zone the citizens due to the opportunity to travel without any border checkpoints between countries from the SCHENGEN area have attained the status of EU member state.

Socialists in the European Parliament increased pressure on Bulgaria yesterday to change its candidate for the European Commission, raising the risk of further delay in installing the new EU executive. Centre-right members of parliament flexed their muscles in return, signaling they would challenge the suitability of Slovakia's leftist candidate if their rivals keep gunning for Bulgaria's Rumiana Jeleva, a centre-right foreign minister.

Meanwhile the Belarusian nominee to be the next European Union's Trade Chief said on Tuesday he supported Russia's accession to the World Trade Organization (WTO). Karel de Gucht told a hearing in the European Parliament that much now depended on Russia and whether it wants to join the WTO as part of a customs union with Belarus and Kazakhstan.

Ottawa is seriously considering imposing visa requirements on visitors from Hungary to cut off a growing flood of refugee applicants, mainly from the Roma community. It would be the third such move in less than a year, after Canada imposed visas on visitors from Mexico and the Czech Republic last summer. And it would risk provoking retaliation not just from Hungary, but also the much larger and more powerful European Union, which has already protested the clamp-down on Czech travelers.

Georgia's President Mikheil Saakashvili expressed gratitude to Belarus for firmness in non-recognition of Georgia's separatist regions, he said today during a meeting with Belarus deputy Prime Minister Andrei Kobaykov. "We highly appreciate Belarus's policy towards Georgia and that most part of your country's deputation support Georgia's territorial integrity, Belarus does not recognize separatist regions despite pressure,"

Russian Energy Ministry spokeswoman said yesterday that Russian oil continues to flow to Belarus and via Belarus to the European Union despite a failure by Moscow and Minsk to clinch a new oil supply deal at talks on Saturday.

Ukrainian leaders doing battle for the presidency in the coming weeks will face an even more daunting task once in power - a shattered economy, exhausted state treasury and the prospect of default. In short, they will have to deal with a year worse than 2009 - when analysts said Ukraine's bankruptcy was imminent. It wasn't - despite the suspension of a \$16.4 billion bailout from the International Monetary Fund - but the economy shrank by up to 15 percent, one of the worst in Europe.

Lying on the doorstep of the European Union, the nation of 46 million that is among the world's top ten providers of grain and steel will hold its first presidential election since the 2004 "Orange" Revolution promised Western-style reforms.

Viktor Yanukovich, a pro-Russia politician, is on course to win the first round of Ukraine's presidential polls, five years after his previous election victory sparked the Orange Revolution and his removal from power. Pre-poll surveys on Saturday showed Yanukovich with a clear lead going into the Sunday vote, though not with the majority required to avoid a second round run-off against his main challenger, Yulia Tymoshenko - the current prime minister.

According to analysts, Russia will be the certain winner in Ukraine's presidential election on Jan. 17, as pro- Western incumbent Viktor Yushchenko is expected to bow out to rivals seen as more friendly toward Moscow. For Russia it can be called a win-win situation, since any result is better than the current situation. Russian Prime Minister Vladimir Putin, who as president promoted Yanukovich in the last election, is abstaining from an endorsement this time as polls show support for Yushchenko, the hero of the 2004 Orange Revolution.

Russian-Ukrainian relations deteriorated under Yushchenko, who needled Russia with a push to join the North Atlantic Treaty Organization and appeals to Ukrainian nationalism. The Kremlin has curbed natural-gas deliveries to Ukraine three times in five years, withheld a new ambassador to Kiev and accused Yushchenko of supplying arms to Georgia during Russia's five-day war with its southern neighbor in August 2008.

International election observers have fanned out across Ukraine in preparation for Sunday's presidential contest amid widespread concerns about fraud. Jens-Hagen Eschenbacher, a spokesman for the Organization for Security and Cooperation in Europe, says Saturday that

about 600 OSCE election monitors are in place, in addition to thousands of other foreign observers. Allegations of widespread fraud in Ukraine's 2004 presidential election led to the mass protests of the Orange Revolution.

Following the damage caused by the recent economic recession, the small Baltic nation of Estonia has moved to legalize online gambling in a bid to garner additional government revenues from tax. The new liberalization will enable Estonians to play online via platforms provided by domestic-based operators and now sees the country become the latest European region after, Belgium, Sweden, Italy, Poland and Holland to allow online gambling.

Estonia agreed to support South Korean efforts to have a free trade agreement (FTA) signed with the European Union (EU) take effect as soon as possible, a spokesman of the Foreign Ministry said Tuesday.

Estonia is prepared to donate about one million kroons to help alleviate the aftermath of the earthquake in Haiti. The Foreign Ministry is currently assessing co-operation with other state institutions to help victims of the earthquake and alleviate the aftermath

Latvia's parliament is to vote on the revised agreements the government has struck with the International Monetary Fund and European Union to secure more funding from a vital bailout, the government said on Tuesday. Latvia at the end of 2008 agreed a 7.5 billion euro bailout with the IMF, EU, Sweden and other lenders. It has just drawn up revised agreements to ensure further funding.

The signs of recession are more noticeable to those who live here - restaurants and coffee shops have lost most of their customers, and construction has practically ground to a halt. Emigration has soared. Latvia has set a world-historical record by losing more than 24 percent of its economy in just two years. The International Monetary Fund (IMF) projects that 2010 will be another bad year, with GDP shrinking by another 4 percent. The Fund forecasts a fall of 30 percent from peak to bottom, which would surpass the U.S. decline during the 1929-1933 downturn of the Great Depression.

Lithuania has offered Azerbaijan a system to finance student education using vouchers. The Lithuanian Education and Science Minister Steponavičius, presented Lithuania's experience

in the field of educational reforms to his Azerbaijani colleagues as Azerbaijan is on the threshold of fundamental and substantial changes to the educational system.

Talks between the U.S. and Russia on a new arms control treaty have been difficult but the two sides have made great progress toward a deal on limiting their nuclear arsenals, President Dmitry Medvedev said Saturday. The new treaty is to succeed the 1991 Strategic Arms Reduction Treaty, or START, which expired on Dec. 5. Washington and Moscow had hoped to reach a deal before the end of the year, but were unable to resolve outstanding problems

Russian Presidential Envoy Alexander Sultanov met his US counterpart George Mitchell in Brussels on Friday, and discussed the latest Middle East developments. This was announced by the Russian Ministry of Foreign Affairs in a release handed out here Friday, but failed to reveal any further details.

NABUCCO Conference in Georgia, Instead of uniting ten heads of state and government, as it was originally foreseen, degenerated into a mere roundtable of experts, which did not yield any decisions or practical results. With attendees from Eastern European, Central Asian and Caspian countries, the meeting served to discuss prospects of energy supplies from the Caspian region to Europe. The recent inauguration of the gas export pipeline to China from Turkmenistan has been remained a critical concern for the participant.

### **Economic Front**

Treasury Minister Aleksander Grad said that Poland may sell as much as 20 percent of PGE SA, the country's largest power group, this year. In an asset-sale plan published last year the government aimed to sell 10 percent of PGE in 2010, which raised almost 6 billion zloty (\$2.14 billion) in Europe's largest initial public offering last year, would bring about \$2.9 billion at today's market price.

The Finance Ministry of Poland will offer as much as 5.5 billion zloty (\$1.96 billion) of zero-coupon bonds maturing in 2012 at an auction. It will publish the results of the sale at 12 p.m. in Warsaw. The zloty weakened 0.3 percent to 4.0788 per euro. The yield on the 5.75 percent government bond due April 2014 increased six basis points to 5.57 percent.

According to annual assessment report about the Czech Economy, the year 2009 was not a bad one for Czech banks and stock market, though some negative economic figures and uncertainties existed. The Czech banking system witnessed a successful story last year as not a single Czech bank went bankrupt. Moreover, the three leading banks made profits and helped their foreign owners out of trouble.

The centre-left government of Robert Fico gave in to demands from striking Slovak truck drivers on Monday, reducing taxes on diesel fuel as well as temporarily suspending part of an unpopular road toll system. Trucks had earlier blocked traffic in larger Slovak cities, as well as dumped manure in front of the prime minister's office. They claimed the toll system, introduced at the beginning of the year, was badly implemented, leading to chaos and 48 hour waits at some border crossings. They demanded that the price of diesel be reduced to compensate for added transport costs.

The European Commission has approved, under EU state aid rules, a Hungarian measure aimed at providing liquidity to eligible financial institutions in Hungary to support lending to the economy. The Commission is satisfied that the measure is compatible with Article 107(3)(b) of the Treaty on the Functioning of the European Union (TFEU).

Prime Minister Gordon Bajnai said that Hungary can meet its 2010 budget deficit target if it maintains a tight fiscal policy. Hungary aims to reduce its budget deficit, under the European Union accounting norm, to 3.8% of gross domestic product in 2010 from a targeted 3.9% of GDP in 2009. Hungary will hold general elections this spring, where the likely winner is the opposition party Fidesz.

Deputy Governor Ferenc Karvalits said on Saturday that Hungary's central bank needed to cut interest rates further cautiously, without risking a significant forint weakening which would hit foreign currency loan holders. National Bank of Hungary (NBH) has lowered the key interest rates by a total of 325 basis points in six consecutive steps by December, hitting its lowest since 2006 at 6.25 percent.

In Belarus the agriculture and food and drink industries play a big part in the country's economic development, and the government has been working to increase exports from these

areas, as reported in the recently published Belarus Food & Drink Report for Q110. Being close to the main Russian markets of Moscow and St Petersburg, many Belarusian food and drink companies have in the past targeted Russia for exports, but have now started to look further afield for export opportunities.

The economic crisis has hit Ukraine's business oligarchs hard but not so hard as to stop them throwing their money and their influence behind the top contenders in the country's presidential election.

Preliminary central bank figures showed on Thursday that Estonia's current account surplus shrank to 6.1 million kroons (\$566,800) in November from a revised surplus of 1.561 billion kroons in October. The surplus of the services and current transfers' accounts covered the deficit of goods and income accounts.

Russia's government will next month consider possible changes to the tax legislation in a bid to boost innovation sectors and diversify the economy from natural resources, Finance Minister Alexei Kudrin said on Friday. Oil exports helped fan nearly a decade of economic boom in Russia, but dependence on energy and commodities made the country extra vulnerable to the global financial crisis which sapped world demand and pushed down prices.

## **Social Front**

The decision of Polish government not to import swine flu vaccines amid worldwide warnings of a spreading epidemic has generated new debates.

The Czech Republic is to give 5 million koruny (278,500 dollars) in emergency relief to quake-hit Haiti, the Foreign Ministry said Thursday. The money will be channeled through the United Nations Children's Fund (UNICEF) to help restore drinking water supplies.

The Czech foreign Ministry has asked the Pristina authorities for a clear-cut statement on reports that three Czech students were among the victims of the Kosovo Liberation Army's Secret Organ Harvesting from Slav prisoners during the Kosovo war. Vladimir Vukcevic, Serbia's top war crimes prosecutor, claimed in an interview that several Russians and three

Czechs had been the victims of this trade used to finance the fight against the Serb state during President Milosevic's murderous rule.

The highlight of Slovenia's foot balling year will be their appearance at the FIFA World Cup in South Africa, but next week the attention will switch to Hungary and the UEFA European FUTSAL Championship. Slovenia will be competing in the showpiece for only the second time and have a tough task in Group C against Serbia and former Champions Russia.

