

**Report No.119**

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

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

**Weekly report 9<sup>th</sup> May to 15<sup>th</sup> May 2010**

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### (About Sources)

The report is a collection of news regarding the socio- economic, political, cultural and environmental events in the Central and Eastern Europe and Russia. The data for the report is collected through the following News sources: BBC Online Monitoring News-Reuters-Associated Press News-Washington Post-NEW YORK TIMES -Bloomberg-EUROPA News-POLONIA Today Online-Centre for Russian, East European and Eurasian Studies-News Now Eastern Europe-China news-FOCUS News-Fox.news.com-International Herald Tribune-STRATFOR- Economist, Foreign Affairs-Official websites of CEE States, IMF, World Bank and EU etc.

### (About Region)

According to UN Statistics Division, the following states have been classified as the Eastern Europe. These states were once under the Soviet Union's influence and were part of the Warsaw Pact, i.e. Poland, Czech Republic, Hungary and Slovakia (Central Europe), Belarus & Ukraine(Eastern Europe), and Estonia Latvia, Lithuania (Baltic States).



## Head Lines

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

#### Poland

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## **Czech Republic**

- Czech Criticism of European Central Bank Part of Job Hunt

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- Tigran Sargsyan: new stage starts in Armenian-Czech relations-May 8, 2010

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- Exporters told to penetrate Eastern Europe

<http://www.nationmultimedia.com/home/2010/05/12/business/Exporters-told-to-penetrate-Eastern-Europe-30129085.html>

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### **Belarus**

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- UPDATE 2-Ukraine says hopes IMF talks can finish soon-May 15, 2010  
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- Thousands protest Ukraine president's embrace of Russia-11 May 2010 –

<http://www.rnw.nl/english/bulletin/thousands-ukrainians-protest-pro-russia-shift>

- Germany, Hungary could replace Ukraine for Euro 2012-May 10, 2010-The AP

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

### **Estonia**

- Israel, Slovenia and Estonia to become members of OECD-May 10, 2010

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- Latvian prime minister backs Estonian euro bid-May 10, 2010

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### **Latvia**

- Latvia April CPI points to faster exit from deflation

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- Latvia Q1 GDP up for first time q/q in 2 years

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- Lithuanian president says 'brain drain' through migration is huge concern  
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- Russia backs Brazil as mediator in Iran nuke dispute  
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- Somalia seeks answers from Russia on pirates-Reuters/Nairobi

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- Russian bank balances fall to 456.6 bln rbls

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[http://www.advfn.com/news\\_IMF-May-Boost-Russia-GDP-View-Sees-Few-Ill-Effects-From-Europe\\_42752905.html](http://www.advfn.com/news_IMF-May-Boost-Russia-GDP-View-Sees-Few-Ill-Effects-From-Europe_42752905.html)

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## **Report Summary**

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

#### **Poland**

##### **Political front**

Deputy Polish Prime Minister said on Monday that Eastern Partnership, energy security, commerce and competitiveness will be among priorities of Polish Presidency of the EU due to start on July 1, 2011. He was taking part in a conference on Polish EU presidency organized by Warsaw University. Referring to the economic dimension, he said because of structural weakness especially the gas and oil supplies infrastructure in EU Community there is no dominant energy supplier.

Prime Minister Donald Tusk has said that there is no reason to believe that Poland was threatened in connection with the Greek crisis. PM Tusk admitted that Poland's zloty has come under pressure against major currencies has delayed Poland's entry to the ERM-2 mechanism, a pre-requisite for adopting the European single currency.

Acting president Bronislaw Komorowski met with German Chancellor Angela Merkel over breakfast in Moscow and discussed the situation in the Euro zone following the Greek debt crisis. Prior to his arrival to Moscow, he pledged to strengthen the Weimar Triangle, or relations between Germany, France and Poland that could enhance Poland's influence within the European Union.

Hungary's new parliament plans to take up the bill, under which Hungary would offer citizenship to Hungarian minorities living abroad. Responding to that Slovakia has recalled its ambassador to Hungary.

The Slovaks have apparently balked at the Greek aid package hammered out in crisis this past weekend. While they have not formally rejected the package, the Slovak Prime Minister has said he cannot grant Greece a loan before it fulfils its commitments. The Austrians have also chimed in with words of doubt. Clearly, the Greek aid package is not a done deal yet

#### **Hungary**

The incoming Hungarian government's plans to annul retroactively the outgoing government's Jan. 1 personal income tax measures would widen the 2010 budget deficit to a level the International Monetary Fund and the European Union would dislike, a government spokesperson said Friday. The center-right opposition Fidesz party recorded a landslide victory at April's parliamentary elections and is in the process of forming the next government.

Hong Kong and Hungary signed an agreement Wednesday to avoid double taxation and prevent attempts to evade paying taxes through cross-border transactions, the Hong Kong government said in a statement Thursday. It is Hong Kong's fourth such agreement this year after it signed similar pacts that incorporate new transparency standards promoted by the Organization for Economic Cooperation and Development with Brunei, the Netherlands and Indonesia.