Several offers have appeared on the Internet from disenchanted citizens in the ex-Soviet republic who say they are ready to sell their votes in the January 17 election for president. The State Security Service had no comment to make on the offers, but a central election commission official said buying votes was illegal and subject to criminal prosecution. It did not appear, however, to be an offence to offer votes for sale. Another offer from the capital Kiev read: "I am completely indifferent to who wins. There are three votes for sale - Some have accompanying e-mail addresses. Other appears with a contact telephone number.

Ukrainians in Russia may cast their vote at five embassy polling stations and four consular polling stations on January 17. The Ukrainian Central Elections Commission prohibited opening polling stations outside diplomatic missions. About 55,000 Ukrainians are registered with the Ukrainian embassy in Russia. Other Ukrainian citizens who can prove their legal stay in Russia can also take part in the ballot.

A major channel for the smuggling to Russia from America of meat, frozen 35 years ago, has been blocked. Officers of the economic security department jointly with officers of the police department of the Belgorod Region stopped the activities of the crime group, which organized meat smuggling to Russia from the United States, Brazil, Canada, Argentina, and Belgium via Ukraine. According to the information of the police, the meat was subjected to deep freezing as early as in 1974," the police officer continued.

Russia's parliament has ended years of resistance and ratified an international agreement intended to strengthen and speed up the work of the European Court of Human Rights. The State Duma had refused to ratify Protocol 14 in 2006, but approved now by 392-56 votes.

A photograph Medvedev took of the kremlin, or fortress, in a Siberian town sold for 51 million rubles (\$1.7 million) at a charity auction Saturday night, surpassing the 37 million rubles (then \$1.1 million) paid last year for a painting by Prime Minister Vladimir Putin.

## **Detailed Report**

### **Central Europe (Poland, Czech Republic, Slovakia & Hungary)**

#### **Poland**

##### **Political Front**

##### **Support for Polish ruling party down-Web posted at: 1/13/2010 9:55:27-Source-REUTERS**

WARSAW: Support for Poland's ruling centre-right Civic Platform (PO) has fallen by nine percentage points since November to 37 percent, near its lowest point since it swept to power in 2007, a survey published yesterday showed. The SMG/KRC Millward Brown survey, published in the daily Rzeczpospolita, showed the main opposition party, the right-wing Law and Justice (PiS), gaining four percentage points to 28 percent and the leftist SLD also up at 11 percent. PO has generally remained well ahead of its rivals over the past two years, winning praise for steering Poland through the global financial crisis without going into recession. But unemployment has crept higher, public debt has increased and the paper said support for PO also took a knock after a gambling scandal last autumn forced the dismissal of four government ministers and several top aides. Support for PO's small coalition partner, the Peasants' Party (PSL) stood at five percent, the threshold required to enter parliament, the survey showed. Poland's next parliamentary election is due next year.

##### **Poland to Sell 16% Of Enea Before Strategic Sale**

WARSAW -(Dow Jones)- Poland plans to sell up to 16% of energy utility Enea (ENA.WA) on the stock market, before selling more than 50% of the firm to a power sector investor, the Polish Treasury Ministry said in a statement Wednesday. The 16% stake will be a fully-marketed offering for domestic and foreign institutional investors, the ministry said. Credit Suisse will be the global coordinator of the offer, while UniCredit and Citigroup will serve as joint bookrunners, the ministry said. The Polish government last year unsuccessfully tried to sell a majority stake in the business to Germany's Rwe AG (Rwe.XE). After being shortlisted to buy a 67% stake in Enea, Rwe in October decided not to make a bid due to valuation issues. At market prices, the stake was worth 6.33 million zlotys (\$2.22 billion), but Chevreux analysts at the time said the whole of Enea was worth that much. Poland holds 76.48% in Enea, while Sweden's Vattenfall has 18.66%.

### **Race for President Heats Up-13 January 2010-The Warsaw voice News-by W.Z**

The presidential elections in the fall, which will likely prove to be the biggest political event of 2010, could see the Civic Platform (PO) strengthen its grip on power to a degree that no other party in Poland has managed over the past two decades. All the signs are that the incumbent president, Lech Kaczyński, hailing from the opposition Law and Justice (PiS) party chaired by his twin brother Jarosław, stands no chance of being reelected. Meanwhile, Prime Minister Donald Tusk, head of the PO, the senior party in the ruling coalition, looks certain to become the next head of state. Admittedly, Tusk has not yet officially announced that he will run and some members of his Civic Platform have been openly saying that the PO, which is way ahead in the polls, may put forward another candidate, such as Foreign Minister Radosław Sikorski or Bronisław Komorowski, the speaker of the lower house of parliament. But few believe that Tusk would want to miss an opportunity to make up for his unexpected defeat at the hands of Lech Kaczyński in the 2005 presidential elections. The high-profile political head-to-head between Tusk and Kaczyński looks certain to eclipse the election campaigns of other candidates, including those of left-winger Jerzy Szmajdziński, a long-standing senior Democratic Left Alliance (SLD) politician, and Andrzej Olechowski, backed by the Democratic Party (SD), who was foreign and finance minister in several governments during the 1990s. At a press conference in late December Tusk said he would make up his mind as to whether or not he will run in the

elections "still this winter." Meanwhile, polls show that if the party put forward a different candidate-Sikorski, Komorowski, or Jerzy Buzek, the president of the European Parliament-each of the three could expect to win. Polls show that Kaczyński's ratings are so low that he would even lose if he had to compete against another PO politician instead of Tusk. He would also lose against an independent candidate or someone from the left wing, commentators say. Despite rumors that Kaczyński might not be seeking reelection, few believe he would give up his job without a fight. Contrary to media speculation, PiS says it does not intend to hold any internal vote to pick a presidential candidate.

### **Polish conservatives go after Bible-tearing heavy metal singer-Jan 14, 2010, 14:22 GMT**

Warsaw - Four members of Poland's conservative Law and Justice party took legal action against a death metal band after its lead singer tore up a Bible on stage, Polish Radio reported Thursday. The politicians asked prosecutors Wednesday to investigate whether Behemoth singer Adam Darski broke Polish law by shredding the Bible during a concert in Gdynia in September 2007. The party does not expect the court to punish the front man, MP Andrzej Jaworski told gazeta.pl, a news website. 'We expect he will admit his guilt and apologize to the people who were offended,' Jaworski said.

### **Nord Stream, a Waste of Money-From Barents Observer-Energy Tribune**

The Nord Stream project is a "waste of money", Polish Minister of Foreign Affairs, Minister Radoslaw Sikorski maintains. Talking to the Polish National Assembly's foreign affairs committee last week, Mr. Sikorski underlined that the underwater gas pipeline project is "a waste of money", Euractiv.com reports. The Polish authorities have pointed out several times that the Russo-German consortium led by Russian giant Gazprom has not been able to explain why a sea route is better than the cheaper land option, the website writes. Sikorski has long been a vocal opponent of the pipeline. The 1220 km long Nord Stream pipeline is planned to be partly fuelled by gas from the Shtokman gas in the Barents Sea.

### **Economic Front**

### **Poland May Double PGE Share Sale, Raise \$2.9 Billion-January 12, 2010, Bloomberg**

Jan. 12 (Bloomberg) -- Poland may sell as much as 20 percent of PGE SA, the country's largest power group, this year, twice as much it had originally planned, Treasury Minister Aleksander Grad said. "We can sell even 20 percent of PGE this year, depending on how much the market can absorb," Grad told TVN CNBC Biznes television today. Poland will keep a majority stake and the sale may happen in several transactions, he said. In an asset-sale plan published last year the government aimed to sell 10 percent of PGE in 2010. A 20 percent stake in the utility, which raised almost 6 billion zloty (\$2.14 billion) in Europe's largest initial public offering last year, would bring about \$2.9 billion at today's market price.

### **Poland's New Bonds Look 'Cheap,' Morgan Stanley Says (Update1)**

Jan. 12 (Bloomberg) -- Poland's new 15-year bonds look "cheap" and may extend gains in trading as investors seek the higher yield on the securities, according to Morgan Stanley. Investors should buy the 5.25 percent bond that matures in 2025 and sell the country's 10-year euro-denominated note as the yield differential between the two will probably narrow by around 30 basis points in the coming weeks, Regis Chatellier, emerging- markets credit strategist at Morgan Stanley, said today. Poland yesterday raised 3 billion euros (\$4.3 billion) in its biggest offering of euro-denominated bonds in four years, helping to fund the country's growing budget deficit. The 15- year bonds yielded 5.34 percent compared with 4.59 percent for bonds maturing in 2020, a so-called spread of 75 basis points, according to HSBC Holdings Plc prices available on Bloomberg.

### **Czech Republic, Poland: East European Bond, Currency Preview**

Jan. 13 (Bloomberg) -- The following events and economic reports may influence trading in eastern European bonds and currencies today. Bond yields and exchange rates are from the previous session.

**Czech Republic:** Retail sales probably declined 1 percent from a year earlier in November after falling 4.7 percent a month earlier, according to economists surveyed by Bloomberg. The statistics office reports the figures at 9 a.m. in Prague. The government sells 7 billion koruna (\$386 million) of bonds maturing in April 2019. The sale's results will be published at 12 p.m. in

Prague. The koruna weakened 0.3 percent to 26.278 per euro. The yield on the 5 percent government bond due April 2019 fell two basis points to 4.28 percent.

**Hungary:** The central bank publishes minutes from its December meeting on interest rates at 2 p.m. in Budapest. The forint lost 0.5 percent to 268.47 per euro. The yield on Hungary's 8 percent bond due February 2015 was little changed at 7.15 percent.

**Poland:** The Finance Ministry will offer as much as 5.5 billion zloty (\$1.96 billion) of zero-coupon bonds maturing in 2012 at an auction. It will publish the results of the sale at 12 p.m. in Warsaw. The zloty weakened 0.3 percent to 4.0788 per euro. The yield on the 5.75 percent government bond due April 2014 increased six basis points to 5.57 percent.

**Russia:** The statistics office report inflation for the week ended Jan. 4. The rate was little changed a week earlier. The ruble weakened 1 percent to 29.5848 per dollar. The yield on the 7.5 percent government bond in dollars due March 2030 increased three basis points to 5.20 percent.

**Slovakia:** The statistics office reports December inflation at 9 a.m. in Bratislava. The inflation reached an annual rate of 0.4 percent in November. The yield on the 4.9 percent government bond due November 2014 was little changed at 3.14 percent.

**Ukraine:** December industrial production probably increased 6.7 percent from a year earlier after growing at 8.6 percent annual pace a month earlier, according to a Bloomberg survey of economists. The Kiev-based statistics office reports the figures on any day from today through Jan. 15. The hryvnia weakened 0.7 percent to 8.0907 per dollar. The yield on the 7.65 percent government bond due June 2013 rose 15 basis point to 10.215 percent. To contact the reporter on this story: Piotr Skolimowski in Warsaw at [pskolimowski@bloomberg.net](mailto:pskolimowski@bloomberg.net)-last Updated: January 12, 2010 19:01 EST

### **Poland open to cutting Lotos stake to below 50 pct**

WARSAW, Jan 15 (Reuters) - Poland may some day decide to reduce its stake in the country's No.2 refiner Lotos to below 50 percent, the treasury minister said on Friday. "The government currently believes that in Lotos it should have more than 50 percent, but this does not have to be forever," Aleksander Grad said in an interview for Radio PiN. Poland currently has 64 percent in Lotos and plans to sell a 13-percent stake.

## **Social Front**

### **Chinese president accepts credentials from 8 ambassadors-www.chinaview.cn 2010-01-11**

BEIJING, Jan. 11 (Xinhua) -- Chinese President Hu Jintao accepted here Monday credentials presented respectively by the ambassadors to China from Slovenia, Czech, Poland, Gana, Libya, Mongolia, the Republic of Korea and Iceland. The eight new ambassadors are Marija Adanja from Slovenia, Libor Secka from Czech, Tadeusz Chomicki from Poland, Helen Mamle Kofi from Gana, Taher E. A. Jehaimi from Libya, Tsedenjaviin Sukhbaatar from Mongolia, Yu Woo-ik from the Republic of Korea and Kristin Arnadottir from Iceland.

### **Poland stands alone in refusing swine flu vaccines-Associated Press Writer – Wed Jan 13,**

WARSAW, Poland – The decision seemed fraught with risk: a government refusing to import swine flu vaccines amid worldwide warnings of a spreading epidemic. But Poland did just that, becoming the only country worldwide known to reject the vaccines over safety fears and distrust in the drug companies producing them — concerns international health experts reject as unfounded. Now that the current outbreak appears to have peaked in much of Europe, many Poles feel their government has been vindicated: Countries with large stockpiles often saw low public interest in the vaccines and face financial loss from unused doses now set to expire. But Poland's government didn't spend a cent fighting the epidemic.

## **Czech Republic**

### **Political Front**

### **Israel: Night-Time Ramallah Raid, Arrest-12 January 2010--Popularstruggle.org**

Israel Stages Night-Time Ramallah Raid To Arrest An International Solidarity Activist. The raid was conducted to apprehend Eva Nováková, a Czech citizen, who has been the International Solidarity Movement's media coordinator for the past few weeks. The raid was held despite a recent statement by president Mahmoud Abbas, who said the PA is considering scaling back security ties with Israel over area A operations. Israeli soldiers raided the Ramallah home of Eva Nováková tonight at 3 am near the Manara square. The operation to apprehend Nováková, the ISM's media coordinator in past few weeks, was carried out by a force of both soldiers and

members of the “Oz” immigration police unit. During the raid, the army occupied a number of rooftops at a location adjacent to the Palestinian Police Ramallah headquarters. She is currently being held in Givon detention center awaiting deportation to the Czech Republic.

### **EU enlargement commissioner vows to keep Turkey talk’s going-Jan 12, 2010,**

Brussels - The European Union will push ahead with accession negotiations with Turkey despite opposition in key member states such as France and Germany, the Czech diplomat poised to become the EU's next enlargement commissioner vowed Tuesday. 'I intend to go ahead with accession negotiations with Turkey,' said Stefan Fuele during his formal confirmation hearing in front of the European Parliament in Brussels. 'They are the best leverage we have to help Turkey modernise,' the Czech diplomat said, stressing that despite ongoing concerns about human rights, 'there has been a lot of progress' in the country as 'many taboos from the past ... are now debated openly in society'. The parliament is due to vote on the appointment of the new European Commission on January 26, after completing individual hearings with all 26 designated commissioners. Accession talks with Turkey started in October 2005, but have since stalled due to a lack of progress in democratic reforms in the country and wrangling over the 'Cyprus question'.

### **Communist past not an issue for Enlargement commissioner (Roundup)-Jan 12, 2010**

Brussels - The Czech Republic's candidate for the European Commission successfully completed his hearing in front of the European Parliament in Brussels on Tuesday, despite fears that his communist past might lead some deputies to question his appointment. Stefan Fuele was nominated as Enlargement and Neighbourhood policy commissioner. He was only 27 when the Berlin Wall came down in 1989, but between 1981 and 1986 he trained in the Soviet Union at Moscow's State Institute of International Relations, and he was an active member of the Czechoslovakian communist party.

### **Czech senior official will visit Azerbaijan: ambassador-15.01.2010**

Azerbaijan, Baku, Jan. 15 Czech Deputy Prime Minister and Foreign Minister Jan Kohout will discuss prospects of development of the Czech-Azerbaijani bilateral relations in Baku. Kohout's visit is scheduled for spring of 2010, Azerbaijani Ambassador to the Czech Republic Tahir

Tagizade told Trend News over telephone. The talks will mainly focus on development of cooperation between the two countries, both at bilateral and at international levels.

## **Economic Front**

### **Not a bad year for Czech banks, stock market-[www.chinaview.cn](http://www.chinaview.cn) 2010-01-09-by Jaroslav Hofer**

PRAGUE, Jan. 9 (Xinhua) -- It is clear that the year 2009 was not a bad one for Czech banks and stock market, though some negative economic figures and uncertainties existed. The Czech banking system witnessed a successful story last year as not a single Czech bank went bankrupt. Moreover, none of them appeared to be in serious danger. On the contrary, the three leading banks made profits and helped their foreign owners out of trouble. While the owners of Ceska sporitelna, the Komerčni banka and the CSOB had to ask their governments for help, the Czech banks themselves fared quite well. Ceska sporitelna announced even higher profits in the first three quarters of 2009 than a year earlier. The CSOB reported a 7.3-percent profit growth in the first six months of 2009 compared with the same period in 2008. The Komerčni banka scored a net profit of 8.5 billion crowns (460 million U.S. dollars) in the first nine months. The total profits of all 38 banks operating in the Czech Republic grew substantially, mainly attributing to their conservative investment policies and high service prices for customers. Profits made by their financial policies and from their operations reached 116.8 billion crowns (6.34 billion dollars), which represented a 12-percent year-on-year increase, according to official figures. Good performance of banks has helped the Czech currency gain value of about 1.9 percent against the euro last year, reversing a 1.1-percent decline in 2008. The success of banks was also well expressed on the stock market. Prices of the Komerčni banka shares shot up to 4,000 crowns (216.97 dollars) by the end of 2009 from 1,600 to 1,700 crowns (86.79-92.21 dollars) in February and March. Generally, investors in the Czech stock market had a great year in 2009. The most popular PX index now stands 77 percent higher than 10 months ago and 30 percent higher than 12 months ago.

## **Social Front**

### **Czech Republic donates cash to Haiti Jan 14, 2010,**

Prague - The Czech Republic is to give 5 million koruny (278,500 dollars) in emergency relief to quake-hit Haiti, the Foreign Ministry said Thursday. The money will be channelled through the United Nations Children's Fund (UNICEF) to help restore drinking water supplies. The Czech cabinet will decide on more aid for the Caribbean country on Monday.

### **Czech authorities demand answers on organ harvesting-Gabriel Ronay, Kosovo- 9 Jan**

The Czech foreign Ministry has asked the Pristina authorities for a clear-cut statement on reports that three Czech students were among the victims of the Kosovo Liberation Army's secret organ harvesting from Slav prisoners during the Kosovo war. Jiri Benes, head of the Czech Republic's foreign ministry's press department, said in Prague that three Czech students, reported missing on the Albanian-Kosovo border in 2001, have not been heard of since. The Czech Republic is seriously concerned, he said, that they might have become the victims of the Albanian fighters' alleged practice of abducting foreigners, killing them and removing their organs for secret sale on the Western organ black market. Vladimir Vukcevic, Serbia's top war crimes prosecutor, claimed in an interview with the Serbian daily Blic last week that scores of Kosovar Serbs, several Russians and three Czechs had been the victims of this trade used to finance the fight against the Serb state during President Milosevic's murderous rule.

### **Slovakia**

#### **Political Front**

### **Slovak minister defended over explosives-The Irish Times - Monday, January 11, 2010**

SLOVAKIA'S POLICE have mounted a robust defence of the state's interior minister after opposition parties demanded his resignation over a botched security test in which a passenger unwittingly carried explosives on a flight from Poprad-Tatry to Dublin. Electrician Stefan Gonda (49) was briefly detained in Dublin last Tuesday following a belated alert from Slovak police. They had planted 96g of plastic explosive in his luggage as part of a training exercise for a sniffer dog at Poprad-Tatry last Saturday week. The head of Slovakia's border guards has stepped down and disciplinary action is being taken against the unnamed dog handler, who forgot to remove the explosives. However interior minister Robert Kalinak has staunchly refused

to take any responsibility for the debacle. He has blamed a “stupid human error” rather than systemic faults for the incident.

### **The paper clip, 6 January-Wednesday 6 January 2010**

An investigative journalist has been killed in Bulgaria, the Bulgarian papers and Slovakia's Pravda report. Bobi Cankov, 30, had been investigating the activities of the mafia. Darik writes that three men – Stefan Bonev-Sako and brothers Krassimir and Nikolay Marinov-Margit – have been arrested. The International Herald Tribune describes this as “the first such murder” since a new government was elected in July promising to clamp down on corruption. The Times of London reports on the backlash against Iceland following the decision of Icelandic President Ólafur Ragnar Grímsson not to sign into law a bill to reimburse €3.5 billion spent by the British and Dutch governments to compensate savers who had deposited money with Icelandic banks. The law was narrowly adopted by Iceland's parliament last month. Both the British and Dutch governments, which placed strong pressure on Iceland to agree compensation, have expressed disquiet over Ragnar's move. Approximately 300,000 Dutch and British citizens were affected by the collapse of the Icesave bank. Lord Myners, the British treasury minister, suggested that Iceland risked spoiling its EU membership chances. Le Monde has a report.

### **Slovak anger over security debacle**

SLOVAK MPs have formally requested a parliamentary vote of no-confidence in transport minister Lubomir Vazny as anger grows over the handling of the botched security test that allowed a passenger to fly from Poprad-Tatry airport to Dublin with explosives in his bag. Similar action against interior minister, Robert Kalinak, is also planned. Opposition politicians said they had collected the signatures needed to seek Mr Vazny's dismissal and were collecting those required to request Mr Kalinak's ousting, after both ministers rejected calls to resign and said systemic problems were not to blame for the debacle.

### **Slovakia felt the priorities of EU membership after entering Schengen: interior minister**

**14 January 2010 | 18:25 | FOCUS News Agency**

Bratislava. Slovakia's entering in the Schengen area was of an absolute priority for the country. The country has felt the priorities of EU membership after entering Schengen. This is what Slovakian interior minister Robert Kalinjak told Bulgarian delegation of the Interior Ministry, which pays a two-day visit to Slovakia. "He gave a very clear example that when they accessed the European Union, nothing has changed for the citizens the day after that. However, when the country entered the Schengen zone the citizens have felt the priorities of being EU member state: the possibility to travel, no border checkpoints between countries from the Schengen area," Tsvetan Tsvetanov said.

### **EU pressures Bulgaria over Slovak candidate-1/15/2010-REUTERS**

BRUSSELS: Socialists in the European Parliament increased pressure on Bulgaria yesterday to change its candidate for the European Commission, raising the risk of further delay in installing the new EU executive. Centre-right members of parliament flexed their muscles in return, signalling they would challenge the suitability of Slovakia's leftist candidate if their rivals keep gunning for Bulgaria's Rumiana Jeleva, a centre-right foreign minister.