#### **Belarus**

Belarus has recalled its ambassador from Kyrgyzstan for consultations. The Foreign Office said that it has taken this step for security reasons because extremists have threatened its personnel. As soon as the situation normalizes the Ambassador will assume its responsibilities.

The country's foreign minister Kostyantyn Hryshchenko said here on Friday that Ukraine is unlikely to join a customs union involving Russia, Belarus and Kazakhstan because she is already a member of the World Trade Organization (WTO) and Ukraine 's accession to the customs union would go against its commitments as a WTO member.

## **Estonia**

The Organization for Economic Cooperation and Development (OECD) had accepted Israel, Slovenia and Estonia as members, bringing the organization's membership total to 34. The new members 'will contribute to a more plural and open OECD that is playing an increasingly important role in the global economic architecture.

Speaking at the World Economic Forum on Europe in Brussels, Latvian Prime Minister Dombrovskis said Estonia had earned the right to adopt the euro by implementing tough fiscal austerity measures even while it was undergoing a major recession. The European Commission, the European Union's executive, is due to give an opinion on its readiness to join on Wednesday.

## **Latvia**

Latvia's prime minister said on Wednesday that the fragile economy was recovering faster than expected and that was leading to a quicker exit from price deflation. Latvia has promised gradually to reduce its budget deficit as one of the conditions of winning funding from a 7.5 billion euro bailout agreed at the end of 2008 with the International Monetary Fund and the European Union

Russian President Dmitry Medvedev will go on a three-day Asian tour Monday to visit Syria and Turkey. He said that Turkey and Russia besides the political ties will discuss plans to introduce a visa-free regime and ways to deepen cooperation in energy, economy, agriculture and security.

Russian President Dmitri Medvedev said at a joint press conference with Brazilian President Lula Inacio Lula da Silva in the Kremlin that they were "optimistic" about the U.N sanctions against Iran. Brazilian President was very hopeful about his trip to Tehran next Sunday, where he will do everything to convince his "friend," Iranian President Mahmoud Ahmadinejad, that "agreements are better than disagreements.

Somalia's transitional government has called on Russia to explain about why Russian forces after arresting pirates set them free aboard small vessel they used in the attack. A military official admitted that they were stripped of their weapons and navigation equipment. Russian media later quoted a military source saying the pirates were now likely dead.

Kuwaiti Deputy Prime Minister and Foreign Minister Sheikh Dr. Mohammad Sabah Al-Salem Al-Sabah arrived in St. Petersburg on a visit to Russia on Friday.

## **Economic front**

## **Poland**

Poland's unemployment rate fell in April to 12.3 percent from 12.9 percent in the previous month, a labor ministry source said on Friday.

The Polish government asked the reluctant central bank to support its request to extend the \$20.5 billion (13.8 billion pound) credit line, which expired last week. Poland and several other countries received it to help weather the financial crisis a year ago.

### **Czech Republic**

The Thai Trade Centre in Brussels engaged the ECIPE to conduct a study on five emerging markets that have the potential to import more Thai products. The study showed many Thai products were in high demand: machinery, electric appliances, rubber tires, steel, automobiles, yarn, garments, plastics, jewellery, pearls, lenses and cameras. According to study the consumption in newly emerging countries was high and new markets remain less competitive and have lower import barriers than Western Europe. Rivals to Thailand in those markets are Morocco, Chile, Croatia, Vietnam, China and Turkey. Among those five nations, the Czech Republic is the largest market for Thailand.

The Czech government will have to find about 40 billion to 45 billion crowns (\$2.12 billion to \$2.39 billion) in tax hikes and savings to achieve next year's deficit target of 4.8 percent of gross domestic product. The country's caretaker cabinet will quit after the May 28-29 election.

### **Slovakia**

The tax wedge between total labor costs to the employer and the corresponding net take-home pay for single workers without children at average earnings levels in 2009 varied widely across OECD countries: (1)it exceeded 50 per cent in Belgium, Hungary and Germany and was lower than 20 per cent in Korea, New Zealand and Mexico. (2) The increase between 2008 and 2009 of the tax wedge of an average worker varied between 1.54 percentage points in Ireland and -2.66 percentage points in New Zealand. Turkey (-2.29 percentage points), Sweden (-1.65 percentage points), the Czech Republic (-1.55 percentage points), Finland (-1.39 percentage points), Denmark (-1.28 percentage points), the Slovak Republic (-1.17 percentage points) and Luxembourg (-1.16 percentage points) were the other OECD member countries in which the tax wedge fell by 1 percentage point or more. The tax wedge has increased in six OECD member countries and fell in the other fifteen countries.

### **Hungary**

Hungarian central bank Vice President Julia Kiraly said there's scope to reduce the benchmark interest rate, already at a record low, because a recovery from the worst economic recession since 1991 is stuttering.