### **Economic Front**

#### **Slovakia gives in to truckers' demands-By Tom Nicholson in Bratislava-January 12 2010**

The centre-left government of Robert Fico gave in to demands from striking Slovak truck drivers on Monday, reducing taxes on diesel fuel as well as temporarily suspending part of an unpopular road toll system. Mr Fico's proposed tax cut would reduce the pump price of diesel in the country from €1.14 to €1.01, in line with prices in neighbouring countries. "It's a huge sum and will cost the government a great deal," Mr Fico said, vowing to make up the projected €100m (£90m, \$145m) budget shortfall by reducing the number of government ministries and cutting state spending. Trucks had earlier blocked traffic in larger Slovak cities, as well as dumped manure in front of the prime minister's office, following Mr. Fico's refusal to hold direct talks with them to end their week-long strike. They claimed the toll system, introduced at the beginning of the year, was badly implemented, leading to chaos and 48 hour waits at some border crossings. They demanded that the price of diesel be reduced to compensate for added transport costs

## **Slovak President Swears In New Central Bank Governor Makuch**

BRATISLAVA -(Dow Jones)- Slovak President Ivan Gasparovic Tuesday swore in Jozef Makuch as the new governor of the National Bank of Slovakia, also known as NBS, making Makuch the newest member of the European Central Bank's governing council. Makuch, a veteran NBS board member, has replaced Ivan Sramko both in Bratislava and Frankfurt. "I'd like to keep the continuity in the Slovak central bank that was started by Ivan [Sramko], and that continuity lies in the bank's independence," Makuch said, adding that he would also like to increase regulatory oversight of financial markets by the central bank. Slovakia joined the euro zone in January 2009. Makuch will assume his full responsibility on the ECB governing council Wednesday, the NBS said earlier.

## **Political battle deepens over new EU Commission**

BRUSSELS, Jan 14 (Reuters) - Socialists in the European Parliament increased pressure on Bulgaria on Thursday to change its candidate for the European Commission, raising the risk of further delay in installing the new EU executive. Centre-right members of parliament flexed their muscles in return, signalling they would challenge the suitability of Slovakia's leftist candidate if their rivals keep gunning for Bulgaria's Rumiana Jeleva, a centre-right foreign minister. The Commission, which proposes and enforces European Union laws, includes one nominee from each of the 27 member states and has been carefully assembled by Commission President Jose Manuel Barroso to reflect a balance between parliamentary factions. The full team requires parliament's approval after individual hearings. If the line-up is rejected on Jan. 26 or the vote is postponed for Barroso to reshuffle his list, policy decisions could be held up for weeks and the EU's efforts to strengthen its global image damaged. The outgoing Commission's term has already been extended from November, enabling it to keep taking urgent decisions on cases such as state aid for banks in the financial crisis, but not to put forward new policy proposals.

## **Hungary**

### **Political Front**

### **Ottawa eyes visas for Hungarian visitors**

Growing flood of refugee applicants, mostly Roma, could prompt move after similar measures against Mexico and Czech Republic. Ottawa is seriously considering imposing visa requirements on visitors from Hungary to cut off a growing flood of refugee applicants, mainly from the Roma community, The Canadian Press has learned. It would be the third such move in less than a year, after Canada imposed visas on visitors from Mexico and the Czech Republic last summer. And it would risk provoking retaliation not just from Hungary, but also the much larger and more powerful European Union, which has already protested the clamp-down on Czech travelers. The number of refugee claims from Hungary has soared since last spring, according to data collected by the Immigration and Refugee Board. That's despite months of attempts by Hungarian and Canadian officials to find other ways to better manage the influx.

### **Economic Front**

#### **EU State Aid: European Commission Approves Hungary's Liquidity Support Scheme-European Commission-15 January, 2010**

The European Commission has approved under EU state aid rules a Hungarian measure aimed at providing liquidity to eligible financial institutions in Hungary to support lending to the economy. The Commission is satisfied that the measure is compatible with Article 107(3)(b) of the Treaty on the Functioning of the European Union (TFEU). In particular, the measure is appropriate, necessary and proportional to support the Hungarian financial system against the exceptional turbulence encountered by Hungarian banks in the midst of the global financial crisis, while limiting distortions of competition. Competition Commissioner Neelie Kroes said: "Despite its late notification, I am satisfied that the Hungarian liquidity support scheme has been instrumental in helping financial institutions withstand the exceptional turbulence on the financial markets without unduly distorting competition."

#### **Hungary PM: 2010 Budget Deficit Goal In Reach If Policy Tight-01/14/2010**

Hungary can meet its 2010 budget deficit target if it maintains a tight fiscal policy, Prime Minister Gordon Bajnai said Thursday. If the next government realizes that a strict fiscal policy can lead to a sustainable and stable economy, as well as to the introduction of the euro, the budget deficit target is attainable, Bajnai said at a press conference. Hungary aims to reduce its

budget deficit, under the European Union accounting norm, to 3.8% of gross domestic product in 2010 from a targeted 3.9% of GDP in 2009. Hungary will hold general elections this spring, where the likely winner is the opposition party Fidesz.

**Incoming employment commissioner says creating more jobs top priority for EU**  
**www.chinaview.cn 2010-01-14**

BRUSSELS, Jan. 13 (Xinhua) -- Lszl Andor, the Hungarian commissioner-designate for employment and social affairs of the European Union (EU), said on Wednesday that creating more jobs would be his top priority after getting his mandate in the European Commission. While attending a confirmation hearing of his designation at the European Parliament, Andor said that the current economic crisis was the most serious crisis since the Great Depression, and the most vulnerable had been affected very seriously, Fidesz has said that this year's budget deficit could even exceed 7% of GDP if the debts of state-owned transport companies are consolidated. The International Monetary Fund, Hungary's biggest creditor, has said, however, that it wouldn't tolerate such a high budgetary shortfall.

**Hungary sticks to 2009, 2010 deficit targets**

BUDAPEST, Jan 12 (Reuters) - Hungary will likely meet its 2009 budget deficit target calculated according to European Union rules after undershooting its own, cash flow based target, the finance ministry said on Tuesday. Reducing the deficit to 3.9 percent of gross domestic product (GDP) under EU rules in 2009 is one of the main budget conditions in Hungary's International Monetary Fund aid deal. Hungary reported a cash flow based deficit of 3.6 percent as compared to GDP last week, below its 3.8 percent cash flow based target. It will report final numbers for the 2009 budget deficit after accounting for local governments.

**E Europe trade boosted by euro zone rebound-Reuter-14-1-2010**

Trade figures improved in a string of European Union's emerging economies in November, buoyed by a gradual rebound in the euro zone, with Romania recording a steep drop in its deficit and Hungary a big surplus. In export-heavy Slovakia, industrial output rose 1.5% on the year, the first growth since September 2008, after a 5.6% drop in October, and it showed a trade surplus of 259mn Euros. The data was helped by weaker currencies that make the cars, electronics and

other products from central and Eastern Europe less expensive for their main export markets, a pick-up in western European demand, and tight credit in their home markets, which has suppressed imports. In Romania, the deficit shrank by 60% on the year to €8.7bn (\$12.46bn) in January-November, as imports fell faster than exports. Imports dropped 34.1% to €35.4bn while exports fell 16%.

### **Hungary needs further cautious rate cuts -c.banker**

BUDAPEST, Jan 16 (Reuters) - Hungary's central bank needs to cut interest rates further cautiously, without risking a significant forint weakening which would hit foreign currency loan holders, Deputy Governor Ferenc Karvalits said on Saturday. Karvalits comments echoed those made in a Reuter's interview on Friday. The National Bank of Hungary (NBH) has lowered the key interest rates by a total of 325 basis points in six consecutive steps by December, hitting its lowest since 2006 at 6.25 percent. Analysts expect the bank to cut a further 25 basis points at its next meeting on Jan. 25, and continue easing to a level of 5.5 percent at the end of 2010.

### **Social Front**

#### **Slovenia set sights on quarter-finals-15 January 2010**

The highlight of Slovenia's foot balling year will be their appearance at the FIFA World Cup in South Africa, but next week the attention will switch to Hungary and the UEFA European Futsal Championship. Slovenia will be competing in the showpiece for only the second time and have a tough task in Group C against Serbia and former champions Russia, who Andrej Dobovičnik's side meet first in Budapest on Wednesday. However, Dobovičnik – in charge since late 2005 – is aiming for a distinct improvement on Slovenia's previous finals appearance, when they lost all three games seven years ago in Italy.

### **Eastern Europe (Belarus & Ukraine)**

#### **Belarus**

#### **Political Front**

### **Georgia's President thanks Belarus deputy PM for firmness in non-recognition of separatists-14.01.2010**

Georgia's President Mikheil Saakashvili expressed gratitude to Belarus for firmness in non-recognition of Georgia's separatist regions, he said today during a meeting with Belarus deputy Prime Minister Andrei Kobayakov. "We highly appreciate Belarus's policy towards Georgia and that most part of your country's deputation support Georgia's territorial integrity. Belarus does not recognize separatist regions despite pressure," Saakashvili said.

### **RA President, OSCE MG US Co-Chair discuss Karabakh problem-16.01.2010**

/PanARMENIAN.Net/ Armenians President Serzh Sargsyan met Saturday with US Co-Chair of the OSCE Minsk Group, Ambassador Robert Bradtke to discuss the current stage of the Nagorno Karabakh conflict settlement process, the RA leader's press office reported. The Nagorno Karabakh conflict broke out in 1988 as result of the ethnic cleansing launched by Azerbaijan in the final years of the Soviet Union. The Karabakh War was fought from 1991 to 1994. Since the ceasefire in 1994, most of Nagorno Karabakh and several regions of Azerbaijan around it (the security zone) remain under the control of Nagorno Karabakh defense army. Armenia and Azerbaijan have since been holding peace talks mediated by the OSCE Minsk Group. The OSCE Minsk Group was created in 1992 by the Conference on Security and Cooperation in Europe (CSCE, now Organization for Security and Co-operation in Europe (OSCE)) to encourage a peaceful, negotiated resolution to the Nagorno Karabakh conflict.

### **EU trade chief nominee backs Russia's WTO entry-2010-01-12**

BRUSSELS: The nominee to be the European Union's trade chief said on Tuesday he supported Russia's accession to the World Trade Organisation (WTO). Karel de Gucht told a hearing in the European Parliament that much now depended on Russia and whether it wants to join the WTO as part of a customs union with Belarus and Kazakhstan. He also said Moscow was violating agreements on tariffs with the EU but he hoped these were temporary measures."Yes, I support the entry into the WTO of Russia. But of course it depends on Russia," de Gucht said.

### **Belarus continues to receive Russian oil-1/11/2010-Reuters**

MOSCOW: Russian oil continues to flow to Belarus and via Belarus to the European Union despite a failure by Moscow and Minsk to clinch a new oil supply deal at talks on Saturday, a Russian Energy Ministry spokeswoman said yesterday. “Belarus is holding back the negotiation process. Russia has made unprecedented and very comfortable proposals about duty-free oil supplies... But Belarus is demanding more,” spokeswoman Irina Yesipova said.