### **Belarus**

The European Commission on Wednesday (12 May) assured Moscow that the EU's policy's towards its eastern neighbors is not a form of competition. EU also offered Russia to take part in the neighborhood policy but they have refused. Apart from its country-by-country relations with post-Soviet states, the EU last year launched the "Eastern Partnership," a regional

approach aimed at boosting EU-inspired reforms in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, which would ultimately lead to more economic integration and a visa-free regime for its citizens.

Belarus is ready to create conditions to attract foreign investors to the banking, agricultural and infrastructure sectors and is intensifying efforts to attract private capital to help ease a budget deficit that is projected to reach \$900 million this year. Belarus, sandwiched between the European Union and Russia, remains one of the least reformed countries of the pre-1990 eastern bloc. The government hopes to raise about \$1 billion in privatization this year and is looking to the West for money.

### **Ukraine**

An aide to Ukraine's President said on Saturday talks with the International Monetary Fund (IMF) about \$19 billion in emergency loans should be finished soon even though they are not going easily.

### **Estonia**

The European Commission will on Wednesday recommend that Estonia be allowed to adopt the common euro currency next year, as it meets all the economic criteria. The commission's is very positive on Estonia's bid to become the fifth of the 10 nations which joined the EU in 2004 and the 17th member of the euro zone. Estonia would thus become to adopt the common currency.

Estonia, the least-indebted European Union member, may be the standard against which other euro candidates are measured as the monetary union moves ahead with enlargement after committing almost \$1 trillion to defend its currency from Greek-induced hemorrhaging.

Scandinavian airline SAS has signed a letter of intent to sell its stake in Estonian Air. The details would remain confidential until the final shareholders' agreement. The government owns 34 percent and the remaining 17 percent belongs to Estonian investment company Cresco.

### **Russia**

The International Monetary Fund said Tuesday it may boost its forecast for Russian economic growth in 2010, as the country enjoys growing foreign reserves and suffers little contagion from concerns about European nations' sovereign debt.

## **Social front**

### **Poland**

The country's Catholic Bishops Conference announced that Papal diplomat Jozef Kowalczyk has been appointed new Catholic Chief Clergy of Poland. Pope Benedict XVI named the 71-year-old archbishop of the Archdiocese of Gniezno, a post which automatically carries with it the leadership of the Roman Catholic Church in Poland.

### **Hungary**

Most Hungarian workers with children will pay less tax under a family tax system to be launched next January. The measure is part of the incoming centre-right Fidesz government's efforts to stimulate Hungary's economy, which suffered its worst downturn in nearly two decades last year, and is expected to lag its European peers on the path to recovery. The measures were aimed at bolstering the willingness to raise children among middle-class families

## **Ukraine**

If Ukraine is unable to complete its program of stadium building, Germany or Hungary could be asked to stage some games of the 2012 European Championship if Ukraine is unable to complete its program of stadium building, according to UEFA president Michel Platini. The tournament is due to be co-hosted with Poland, but work on stadiums and infrastructure in Ukraine has been lagging behind schedule.

## **Latvia**

The Latvian hacker, a "virtual Robin Hood", who stole millions of classified tax documents from government computers and leaked the information via Twitter, has been caught by police. In February, Neo and his colleagues at the **People's Army of the Fourth Awakening** contacted a local TV station to claim they had downloaded the documents from the state revenue service and exposed salary details for senior officials through Twitter by revealing that management at a Latvian bank that received bail out money had violated its promised. The revelations prompted anger in a country.

Economic data released in Latvia, Lithuania and Estonia on Monday suggested the worst of the Baltic States' deep recessions may be over. In 2009, Latvia experienced the deepest recession in the European Union, with its economy shrinking by 18 per cent, while neighboring Lithuania saw its economy contract by 15 per cent in 2009, and Estonia reported a recession of 14 per cent.

The Lithuanian president said during a visit to Dublin yesterday that the "Brain drain" suffered by Lithuania as a result of continuing migration to countries like Ireland is of huge concern. The impact of the global economic crisis on Lithuania has made the flow of migration from the country "more aggressive" and almost 90,000 Lithuanians currently live in Ireland.

## **Russia**

The Moscow department of the Russian Prosecutor's Investigative Committee (SKP) has opened a criminal case against vice mayor of Moscow Alexander Ryabinin under section of Criminal Code related to the Crime (taking a large-scale bribe). Ryabinin took a bribe through a mediator in the form of non-residential premises 200 square meters in size for the coordination of a draft resolution of the Moscow government on the construction of objects in the Levoberezhny district of the RF capital. The ownership right to the premises was registered in favour of Ryabinin's daughter.