## **Economic Front**

### **Future Plans for Exports from Belarus-06 January 2010**

News In Belarus the agriculture and food and drink industries play a big part in the country's economic development, and the government has been working to increase exports from these areas, as reported in the recently published Belarus Food & Drink Report for Q110. Recognizing that increasing exports, particularly to the competitive and stringent EU market, is a long-term and challenging aim, the government is also looking to attract greater investment in the local food production industry, as can be seen with a number of recent developments. Being close to the main Russian markets of Moscow and St Petersburg, many Belarusian food and drink companies have in the past targeted Russia for exports, but have now started to look further afield for export opportunities. While Russia is the region's biggest market, it is getting more competitive, with consumers demanding better quality products. Also a major issue is Belarus' relationships with Russia, which has deteriorated by rising tensions in past months. Relations have soured due to a number of political issues and many believe that this is the cause behind the Russian decision to ban a number of Belarusian food products, citing health and safety concerns. The trade ban, which started in June, has had a major negative impact on the country's dairy sector, with more than half of its total dairy production historically going to Russia. There are a few major obstacles remaining in terms of increasing exports. One significant issue is the continued nuclear contamination from the 1986 Chernobyl disaster. In June, Reuters reported that the EU plans to extend the legislation on radioactivity checks by 10 years on foods imports from the affected areas, as the current legislation is due to expire on March 31, 2010. The products affected by the restrictions are from a wide range and include meat, poultry, eggs, dairy products, honey and wild fruits. The government is sensibly not putting all its energies into the EU market, but is looking at markets further afield. In November it was reported that the

governments of Belarus and Kazakhstan are planning to create a joint venture (JV) into the manufacture of dairy products. Belarus benefits from a stronger agricultural sector and can contribute its know-how to the JV, Kazakhstan can bring its greater financial muscle to the table, an important contribution in this time of global recession.

## **Ukraine**

### **Political Front**

#### **Ukraine set for presidential vote**

Viktor Yanukovich, a pro-Russia politician, is on course to win the first round of Ukraine's presidential polls, five years after his previous election victory sparked the Orange Revolution and his removal from power. Pre-poll surveys on Saturday showed Yanukovich with a clear lead going into the Sunday vote, though not with the majority required to avoid a second round run-off against his main challenger, Yulia Tymoshenko - the current prime minister. The Orange Revolution protests of late 2004 swept Viktor Yushchenko to power and created hopes of a new era of prosperity and European integration for the country of 46 million people bridging the EU and Russia. But amid grave public disillusionment over five years of botched reform and political stalemate, the pro-West Yushchenko appears set to drop out of the election race in the first round. If, as predicted, the vote fails to give any candidate a 50 per cent share of the vote, the run-off between the top two is to be held on February 7.

#### **Pro-Russian set to win Ukraine vote-2010-01-16**

Stuart Williams/ AFP-KIEV: Pro-Russia politician Viktor Yanukovich was on course Saturday to sweep the first round of Ukraine's presidential polls, five years after vote-rigging by his supporters sparked the Orange Revolution. Polls showed Yanukovich with a clear lead going into Sunday's elections, albeit without the majority required to avoid a second round run-off against his main challenger, the glamorous Prime Minister Yulia Tymoshenko. The Orange Revolution protests of late 2004 swept Ukraine's old order from power and created hopes of a new era of prosperity and European integration for the country of 46 million people bridging the EU and Russia.

## **Kyiv's crisis: the EU role- Andreas Umland, 16 January 2010**

On the eve of Ukraine's election, Andreas Umland rebukes Europe for its indecisive policy towards Ukraine. By refusing to offer Ukraine a clear prospect of eventual EU membership, the EU has exacerbated the country's political problems in ways which could prove disastrous. At the beginning of November 2009 the Pew Global Attitudes Project published the results of their survey in post-Soviet countries. The findings on Ukraine were sobering. Across the board they showed rising Ukrainian disappointment at the democratic path of development which had been so resoundingly taken in 2004, at the Orange Revolution. The popularity of democracy had fallen in Ukraine between 1991-2009 by 42 percent, the sharpest fall in all the post-Soviet countries where surveys had been carried out. The 30% who still supported democracy in 2009 was the lowest figure of all the countries in the study.

## **International election observers deploy across Ukraine**

KIEV, Ukraine — International election observers have fanned out across Ukraine in preparation for Sunday's presidential contest amid widespread concerns about fraud. Jens-Hagen Eschenbacher, a spokesman for the Organization for Security and Cooperation in Europe, says Saturday that about 600 OSCE election monitors are in place, in addition to thousands of other foreign observers. Allegations of widespread fraud in Ukraine's 2004 presidential election led to the mass protests of the Orange Revolution. Only 34 per cent of Ukrainians said in a December poll that they expected the election to be fair. Fifty-seven per cent said the results could be manipulated or they were certain the vote would be rigged.

## **Economic Front**

### **Analysis-Ukraine faces even tougher year after election- Reuters-Jan 12, 2010-By Sabina Zawadzki**

Ukrainian leaders doing battle for the presidency in the coming weeks will face an even more daunting task once in power - a shattered economy, depleted state coffers and the prospect of default. In short, they will have to deal with a year worse than 2009 - when analysts said Ukraine's bankruptcy was imminent. It wasn't - despite the suspension of a \$16.4 billion bailout

from the International Monetary Fund - but the economy shrank by up to 15 percent, one of the worst in Europe.

Lying on the doorstep of the European Union, the nation of 46 million that is among the world's top ten providers of grain and steel, will hold its first presidential election since the 2004 "Orange" Revolution promised Western-style reforms. Optimists hope the Jan. 17 election will end the incessant squabbling that has plagued Ukraine since the 2004 protests against electoral fraud and allow politicians to deal with a deep economic recession. But it may not be as simple as that. Potential challenges to election results, jostling for government positions and a possible snap parliamentary poll all mean the authorities may only start focusing on the economy in April at the earliest and perhaps not until after the summer. Until then, the export-driven economy may grow but through the statistical anomaly of last year's dismal performance as comparison and dependent on a global commodity rally. "No matter who wins the election, the new president will face a heavy task," said analysts at Expert Rating, a Ukrainian ratings agency. The authorities would have to take control of the stretched state finances, hammered by overspending in the election year, depleted of tax revenues and still missing the IMF's billions. "One solution to the prevailing situation would be a declaration of state default on (domestic) debt and its subsequent restructuring," Expert Rating continued. President Viktor Yushchenko, father of the "Orange" revolution, will not be re-elected, polls in December showed. Viktor Yanukovich, the loser in the Orange revolution, and Prime Minister Yulia Tymoshenko, former Yushchenko ally turned rival, are expected to pass to a second round of voting on Feb 7. Few care to guess the winner - a good sign of entrenched democracy in a former Soviet republic, according to commentators - even though Yanukovich was well ahead of Tymoshenko.

The two could not differ more in style - she, a well-heeled former gas magnate turned social crusader and he, a rough-hewn career politician with close ties to the industrial oligarchs. But for those studying the economy the differences stop there. "Overall, we think it is largely unimportant who wins, as there is no serious ideological competition between them - both are rather opportunistic," brokerage Renaissance Capital said. Whoever wins, most expect Central Bank Chairman Volodymyr Stelmakh to go, for his successor to be subject to horse trading and

then to play a key role by agreeing, or not, to bankroll government finances, which will be totally squeezed by April.

The drop in steel and chemical exports affected not just business and employment but government tax revenues and the hryvnia currency through a dramatic fall in dollar earnings. The hryvnia has traded at almost half its 2008 peak of 4.5 per dollar for most of this year. Ukrainians are unable to pay back dollar loans at such a rate, shaking the banking sector to the core. The government has found creative ways to pay debts, wages and gas bills to Russia -vital to avoid rows similar to one in January 2009 when Moscow eventually cut supplies to Europe. Analysts and officials say hundreds of millions of dollars in gas bills and other obligations were paid through the issue of expensive short-term T-bills bought by the central bank with printed money. "Despite the economy's slide into a severe recession in the fourth quarter of 2008, the authorities failed to adjust policy accordingly," Raiffeisen Bank analyst Dmitry Sologoub said. "As a result, a full-scale fiscal disaster is under way," he said, adding the bank estimates the 2009 budget gap at 9-10 percent, against 1.3 percent in 2008. Analysts are in particular worried about 3.7 billion hryvnia (\$463 million) worth of T-bills maturing in April alone. Some note the central bank is a majority owner of the debt - compared to owning less than 1 percent at the start of 2008, and so any decision to reschedule repayment would be easy to reach. This is another reason why the choice of Stelmakh's successor will be important. Local media have reported that the central bank is unhappy to continue to finance the government in such a way, fearing heavy pressure on the hryvnia's strength. Veteran Stelmakh has held his position beyond the retirement age of 60, and a new president will name his successor, to be approved by parliament. Commentators expect the position, which has been a good stepping stone to political careers to be subject to political wheeling-and-dealing. Meanwhile, several analysts think a Eurobond issue is on the cards early this year if the IMF fails to come back quickly, though others argue that no one would want to invest in Ukraine before the political dust settles. -

## **Analysis**

**Despair in West over Ukraine-January 14, 2010-By David Brunnstrom -Reuter**

The West is hoping for more political stability in Ukraine after Sunday's presidential election but quick entry into NATO or the European Union are off the agenda whatever the outcome. Infighting among Ukraine's leaders and economic crisis have shattered the optimism inspired in the West by the former Soviet republic's "Orange Revolution" in 2004, and Ukrainians say Western leaders have lost interest in their country. "Ukraine has gone from being a darling of the EU to a complete and utter nightmare," said

Tomas Valasek at the Centre for European Reform think tank. "A few years ago most EU states were convinced it should be in the European Union within a few years. All that has changed.

Ukraine, which is squeezed between Russia and the European Union and carries Russian energy to Europe, is vital to its Western neighbours' economic and security interests. Governments from Europe to the United States hope the vote will at least provide some clarity as to who is running Ukraine after years of squabbling between the president, prime minister and main opposition leader. But there is little optimism that either of the two main candidates - opposition leader Viktor Yanukovich and Prime Minister Yulia Tymoshenko - can bring any quick turnaround. There is also considerable nervousness that the election, expected to go to a runoff between Yanukovich and Tymoshenko on Feb 7, could generate further political strife. Lack of Ukrainian support for joining the North Atlantic Treaty Organisation has pushed membership off the immediate agenda, despite the Western military alliance's pledge that Kiev will one day become a member. The political turbulence in Kiev has also seriously damaged hopes harboured by both the main candidates that Ukraine could one day join the 27-country EU, which could offer a country such as Ukraine more protection during future economic crises. Kiev's handling of a gas supply crisis in Europe last year, when Russia turned off the taps of pipelines running through Ukraine, damaged its reputation in the EU as a reliable partner. The political bickering that led to suspension of emergency International Monetary Fund loans had a similar effect. Ukrainians say the problems are not entirely of their own making, and accuse the West of suddenly losing interest in their country. The EU and NATO became more wary after sabre-rattling by Russian suggestions that drawing Kiev into the Western orbit would damage business ties with Moscow.

Valasek said the election could be a last chance for Ukraine to revive its EU prospects. "With the economy being in such terrible shape, the appetite and desire among EU member states to

consider Ukraine as a potential member has decreased correspondingly," he said. "We are all looking at the election and hoping for a little more stability, a little more clarity about who's actually running the country. Andrew Wilson of the European Council on Foreign Relations said EU-Ukraine economic cooperation remained essential and Kiev's future membership prospects could be revived, but relations were at a low ebb. "The ball is very much in Ukraine's court. Whoever is elected will have to restore a reputation for policy coherence and policy delivery pretty soon - within the first 30 or 100 days, particularly on items already on the table," he said. "There are indications that Tymoshenko, at least, would try to revive those issues were she to be elected," he said. Wilson said the EU too could move to improve the atmosphere, but added: "All that depends on what type of election we get ... it has to be more or less free and fair with no crazy provocations or obvious fraud, or the loser refusing to accept the result - all of which are possible.

EU foreign policy chief Catherine Ashton told a European Parliament hearing on Monday that "clear European interests are at stake" in the election. But the next Ukrainian president will also have to find a balance in dealings with the East and West. "Tymoshenko would probably play that game of balance slightly more to the West than the East ... she certainly talks more warmly of the EU and IMF," Wilson said. A senior EU official described dealing with Ukraine's leaders as one of his most frustrating experiences and saw little reason for optimism whatever the outcome. "It's hard to see anything changing while the same leaders remain in power," he said. -

### **Ukraine's oligarchs place their poll bets-By Stefan Wagstyl and Roman Oleachyk-January 14-2010**

The economic crisis has hit Ukraine's business oligarchs hard but not so hard as to stop them throwing their money and their influence behind the top contenders in the country's presidential election. In the first presidential election since Mr Yushchenko's Orange Revolution triumph in 2004, the biggest beneficiary of billionaire backing is Viktor Yanukovich, the opposition leader defeated back then by Mr Yushchenko but now the clear front-runner. But other businesspeople are lining up behind Yulia Tymoshenko, the prime minister, and still others are hedging their bets, waiting to see a winner emerge from the two-round contest, which starts on Sunday.

## **Social Front**

### **Ukraine's election votes for sale on the Web-Reuters/Kiev**

For sale: my vote in Ukraine's election on Sunday. From 300 to 500 hryvnias (\$37-\$63). Can gather others who want to sell. Several offers have appeared on the Internet from disenchanted citizens in the ex-Soviet republic who say they are ready to sell their votes in the January 17 election for president. "I don't believe in our democracy and so I am selling my vote in the elections. Maybe there will be 10 other votes for sale. The only discussion on price will be upwards," said one Internet advertisement from Lviv in western Ukraine. The State Security Service had no comment to make on the offers, but a central election commission official said buying votes was illegal and subject to criminal prosecution. It did not appear, however, to be an offence to offer votes for sale. Another offer from the capital Kiev read: "I am completely indifferent to who wins. There are three votes for sale - two in Kiev, one in Bila Tserkva. 500 hryvnia apiece." Some have accompanying e-mail addresses. Other appear with a contact telephone number.

### **Baltic States (Estonia, Latvia & Lithuania)**

#### **Estonia**

#### **Political Front**

#### **Estonia close to joining euro zone - EU's Rehn-Jan 11, 2010**

Wed, Oct 21 2009 BRUSSELS, Jan 11 (Reuters) - Estonia is likely to be the next country to join the euro zone, the nominee to be the European Union's next monetary chief said on Monday, boosting the country's hopes of adopting the single currency in 2011. Olli Rehn suggested at a hearing in the European Parliament that the executive European Commission would in the first half of 2010 assess the Baltic country's readiness to adopt the euro. "The next likely candidate is Estonia. Public finances are in pretty good shape," he said. By law, if the evaluation is positive and backed by the EU's 27 finance ministers, Estonia could become the euro zone's 17th member next year.

## **Public finance problems in Greece posing “a very serious challenge” for the euro; Estonia likely to be the next country to join the Eurozone-By Fin facts Team-Jan 12, 2010**

Olli Rehn, the Finnish commissioner-designate for the key economic and monetary affairs position on the European Commission. Public finance problems in Greece and some other European Union (EU) member states hit by the financial crisis, are posing “a very serious challenge” for the euro, Olli Rehn, the Finnish commissioner-designate for the key economic and monetary affairs position on the European Commission, told members of the European Parliament at a confirmation hearing on Monday. Rehn said Estonia is likely to be the next country to join the 16-member state Euro zone. Rehn promised to use “all instruments” to help member states restore their finances and come into compliance with the terms of the Stability and Growth Pact, which sets out the main economic compliance rules for members of the Eurozone.

## **Estonia Legalises Online Gambling 01/12/2010**

Following the damage caused by the recent economic recession, the small Baltic nation of Estonia has moved to legalise online gambling in a bid to garner additional government revenues from tax. The new liberalisation will enable Estonians to play online via platforms provided by domestic-based operators and now sees the country become the latest European region after, Belgium, Sweden, Italy, Poland and Holland to allow online gambling. With the Estonian economy expected to drop by around 36 percent as a result of the ongoing fall-out from the recession, the decision should help ease the burden on the public purse and may well become even more lucrative when the market is opened to international operators in order to comply with EU trade regulations before next year. As a result of the change in legislation, online gaming giants Playtech have since moved to capitalize on the new market by signing a merger with European-based operators Olympic Entertainment Group in order to provide their services in Estonia.

## **Korea, Estonia Agree on Effort for Early EUFTA Ratification-01-12-2010**

Estonia agreed to support South Korean efforts to have a free trade agreement (FTA) signed with the European Union (EU) take effect as soon as possible, a spokesman of the foreign ministry

said Tuesday. During a meeting at the ministry in Seoul, Foreign Minister Yu Myung-hwan and his Estonian counterpart Urmas Paet also agreed to increase exchanges of senior officials as part of efforts to strengthen bilateral ties. ``The ministers agreed to actively work together for early signing of the EUFTA in order to expand not only Korea-EU relations but also bilateral ties between Korea and Estonia," ministry spokesman Kim Young-sun said.

### **Estonia prepared to help victims of Haiti earthquake-Government of Estonia-13 Jan 2010**

Estonia is prepared to donate about one million kroons to help alleviate the aftermath of the earthquake in Haiti. The Foreign Ministry is currently assessing co-operation with other state institutions to help victims of the earthquake and alleviate the aftermath. "Our thoughts are with all the victims of the earthquake in Haiti and their families. Estonia, like the entire international community, is with the guidance of the UN charting out what is needed and what needs to be done first to help Haiti and its people," said Foreign Minister Paet

### **Economic Front**

#### **Estonia November c/a surplus falls to 6.1 mln kroons**

TALLINN, Jan 14 (Reuters) - Estonia's current account surplus shrank to 6.1 million kroons (\$566,800) in November from a revised surplus of 1.561 billion kroons in October, preliminary central bank figures showed on Thursday. "The surplus of the services and current transfers accounts covered the deficit of goods and income accounts," the bank said on its website. The current account surplus for January-November 2009 was 8.3 billion kroons, whereas the deficit for the same period in 2008 was 23 billion kroons, the bank added. In November of 2008, the current account was in deficit by 1.7 billion kroons as high growth and a consumer credit boom pulled in imports.

#### **Estonia c.bank remains cautious on euro hopes**

Thu Jan 14, 2010 3:53pm ESTTALLINN, Jan 14 (Reuters) - The Estonian central bank said on Thursday it was calmed by comments from the IMF and larger states such as Germany that it could be the next member of the euro zone in 2011, but added the words only show the country was on the right path to membership. Estonia has used a deep recession for a big push to meet

the key economic targets on inflation and budget deficit set by the EU with a plan to adopt the single currency at the start of next year."These positive signals ... are calming," Estonia's central bank governor, Andrus Lipstok, said in an interview on Estonian state-owned broadcaster ETV. Outgoing EU Commissioner for Monetary Affairs Joaquin Almunia; the new nominee for the same post, Olli Rehn; and the German foreign minister, Guido Westerwelle, and a International Monetary Fund staff report have said Estonia was the only country that was in a position that could meet the criteria and join the euro zone in the 2011.

## **Social Front**

### **EE: Company Registration Portal Is the Fastest In the World-14 January, 2010**

According to Ando Rehemaa, Director of the Centre of Registers and Information Systems, the goal of the World Record was to show that Estonia has made it extremely easy for an entrepreneur to establish a company. "The State has reduced bureaucracy and created the world's fastest online solutions, so that entrepreneurs can start their business activities as comfortable as possible." Raivo Keskra, an entrepreneur, established the private limited enterprise Hankeabi OÜ in front of the participants of the InnoEstonia 2009 conference; the entire registration process of the enterprise took exactly 18 minutes and 3.05 seconds.

## **Latvia**

### **Political Front**

#### **Latvia deputies to vote on IMF/EU deal amid wrangle**

RIGA, Jan 12 (Reuters) - Latvia's parliament is to vote on the revised agreements the government has struck with the International Monetary Fund and European Union to secure more funding from a vital bailout, the government said on Tuesday.

Latvia at the end of 2008 agreed a 7.5 billion euro bailout with the IMF, EU, Sweden and other lenders. It has just drawn up revised agreements to ensure further funding. Seeking parliament's approval for the agreements is needed to fulfil a recent constitutional court statement, which said the government needed authority from parliament to strike such international accords. Government spokeswoman Liga Krapane said Prime Minister Valdis Dombrovskis expected to

win support in parliament, despite the fact the largest party in the five-party coalition government, the People's Party, had voiced opposition to the terms of the agreement with the IMF and EU. "Though there were debates in the government, the decision to send the agreements to parliament was taken unanimously in the government," she said. Krapane said the parliament vote on the revised agreements would take place on Thursday of next week after a report to deputies from Dombrovskis and Finance Minister Einars Repse.

### **Latvian recession "worst in history" says economist-Jan 13, 2010,**

Riga - Latvia is set to experience the biggest economic recession ever known, a leading economist predicted Wednesday. 'In two years Latvia has lost 25.5 per cent of GDP and the only example worse than that is the Great Depression in the US,' said Mark Weisbrot, co-director of the Washington-based Center for Economic and Policy Research speaking at the University of Latvia. But with the economy continuing to contract the total loss will ultimately top 30 per cent and represent 'the worst two years in the recorded history of the world in terms of output,' Weisbrot said. The Baltic state is the recipient of a 7.5-billion-euro (11- billion-dollar) loan package from the International Monetary Fund (IMF), European Union and regional governments as it fights to rebalance an economy that contracted by 18 per cent in 2009. As part of the deal, the government of Prime Minister Valdis Dombrovskis has introduced a range of swingeing spending cuts on education, healthcare, social security and wages. Pensions were also slashed but the measure was ruled as unconstitutional in court and the money withheld from pensioners must now be repaid. Speaking to an audience including Dombrovskis, Weisbrot accused the IMF of 'double standards' in the way it treated the countries of Western and Eastern Europe.

### **Economic Front**

#### **Latvia c.bank says bought net 5 mln euros last week**

RIGA, Jan 11 (Reuters) - Latvia's central bank said on Monday its foreign exchange interventions last week led to a net purchase of 5 million Euros, down from net purchase of 19 million Euros a week ago. In early trade on Monday, the lat was slightly firmer but just off the intervention levels, with the euro quoted at 0.7082/97 lats versus 0.7086/96 lats last Monday.