## Detailed Report

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

#### Poland

##### Political front

##### **Poland and Germany leaders meet for breakfast talks-09.05.2010 12:07**

[http://www.thenews.pl/international/artykul131201\\_poland-and-germany-leaders-meet-in-moscow.html](http://www.thenews.pl/international/artykul131201_poland-and-germany-leaders-meet-in-moscow.html)

Acting president Bronislaw Komorowski met with German Chancellor Angela Merkel over breakfast in Moscow, Sunday. Before the VE military parade in Red Square the two leaders discussed the situation in the Euro zone following the Greek debt crisis, the future of the Weimar Triangle and the Smolensk air disaster, a press spokesman from the Presidential Chancellery told Polish Radio. Prior to his arrival to Moscow, Bronislaw Komorowski announced that he will seek to strengthen the Weimar Triangle, or relations between Germany, France and Poland. Komorowski said the Weimar Triangle could prove to be one of the most important structures that will underpin Poland's influence within the European Union. After the VE day celebrations in Moscow acting president Komorowski left at 11.00 CET to visit the crash site in Smolensk, western Russia, where 96 died, including President Lech Kaczynski on April 10.

##### **Eastern Partnership, energy security among priorities of Poland's EU presidency: May 11**

<http://english.people.com.cn/90001/90777/90853/6980314.html>

Eastern Partnership, energy security, commerce and competitiveness will be among priorities of Polish presidency of the EU due to start on July 1, 2011, deputy Polish Prime Minister and Economy Minister Waldemar Pawlak said Monday. Pawlak, taking part in a conference on Polish EU presidency organized by Warsaw university, stressed that the most important issue is to prepare Poland for active and creative participation in European work. The minister said that Poland will focus during its presidency on the development of the Eastern Partnership, and noted that focusing on the development and promotion of the Partnership is a consequence of the role Poland plays in the region. "Poland has shown that it may be a representative of this part of Europe," Pawlak said, quoted by the PAP news agency. Referring to the economic dimension, Pawlak said the EU is "very well diversified," there is no dominant energy supplier in the community. "In my conviction the problem here is the structural weakness of technical solutions, this concerns especially the gas and oil supplies infrastructure," said Pawlak.

##### **Tusk - Poland not threatened by Greek crisis-07.05.2010-Polaskie Radio News.**

[http://www.thenews.pl/business/artykul131077\\_tusk---poland-not-threatened-by-greek-crisis.html](http://www.thenews.pl/business/artykul131077_tusk---poland-not-threatened-by-greek-crisis.html)

Prime Minister Donald Tusk has said that Poland is not immediately under threat of contagion from the Greek debt crisis. "There is no reason to believe that Poland was under threat," he told reporters, Thursday. "Poland is not threatened in connection with the Greek crisis, but it is necessary to observe the situation and the interaction of different institutions," he added.

Poland's currency, the zloty has come under pressure in recent days, losing value against major currencies - over eight percent against the dollar this week - as investors watch nervously at a crisis that appears to be spreading to other countries on the Euro zone. PM Tusk admitted, however, that Poland's entry to the ERM-2 mechanism - a pre-requisite for adopting the European single currency, is no longer on the table for the time being. "Currently, drawing up a date for adopting the euro is not a priority today," he said.

### **Euro adoption not a priority for Poland: PM 08:05, May 07, 2010**

<http://english.people.com.cn/90001/90777/90853/6976146.html>

For now Poland has to see what happens in the south of Europe and protect Poland from effects of the Greek crisis, and will return to the topic of the euro later on, Polish Prime Minister Donald Tusk told a press conference here Thursday. Building a euro adoption schedule is not a priority at the moment, he said, quoted by the PAP news agency. "The situation in Greece makes the euro zone ask questions of it now," Tusk said, adding that the top priority for the Polish government is to protect Poland from the consequences of the Greek crisis. Tusk said he was watching world financial markets and bourses. It was very important that all Polish state bodies acted in concert on the Polish currency and economy, he emphasized.

### **Poland and Germany leaders meet for breakfast talks-09.05.2010**

[http://www.thenews.pl/international/artykul131201\\_poland-and-germany-leaders-meet-in-moscow.html](http://www.thenews.pl/international/artykul131201_poland-and-germany-leaders-meet-in-moscow.html)

Acting president Bronislaw Komorowski met with German Chancellor Angela Merkel over breakfast in Moscow, Sunday. Before the VE military parade in Red Square the two leaders discussed the situation in the Euro zone following the Greek debt crisis, the future of the Weimar Triangle and the Smolensk air disaster, a press spokesman from the Presidential Chancellery told Polish Radio. Prior to his arrival to Moscow, Bronislaw Komorowski announced that he will seek to strengthen the Weimar Triangle, or relations between Germany, France and Poland. Komorowski said the Weimar Triangle could prove to be one of the most important structures that will underpin Poland's influence within the European Union.