Traders said that with lat close to or above the weak end of its trading band in the last week, the central bank deals would have been bigger and on both sides of the trading book. The central bank automatically accepts offers to buy lats in what it calls passive intervention when the euro hits 0.7098 lats, the top end of its 1 percent fluctuation band based on a central rate of 0.7028 lats. "There is an oversupply of Lats on the short term market and this is keeping lat liquidity high in the local market and nowhere to put them except in government t-bills," one trader said. Traders said that the Latvian government's new deal with the IMF over a revised budget deficit for 2010 was not a factor for the markets, but there was interest in the Latvian central bank's rate setting meeting this Thursday, saying that if the bank changes rates it would affect the lat market.

### **Latvia's consumer prices fall January 11, 2010**

All Associated Press newsRIGA, Latvia (AP) - Consumer prices in Latvia fell 1.2 percent in December from the previous year, the statistics agency announced Monday, the result of spending cuts and weak demand in the European Union's most troubled economy. The result is a stark contrast to the previous two years, when Latvia's overheated economy fueled double-digit inflation. In December 2008 the consumer price index was up 10.5 percent year-on-year, while in December 2007 it had jumped 14.1 percent

### **Crisis-hit Latvia ends year on deflationary note**

RIGA, Jan 11 (Reuters) - Falling food prices and household costs pushed Latvian consumer prices lower by 1.2 percent in December on a 12-month basis, data showed on Monday, and the deflationary trend is likely to accelerate in the crisis-hit state. Plunging demand -- the economy shrank 18 percent in the third quarter -- has driven prices lower in Latvia, which took a 7.5 billion euro loan from the IMF, EU and other lenders in 2008. On a monthly basis, prices fell 0.5 percent in December. The annual reading met analysts' forecasts from a Reuters survey, while the monthly drop was slightly less than the 0.6 percent expected. In November, prices also fell 1.2 percent on a 12-month basis and 0.7 percent in the month. Food costs fell 6.3 percent, housing related costs by 9.1 percent and footwear by 8.2 percent.

## **Lithuania**

### **Political Front**

## **Lithuania Dec inflation eases more than expected**

VILNIUS, Jan 11 (Reuters) - Lithuania's consumer price index (CPI) eased slightly more than expected in December to 1.3 percent year-on-year after a monthly fall in prices of 0.3 percent, the statistics office said on Monday. The median forecast in a Reuter's survey of five analysts was for a 12-month inflation rate of 1.4 percent, and a monthly fall of 0.2 percent. The figures brought annual average inflation in 2009 down to 4.5 percent from 10.9 percent in 2008. December saw a 21.7 percent year-on-year rise in the prices of alcohol and tobacco, a 10.5 percent gain in transportation costs and a 14.4 percent rise in health care services. The prices of utilities, food products and clothing and footwear fell, the office said in a statement. Lithuania's inflation rate is gradually falling due to the economic crisis in the small Baltic state, which has hit consumer spending and forced wages down.

## **Lithuania offers Azerbaijan to student voucher system: minister-14.01.2010**

Azerbaijan, Baku, Jan. 14 / Trend News M.Aliyev /Lithuania has offered Azerbaijan a system to finance student education using vouchers, Lithuanian Education and Science Minister Gintaras Steponavičius told journalists in Baku today. According to Steponavičius, he presented Lithuania's experience in the field of educational reforms to his Azerbaijani colleagues. Azerbaijan is on the threshold of fundamental and substantial changes to the educational system, and Lithuania is ready to provide all possible support in this matter, the minister said.

## **Hearings in EP continue - comments in European press-13 January 2010**

Three of the nominees for EU Commissioners did not pass the test in the European Parliament. These are: Romyana Zheleva (Bulgaria), Olli Rehn (Finland) and Algirdas Semeta (Lithuania), Belgium De Standaard writes. MEPs found their hearings poor and have not sent approving letters to them yet. "This way we want to send a clear signal to President of the European Commission José Manuel Barroso," said Belgium MEP Bart Staes, - "we suspect an agreement has been reached with him for no concrete answers to be given or such with a political color so as to avoid the situation we had in 2004." Bulgarian EU Commissioner designate Romyuana Zheleva had to face awkward questions about alleged connections of her husband with the mafia,

Polish Gazeta virbocha writes. Czech candidate Štefan Füle received high assessments by Polish MEPs for his open approach towards the aspirations of Ukraine to access the European Union.

## **Economic Front**

### **EU centre-left threatens to block anti-fraud commissioner-Jan 12, 2010**

Brussels - The European Parliament's centre-left grouping on Tuesday threatened to reject Lithuania's conservative nominee for the post of EU anti-fraud commissioner, in the first sign of friction between the parliament's main groups over the new EU executive. The Socialist & Democrats group (S&D) is not strong enough on its own to block the appointment of Algirdas Semeta, but any attempt to shoot him down could unpick a fragile deal with the majority conservatives, casting the appointment of the new European Commission into question.

### **Lithuania main aim to finance deficit from market**

VILNIUS, Jan 14 (Reuters) - Crisis-hit Lithuania will aim to finance its wide budget deficit from financial markets but seeking International Monetary Fund (IMF) help is still a possibility, the finance minister said on Thursday. The government expects a funding gap equal to 9.5 percent of gross domestic product (GDP) for 2009 and a similar level in 2010. Latvia in 2008 took a loan package of 7.5 billion euros as its budget deficit soared in the global crisis. "As long as the country has a need to borrow, to exclude the possibility of addressing the IMF would not be logical," Lithuanian Finance Minister Ingrida Simonyte told a news conference. But she said the main strategy was seeking market funds.

## **Russia**

### **Political Front**

#### **Medvedev: U.S. arms talks progressing-By Associated Press**

MOSCOW (AP) -- Talks between the U.S. and Russia on a new arms control treaty have been difficult but the two sides have made great progress toward a deal on limiting their nuclear arsenals, President Dmitry Medvedev said Saturday. The new treaty is to succeed the 1991 Strategic Arms Reduction Treaty, or START, which expired on Dec. 5. Washington and

Moscow had hoped to reach a deal before the end of the year, but were unable to resolve outstanding problems. "The negotiations will continue," Medvedev said. "They are not going easily, but in general we have reached agreement with the Americans on many points."

**Bilateral Relations: Ukraine elections - who wins will determine the course of relations between Ukraine and Russia-Saturday, January 16, 2010**

Ukrainians go to the polls Sunday to elect a new president. Analysts say who wins will determine the course of relations between Ukraine and Russia. Public opinion surveys indicate current President Viktor Yushchenko is trailing several other candidates as the country prepares to vote in presidential elections Sunday, January 17. The two front runners are former Yushchenko ally and prime minister, Yulia Tymoshenko, and Viktor Yanukovich, leader of the "Party of Regions" in the Ukrainian parliament. During his five-year presidency, Mr. Yushchenko has steered a distinctly pro-Western course, seeking membership in the European Union and in the North Atlantic Treaty Organization - or NATO. Russia has consistently criticized Mr. Yushchenko's pro-European policies and strongly opposed Ukraine's NATO membership bid.

James Sherr, with the London-based research organization, Chatham House, says there are two reasons for Moscow's position. "Ukraine, for Russia, is not just a neighbor. Ukraine, for Russia, is part of Russia's own identity. Kiyv and Rus is the origin of the Russian, as well as the Ukrainian state - that's the way Russians see it. So any movement by NATO into Ukraine is seen, at least emotionally, as a direct encroachment on Russia itself," he said. "And the second issue is that behind NATO they [the Russians] see the United States and U.S. power - and they remain as convinced as in the past that it is in the U.S. national interest to weaken Russia as an authentically independent countervailing pole in the international system," he said. Many analysts say if pre-election public opinion surveys are correct and current president Yushchenko is defeated, that would mean potentially better relations with Russia. "With the exception of Yushchenko, most of the politicians, including all of those vying for the presidency, and certainly the two major candidates, are arguing for, in one way or another, a balanced policy that would attempt to create a constructive, productive relationship with Russia," said Robert Legvold of Columbia University. "Some tilt more in favor of focusing on Russia, like the leader

of the Communist Party [Petro] Symonenko and Yanukovich, as the head of the 'Party of Regions.' And others, like Tymoshenko and a few other candidates focus on the European option as well. But there is nobody who is saying that we ought to choose one side - East - over the other side - West - or vice-versa," he said. In the last presidential election in 2004, Russia openly supported Viktor Yanukovich, who was declared the winner in a run-off with Viktor Yushchenko. But hundreds of thousands of Yushchenko supporters took to the streets, protesting the results, which were subsequently declared fraudulent by the Ukrainian Supreme Court and international monitors. In a second election, Mr. Yushchenko defeated Mr. Yanukovich. Robert Legvold says this time around, the Russian leadership is far more guarded.

Experts say sources of friction between Kiyv and Moscow will remain whoever is elected president of Ukraine, such as the long-term, unresolved question of the Russian Black Sea fleet in Sevastopol. But analysts say the strong anti-Russian views as espoused by President Yushchenko will no longer be part of the Ukrainian political landscape

### **Ukraine's presidential rivals look to EU and Moscow**

THE LEADING candidates in tomorrow's Ukrainian presidential election have pledged to forge good relations with both the European Union and Russia, in a departure from the strongly anti-Moscow stance of incumbent Viktor Yushchenko. Polls suggest he stands little chance of remaining in office, and will probably be replaced by long-time enemy Viktor Yanukovich, who is expected to win comfortably in the first round of voting and face current prime minister Yulia Tymoshenko in a February 7th run-off. Mr Yanukovich was portrayed as a Kremlin stooge when his fraudulent election "victory" in 2004 triggered the so-called Orange Revolution, a series of huge street protests that propelled Mr Yushchenko and Ms Tymoshenko into power as president and premier. Their subsequent in-fighting allowed Mr Yanukovich to mount a comeback, however, and he has made overtures towards the EU as Ms Tymoshenko has improved her ties with Russia, both broadening their appeal while increasing Mr Yushchenko's isolation.

**Nine polling stations for Ukrainian presidential election to open in Russia-15.01.2010, MOSCOW, January 15 (Itar-Tass) --** Ukrainians in Russia may cast their vote at five embassy polling stations and four consular polling stations on January 17. The Ukrainian Central

Elections Commission prohibited opening polling stations outside diplomatic missions. There are five embassy polling stations in Moscow and four in regions – St. Petersburg, Tyumen, Rostov-on-Don and Vladivostok. The polling stations will be open from 8:00 a.m. till 8:00 p.m. About 55,000 Ukrainians are registered with the Ukrainian embassy in Russia. Other Ukrainian citizens who can prove their legal stay in Russia can also take part in the ballot. Each time an individual decision will be made.