Economic front

### **Polish jobless falls in April-ministry source**

<http://www.iii.co.uk/news/?type=afxnews&articleid=7882338&subject=markets&action=article>

WARSAW, May 7 (Reuters) - Poland's unemployment rate fell in April to 12.3 percent from 12.9 percent in the previous month, a labour ministry source said on Friday. "We are seeing a steep fall. The jobless rate fell in April by 0.6 percentage points, that is to say to 12.3 percent," the source told Reuters. Poland traditionally sees a spike in seasonally-driven employment in the spring. An unusually harsh winter froze activity on the country's construction sites and economists say a rebound in the sector is now clearly underway. Defying a regional trend, the European Union's largest ex-communist economy posted only a modest rise in unemployment

during last year's global financial crisis after hitting a 16-year low of 8.8 percent in October 2008.

### **Poland sees IMF credit line supporting its currency-Sat May 8, 2010**

<http://uk.reuters.com/article/idUKTRE6470VO20100508?rpc=401&feedType=RSS&feedName=businessNews&rpc=401>

WARSAW (Reuters) - The extension of Poland's flexible credit line with the International Monetary Fund will help the European Union's largest ex-communist member protect its currency in the market turmoil, the finance minister said. The Polish government asked the reluctant central bank to support its request to extend the \$20.5 billion (13.8 billion pound) credit line, which expired last week. Poland and several other countries received it to help weather the financial crisis a year ago.

### **Poland needs strong government at a time of crises-10.05.2010**

[http://www.thenews.pl/business/artykul131231\\_poland-needs-strong-government-at-a-time-of-crisis.html](http://www.thenews.pl/business/artykul131231_poland-needs-strong-government-at-a-time-of-crisis.html)

Poland's finance minister Jacek Rostowski, in Brussels on Sunday for an emergency EU meeting on Greece's debt crisis, said Poland needs strong and united government at a time of economic threat. "Poland's economy is well positioned, but we should not underestimate the threat," at a press conference following the decision, after 11 hours of negotiation, by EU finance ministers to create a 750 billion euro fund to bailout Greece and defend the European single currency. "If the problems within the euro zone were not resolved, this would take its toll on Polish economy. We may have faced the risk of a worldwide crisis of public finance. In this situation, Poland, although it boasts a healthy economy, it wouldn't handle such a tsunami." Poland - the only EU currency to record GDP growth last year - will not be directly liable for the debt crisis in the 16 nation eurozone which is not yet part of. But in reference to presidential elections in Poland on June 20, Rostowski warned that weak or divided governments and states are more at risk from contagion.

### **Poland Resolves Decade-Old \$12 Bln Privatization Dispute**

<http://blogs.wsj.com/new-europe/2010/05/13/poland-resolves-decade-old-12-bln-privatization-dispute/>

Wednesday's stock market debut of Poland's top insurer PZU was the final element of a settlement of a dispute between the Polish government and a Dutch investor over PZU's privatization that began 10 years ago. The resolution of the conflict means Poland won't have to battle a lawsuit that could force it to pay compensation in excess of \$12 billion. Eureko, the Netherlands' largest insurer by gross premiums, and a local Polish bank originally bought a 30% stake in PZU in 1999 from the right-wing government's treasury ministry run by Emil Wasacz and his deputy Alicja Kornasiewicz, who now heads Unicredit's Bank Pekao in Poland. In 2001, Poland agreed to sell Eureko another 21%. The dispute started when Poland refused to honor the agreement to complete PZU's privatization, which would have allowed Eureko to acquire a controlling stake in the company.

## **Social front**

### **Jozef Kowalczyk new Catholic primate of Poland-May 8, 2010**

[http://www.monstersandcritics.com/news/europe/news/article\\_1554177.php/Jozef-Kowalczyk-new-Catholic-primate-of-Poland](http://www.monstersandcritics.com/news/europe/news/article_1554177.php/Jozef-Kowalczyk-new-Catholic-primate-of-Poland)

Warsaw - Papal diplomat Jozef Kowalczyk has been appointed new Catholic primate of Poland, the country's Catholic Bishops Conference said on its internet site Saturday. Pope Benedict XVI named the 71-year-old archbishop of the Archdiocese of Gniezno, a post which automatically carries with it the leadership of the Roman Catholic church in Poland. Kowalczyk, who takes up his new office in summer, succeeds Archbishop Henryk Muszynski, retired in March aged 77.

### **A General's Honor gets EP showing-10.05.2010**

[http://www.thenews.pl/international/artykul131286\\_a-generals-honour-gets-ep-showing.html](http://www.thenews.pl/international/artykul131286_a-generals-honour-gets-ep-showing.html)

Polish and Dutch members of the EPP group in the European parliament are organizing a special screening of A General's Honour, Tuesday, telling the story of Major-General Sosabowski and the Battle of Arnhem. The screening of the Polish documentary has been organized by MEPs Jacek Saryusz-Wolski MEP and Wim van de Camp. A General's Honour, directed by Joanna Pieciukiewicz, is a dramatic story about General Stanisław Sosabowski and the 1st Polish Independent Parachute Brigade, the forgotten heroes of Operation Market Garden during World War II. Before the screening, opening speeches will be made by President of the European Parliament, Jerzy Buzek. Special guests will include director Joanna Pieciukiewicz, Hal Sosabowski a descendent of the general and Eric Tilbeurgh, expert on the 1st Polish Independent Parachute Brigade. The documentary is in Polish with English subtitles. Following the end of WW II, Sosabowski was stripped of his Polish citizenship by the newly installed communist, Soviet-backed authorities in Warsaw. Sosabowski ended up working in a factory in west London, where his work mates were unaware of his rank during the war and his heroic deeds. Consequently, General Sosabowski is better remembered in the Netherlands than he is among younger generation of Poles – a situation which the film hopes to redress.

## **Czech Republic**

### **Political front**

#### **Czech Criticism of European Central Bank Part of Job Hunt**

<http://blogs.wsj.com/new-europe/2010/05/12/czech-criticism-of-european-central-bank-part-of-job-hunt/>

Czech President Vaclav Klaus is expected to pick the successor of Zdenek Tuma at the helm of the Czech National Bank, or CNB, in late June. Current central bank deputy governors Miroslav Singer and Mojmir Hampl are seen as top candidates for the job. As Klaus' decision day approaches, both Mr. Singer and Mr. Hampl are vying for headlines to draw the Eurosceptic president's attention. This week is no exception. The fight over the CNB's top job is behind

today's central bank's complaint the against the latest European Central Bank convergence report which criticizes the CNB base capital level as insufficient in remarks the central bank describes as unfair, Czech bank insiders say.

### **Tigran Sargsyan: new stage starts in Armenian-Czech relations-May 8, 2010**

<http://www.panarmenian.net/eng/economy/news/48359/>

A new stage starts in the Armenian-Czech relations, RA Prime Minister Tigran Sargsyan said during a meeting with his Czech counterpart Jan Fischer in Prague. The two men discussed further development of bilateral relations, economic cooperation, including energy, chemical production, education, tourism and culture, the press service of the RA government reported.

### **Economic front**

#### **Exporters told to penetrate Eastern Europe**

<http://www.nationmultimedia.com/home/2010/05/12/business/Exporters-told-to-penetrate-Eastern-Europe-30129085.html>

Foreign Trade Department Deputy Director General Wiboonlasana Ruamraksa yesterday said consumption in newly emerging countries was high. Those new markets remain less competitive and have lower import barriers than Western Europe, he said. The Thai Trade Centre in Brussels engaged the ECIPE to conduct a study on five emerging markets that have the potential to import more Thai products. The study showed many Thai products were in high demand: machinery, electric appliances, rubber tyres, steel, automobiles, yarn, garments, plastics, jewellery, pearls, lenses and cameras. Foods that show promise are cereals, processed fish and fruits. Shipments of pineapples and mangoes should be increased. To penetrate those markets, exporters should conduct a study on marketing, consumer behaviour and import regulations in each one, Wiboonlasana said. Rivals to Thailand in those markets are Morocco, Chile, Croatia, Vietnam, China and Turkey. Among those five nations, the Czech Republic is the largest market for Thailand, importing goods worth 430 million (Bt17.65 billion) a year, followed by Poland with 317 million, Slovakia with 138 million, Romania with 89 million and Slovenia with 35 million.

Thai restaurants and spas have greater chances of succeeding in these markets, the study said. Kannikar Kijtiwatchakul, chairman of a subcommittee for public hearings on the social aspects of the ThaiEU FreeTrade Agreement (FTA), said the hearing for all parties on whether to start up freetrade talks with the European Union should be finalised next month and submitted for the committee's consideration in July

#### **Czech FinMin: need CZK 40-45 bln savings in 2011**

<http://www.iii.co.uk/news/?type=afxnews&articleid=7882879&subject=markets&action=article>

PRAGUE, May 9 (Reuters) - The Czech government will have to find about 40 billion to 45 billion crowns (\$2.12 billion to \$2.39 billion) in tax hikes and savings to achieve next year's deficit target of 4.8 percent of gross domestic product, Finance Minister Eduard Janota said on Sunday. The country's caretaker cabinet will quit after the May 28-29 election, but it may take weeks or even months until a new administration is formed, and the current minister will have to

take at least the initial steps to prepare the 2011 budget. Janota said it was an absolute priority to stick to the 4.8 percent target next year which is pencilled in the country's convergence programme, a fiscal consolidation plan submitted to the European Union.