### **Russia Faces ‘Win-Win’ in Ukraine as Yushchenko Exits**

Jan. 15 (Bloomberg) -- Russia will be the only certain winner in Ukraine's presidential election on Jan. 17, as pro- Western incumbent Viktor Yushchenko is expected to bow out to rivals seen as more friendly toward Moscow, analysts said. "For Russia it can be called a win-win situation, since any result is better than the current situation," said Fyodor Lukyanov, editor of Russia in Global Affairs magazine. "Whoever becomes the next president will be much less ideological and more businesslike." Viktor Yanukovych, backed by Russia in Ukraine's 2004 election, is the front-runner with 33.6 percent support, followed by Prime Minister Yulia Timoshenko with 19.2 percent, according to the Kiev-based Democratic Initiatives Foundation. The two are likely to face off in a second round on Feb. 7 if no candidate wins 50 percent of first-round votes. Russian Prime Minister Vladimir Putin, who as president promoted Yanukovych in the last election, is abstaining from an endorsement this time as polls show support for Yushchenko, the hero of the 2004 Orange Revolution, at less than 4 percent. Russian-Ukrainian relations deteriorated under Yushchenko, who needled Russia with a push to join the North Atlantic Treaty Organization and appeals to Ukrainian nationalism. The Kremlin has curbed natural-gas deliveries to Ukraine three times in five years, withheld a new ambassador to Kiev and accused Yushchenko of supplying arms to Georgia during Russia's five-day war with its southern neighbor in August 2008.

### **Russian, US envoys meet on Mideast-1/15/2010**

MOSCOW, Jan 15 (KUNA) -- Russian Presidential Envoy Alexander Sultanov met his US counterpart George Mitchell in Brussels on Friday, and discussed the latest Middle East developments. This was announced by the Russian Ministry of Foreign Affairs in a release

handed out here Friday, but failed to reveal any further details. They then held talks with representatives of the Quartet, which includes the US, UN, EU and Russia, it said. Meanwhile, a Middle East settlement has been discussed at a meeting between Russian Deputy Foreign Minister Sergey Ryabkov and his visiting US counterpart William Burns. Russian diplomatic and media sources had suggested that Washington was fleshing out a fresh plan to push forward the deadlocked peace process between the Palestinians and Israelis

**Analysis-NABUCCO conference in Georgia: Politics trumps economic reason-Friday 15 January-Tatjana Mitrova, Energy Research Institute, Russian Academy of Sciences**

"Instead of uniting ten heads of state and government, as it was originally foreseen, [a 14 January Nabucco conference in Georgia] degenerated into a mere roundtable of experts, which did not yield any decisions or practical results," Tatjana Mitrova deplored in a January paper sent to EurActiv."On 14 January, the Georgian city of Batumi hosted an energy conference, originally planned as a inter-governmental summit, with attendees from Eastern European, Central Asian and Caspian countries. The meeting served to discuss prospects of energy supplies from the Caspian region to Europe. Participants particularly focused on the so-called 'Southern Corridor' project, an effort to give the EU access to alternative energy resources, other than those from Russia, Norway and Northern Africa. The Nabucco gas pipeline was the flagship project of this initiative. It is interesting that Russian representatives were not invited to the meeting, but instead Washington was invited to dispatch a delegation. Amongst the participating nations, only three are energy producers for the Southern Corridor, namely Azerbaijan, Turkmenistan and Kazakhstan. Turkey hesitated to attend, in spite of the fact that its unique geographical position bestows the country a pivotal role in the concept of the Southern Corridor. What is most astonishing about the conference is not the particular mix of participants, but its display of sustained interest in problematic projects such as Nabucco, in the middle of a financial crisis. Recently, doubts have grown about where the pipeline could source the 30 billion cubic metres of gas which it needs every year to be profitable. According to the latest statements of the senior management of the German energy major and Nabucco partner RWE, the pipeline will have to rely on three remaining gas suppliers, namely Azerbaijan, Turkmenistan and Northern Iraq.

Political tensions and uncertainties cast serious doubts about the potential of Iraq to emerge as a reliable supplier any time soon. Azerbaijan recently succeeded in diversifying its exports, by expanding its customer base beyond Turkey and Georgia to Russia and Iran. Gas supplies to Russia do not require any additional investments in infrastructure, which makes this business deal very attractive for Baku, particularly in combination with a commercial contract that does not set any upwards cap on exports. With regard to Turkmenistan, one cannot avoid the impression that this country will not be in a position to contribute much to Nabucco. Because of last year's production slump, Ashgabat decided to suspend 150 production sites, a step which cannot be undone quickly. Most experts estimate that it will take until 2013 before the country can reach the production levels of 2008 again. Turkmenistan suffered from a comparable situation in the early 1990s, and ever since then has not been able to restore previous production levels. With the recent inauguration of the gas export pipeline to China, Turkmenistan will be closely bound to its new partner, as it has to guarantee supplies of 30 billion cubic metres of gas annually over a time span of 30 years. The Chinese vector in Ashgabat's external energy policy will not only be determined by the new pipeline, but also through substantial credit lines. For the development of the South Yolantan gas field, Beijing offered dedicated loans worth four billion US dollars. In spite of what one could read in various editorials across Europe, gas deliveries from Turkmenistan to China do not present a threat for Russia. On the contrary, they can be seen as a positive development: firstly because they are not destined for the European market and therefore do not increase competition for Russian gas deliveries, and secondly, because they are answering demand in a less favourable market than Europe. One could even argue that the Turkmen gas deliveries to China will pave the way for an expanded Russian-Chinese energy partnership in the future, as this project will allow Beijing to acquire the necessary experience and know-how in international gas trade.

**235 Russian Interior Ministry employees killed in North Caucasus in 2009-  
[www.chinaview.cn](http://www.chinaview.cn) 2010-01-16**

MOSCOW, Jan. 16 (Xinhua) -- A total of 235 Interior Ministry police officers and troops died in Russia's turbulent North Caucasus in 2009, the ministry's deputy chief said Saturday. Another 686 employees of the ministry were injured during 2009, a year that saw a sharp increase in

terrorist operations in the region, Deputy Interior Minister Arkady Yedelev said. "Over 700 murder attempts on law enforcement officers were made," he added. Yedelev also said that "2009 saw foreign funded terrorists operating in southern Russia." There were 544 terrorist crimes, among which 437 were carried out in the Chechen Republic, 44 in Dagestan, and 41 in Ingushetia, local media reported, citing statistics from the ministry.

### **Chile in OECD-January 10 2010**

Which is the odd one out? Russia, China, India, Brazil, Chile. The answer is Chile, which today signs up to become the 31st member of the Organization for Economic Co-operation and Development. None of the others is part of this half century-old club despite being in the top dozen richest countries on the planet by output. Why, therefore, is Chile joining – becoming the first South American nation to do so? The answer is twofold. First, countries have to want to become members – no one is forced, nor is eligibility automatic. That is the reason, for example, Brazil remains outside the group. Russia, too, seems to lack the political will to get over the line, although it is an “accession candidate country”. Once a country puts its hand up to join, the OECD will then decide whether to let it. Here it gets tricky, and this explains why there were no admissions during the whole of the past decade. Criteria are not fixed, but “like-minded nations” must be at a certain level of economic development and are expected to contribute something useful and new to the club. For example, the most recent Latin American entrant, Mexico in 1994, supposedly brought to the table expertise in biodiversity and migration. This time the OECD reckons that its less developed members can learn from Chile’s pension reforms and tax policies

### **Economic Front**

#### **Russian bank balances fall to 852.3 bln rbls**

MOSCOW, Jan 12 (Reuters) - Banks' balances in their correspondent accounts at the Russian central bank fell to 852.3 billion roubles on Tuesday from 899.9 billion roubles in the previous session, the central bank said.

All figures are in billions of roubles:

BALANCES	Jan 12	Jan 11
Total	852.3	899.9
Moscow region	640.2	665.4
Banks' deposits at the central bank	569.0	509.0

### **Russian foreign debt \$469.7 bln at Jan 1 - cbank**

MOSCOW, Jan 13 (Reuters) - Russia's total foreign debts fell to \$469.7 billion at Jan. 1, 2010, from \$478.2 billion on Oct. 1, 2009, preliminary estimates from the central bank showed on Wednesday. Over the same period, Russia's public foreign debt fell to \$30.0 billion from \$31.2 billion, according to the preliminary figures posted on the central bank's Web site ([www.cbr.ru](http://www.cbr.ru)). Following is a breakdown of Russia's foreign debts (in billions of dollars):

	Jan. 1, 2010*	Oct. 1, 2009
Total foreign debt	469.7	478.2
Public foreign debt	30.0	31.2
New Russian debt	25.2	25.0
Soviet-era debt	3.2	4.5
Monetary authorities	14.3	12.2
Banks	125.6	135.9
Non-financial enterprises	299.8	299.0

### **Russia looks to taxes to help diversify economy**

MOSCOW, Jan 15 (Reuters) - Russia's government will next month consider possible changes to the tax legislation in a bid to boost innovation sectors and diversify the economy from natural resources, Finance Minister Alexei Kudrin said on Friday. Oil exports helped fan nearly a decade of economic boom in Russia, but dependence on energy and commodities made the country extra vulnerable to the global financial crisis which sapped world demand and pushed down prices. Russian President Dmitry Medvedev has repeatedly called for reducing Russia's dependence on oil and gas exports since taking over as Kremlin chief in May 2008. In November, he pledged renewed debate on Russia's tax system, including tax breaks for innovation activity. The

proposed tax changes "must take into account the orders given by the president," Russian news agencies quoted Kudrin as saying at a meeting with Medvedev.

## **Social Front**

### **Smuggling of meat, frozen 35 years ago, blocked in Russia-11.01.2010**

MOSCOW, January 11 (Itar-Tass) -- A major channel for the smuggling to Russia from America of meat, frozen 35 years ago, has been blocked, a representative of the press service of the economic security department under the Russian Interior Ministry told Itar-Tass. Officers of the economic security department jointly with officers of the police department of the Belgorod Region stopped the activities of the crime group, which organised meat smuggling to Russia from the United States, Brazil, Canada and Argentina, as well as Belgium. Meat was delivered to Russia via Ukraine. "The meat was brought to the port of Odessa, where it was divided into small consignments, which were later delivered from Kharkov to the Belgorod Region. After that the meat was delivered by trucks to Moscow and other regions, where it was sold under forged documents," the Interior Ministry official said. The police established that the meat had been kept for a long time in refrigerators in one of the Latin American countries as strategic reserve. The authorities decided to sell it, because its consumption period was over. "According to the information of the police, the meat was subjected to deep freezing as early as in 1974," the police officer continued.

### **Russia backs human rights reform [AFP]**

Russia's parliament has ended years of resistance and ratified an international agreement intended to strengthen and speed up the work of the European Court of Human Rights. The State Duma had refused to ratify Protocol 14, a key element of the European Convention for the Protection of Human Rights, in 2006, but backed the measure by 392-56 votes on Friday. The move followed representations to the legislature by Dmitry Medvedev, the Russian president, to review the issue and appears to reflect Moscow's desire to improve its chilly ties with the Council of Europe. Approval in Russia's Federation Council, the country's upper house, is expected to be a formality.

### **Photograph taken by Russian president raises \$1.7 million at charity auction**

ST. PETERSBURG, Russia (AP) — President Dmitry Medvedev has outdone his powerful predecessor — as an artist. A photograph Medvedev took of the kremlin, or fortress, in a Siberian town sold for 51 million rubles (\$1.7 million) at a charity auction Saturday night, surpassing the 37 million rubles (then \$1.1 million) paid last year for a painting by Prime Minister Vladimir Putin. Medvedev's black-and-white photo was snapped up by Mikhail Zingarevich, a board member at Ilim Group, the pulp and paper company where Medvedev once worked as a lawyer. Zingarevich said he planned to hang the 69-by-96-centimeter (27-by-38-inch) picture in his office.