## **Slovakia**

### **Political front**

#### **China strives to promote credibility of judiciary: senior leader**

<http://english.cpc.people.com.cn/66102/6983143.html>

As Chinese courts still don't live up to the increasing judicial expectations of the public, we are striving to reinforce personnel, improve the handling of cases and promote the judiciary's credibility," senior Chinese leader Zhou Yongkang told a visiting Slovakian delegation. Zhou, a Standing Committee member of the Political Bureau of the Communist Party of China (CPC) Central Committee, met with President of the Slovak Supreme Court Stefan Harabin and Deputy Prime Minister and Minister of Justice Viera Petrikova at the Great Hall of the People on Wednesday. "Since China's reform and opening up in 1978, China has made much progress, but social conflict has also arisen," said Zhou, who also heads the CPC Central Political and Legislative Affairs Committee

#### **Slovakia recalls Budapest ambassador in dual-citizenship dispute-May 13, 2010,**

[http://www.monstersandcritics.com/news/europe/news/article\\_1555533.php/Slovakia-recalls-Budapest-ambassador-in-dual-citizenship-dispute](http://www.monstersandcritics.com/news/europe/news/article_1555533.php/Slovakia-recalls-Budapest-ambassador-in-dual-citizenship-dispute)

Bratislava - Slovakia has recalled its ambassador to Hungary in a row over plans by Budapest's new government to offer citizenship to Slovakia's ethnic Hungarians, Bratislava said Thursday. Slovak Foreign Ministry spokesman Peter Stano announced the move, coming after Hungary had declined to consult with Slovakia on the planned new law. Hungary's new parliament plans to take up the bill, under which Hungary would offer citizenship to Hungarian minorities living abroad, at its opening session set to start on Friday.

#### **Slovakia first euro-zone nation to reject Greek aid package Posted by Edward Harrison on 4 May 2010**

<http://www.creditwritedowns.com/2010/05/slovakia-first-euro-zone-nation-to-reject-greek-aid-package.html>

The Slovaks have apparently balked at the Greek aid package hammered out in crisis this past weekend. While they have not formally rejected the package, the Slovak Prime Minister has said he cannot grant Greece a loan before it fulfils its commitments. The Austrians have also chimed in with words of doubt. Clearly, the Greek aid package is not a done deal yet

### **Economic front**

## Slovak Q1 GDP seen up 0.3 pct q/q, 4.5 pct yr/yr

<http://www.iii.co.uk/news/?type=afxnews&articleid=7882101&subject=markets&action=article>

May 7 (Reuters) - Following are key details of a Reuters survey of analysts' forecasts for the flash estimate of gross domestic product (GDP) growth due out on May 12.

SLOVAK REAL GDP chg q/q chg yr/yr

FORECASTS	Q1/10	Q1/10
Median	+0.3	+4.5
Average	+0.4	+4.6
Minimum	-0.4	+3.8
Maximum	+2.0	+5.5
Mode	+0.3	+4.0
No. of forecasts	7	7

## Average tax burden on workers' earnings fell in most OECD countries last year-By Finfacts Team-May 12, 2010.

[http://www.finfacts.ie/irishfinancenews/article\\_1019659.shtml?utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed%3A+finfacts%2Fxrch+%28Finfacts+Ireland+Business+%26+Finance+Portal%29](http://www.finfacts.ie/irishfinancenews/article_1019659.shtml?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+finfacts%2Fxrch+%28Finfacts+Ireland+Business+%26+Finance+Portal%29)

The tax wedge between total labor costs to the employer and the corresponding net take-home pay for single workers without children at average earnings levels in 2009 varied widely across OECD countries (column 1): it exceeded 50 per cent in Belgium, Hungary and Germany and was lower than 20 per cent in Korea, New Zealand and Mexico. The increase between 2008 and 2009 of the tax wedge of an average worker varied between 1.54 percentage points in Ireland and -2.66 percentage points in New Zealand. Turkey (-2.29 percentage points), Sweden (-1.65 percentage points), the Czech Republic (-1.55 percentage points), Finland (-1.39 percentage points), Denmark (-1.28 percentage points), the Slovak Republic (-1.17 percentage points) and Luxembourg (-1.16 percentage points) were the other OECD member countries in which the tax wedge fell by 1 percentage point or more. The tax wedge has increased in six OECD member countries and fell in the other fifteen countries. Access Tableau interactive table here. Average tax and social security burdens on employment incomes fell slightly in 24 out of 30 OECD countries last year as governments struggled to shore up faltering economies amid the worst recession in decades. But whether this trend will continue this year is uncertain given the widespread pressures on public budgets. "Governments have to reconcile support to a still fragile recovery with the need to move to a more sustainable fiscal path," OECD Secretary-General Angel Gurría said. "Lower taxes on labour can help to boost recovery, but only as part of a broader, balanced package."

## **Social front**

### **Billboards stir outrage in Slovakia election campaign-AFP/Bratislava**

[http://www.gulf-times.com/site/topics/article.asp?cu\\_no=2&item\\_no=360035&version=1&template\\_id=39&parent\\_id=21](http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=360035&version=1&template_id=39&parent_id=21)

Minority rights activists in Slovakia have protested against campaign billboards by a nationalist party targeting the country's Roma minority just five weeks ahead of a general election. The billboards showed a heavily-tattooed bare-chested Roma man with a big golden chain around his neck bearing the slogan: "So that we don't feed those who don't want to work." They were sponsored by the far-right Slovak Nationalist Party (SNS), a junior partner in the outgoing government. "The billboard promotes racism and hatred and I believe that the majority of people will denounce it," Alexander Patkolo, chairman of the Slovakian Roma Initiative, told AFP on Thursday. "Our campaign draws attention to the problem of abuse of welfare benefits," spokesman for the SNS party Dusan Strauss retorted. "We will always be against those who don't want to work and abuse welfare benefits," he added. SNS leader Jan Slota also slammed an upcoming gay pride march in Bratislava earlier this week. A nation of 5.4mn, Slovakia is officially home to around 89,000 Roma, according to the 2001 census, but in reality there could be as many as 350,000, according to Arne Mann, an ethnologist at the Slovak Academy of Sciences. In more than 600 Roma settlements people live without electricity, sewerage or running water. Most are located far away from the relatively affluent capital Bratislava. While Slovakia's average unemployment rate stood at nearly 13% in March, joblessness spikes to almost 100% in Roma settlements.

### **Open racism rears its head-May 10 2010**

[http://sofiaecho.com/2010/05/10/898498\\_open-racism-rears-its-head?ref=rss&utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed%3A+rss2%2Fall-news+%28The+Sofia+Echo%29](http://sofiaecho.com/2010/05/10/898498_open-racism-rears-its-head?ref=rss&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+rss2%2Fall-news+%28The+Sofia+Echo%29)

The Slovak National Party (SNS) is once again revealing its true colours: the party is waging its parliamentary election campaign with a billboard featuring a bare-chested Roma man whose photo was digitally altered by adding tattoos and a thick golden chain. The SNS billboard slogan: "So that we do not feed those who do not want to work". Political observers had earlier suggested that various extremist groupings might season the run-up to the June elections with racial attacks to incite frustrated Slovaks. But this image and slogan is being laid out by a political party which is currently part of Slovakia's ruling coalition and which claims to be in the mainstream.

## **Hungary**

### **Political front**

**Hungary New Government Tax Cut Plans Would Widen Budget Gap-Old Government (Dow Jones)**

[http://www.advfn.com/news\\_Hungary-New-Government-Tax-Cut-Plans-Would-Widen-Budget-Gap-Old-Government\\_42712858.html](http://www.advfn.com/news_Hungary-New-Government-Tax-Cut-Plans-Would-Widen-Budget-Gap-Old-Government_42712858.html)

The incoming Hungarian government's plans to annul retroactively the outgoing government's Jan. 1 personal income tax measures would widen the 2010 budget deficit to a level the International Monetary Fund and the European Union would dislike, a government spokesperson said Friday. The center-right opposition Fidesz party recorded a landslide victory at April's parliamentary elections and is in the process of forming the next government.

**Greek crisis makes EU's non-euro countries wary \_ and those already in skeptical of newcomers**

<http://www.courant.com/business/nationworld/wire/sns-ap-eu-euro-outsiders.0,4751373.story>

BUDAPEST, Hungary (AP) — Joining the European Union's club of nations with a common currency has long been a goal of most EU countries still not using the euro. But in the wake of the eurozone's debt crisis, some outsiders are suddenly in less of a hurry. After weeks of turmoil, the benefits of using the euro appear less clear than during the early days of financial trouble in 2007 and 2008, when smaller members were protected against wild swings in exchange rates. The downsides, meanwhile, have come into sharper focus over the past few months thanks to Greece's near-bankruptcy: Athens faces years of draconian cutbacks in return for its 110 billion euro (\$142.16 billion) bailout. The conditions are considerably harsher than those imposed by the International Monetary Fund last year on Hungary and Romania — EU countries that are not in the 16-country eurozone subset — in exchange for their rescue loans. Aspiring eurozone members have been given food for thought — and euroskeptics additional ammunition. "The eurozone has questions to ask of itself," said normally euro-friendly Polish Prime Minister Donald Tusk in recent days. As of now, he said, joining the eurozone was "not a priority." Like many politicians from the less prosperous part of Europe, Tusk has undoubtedly been keeping a close eye on Greece. The near-bankrupt country's agony is now easing somewhat, with its borrowing costs falling sharply and stocks rallying after the European Union agreed on the financial package to contain the continent's spreading debt crisis. But the country — unlike Poland, for example — has no currency to devalue, and so will have to force down wages and prices in a painful round of government-sponsored deflation — for years

**Hong Kong, Hungary Sign Pact to Avoid Double Taxation, Tax Evasion**

[http://www.advfn.com/news\\_Hong-Kong-Hungary-Sign-Pact-To-Avoid-Double-Taxation-Tax-Evasion\\_42794567.html](http://www.advfn.com/news_Hong-Kong-Hungary-Sign-Pact-To-Avoid-Double-Taxation-Tax-Evasion_42794567.html)

Hong Kong and Hungary signed an agreement Wednesday to avoid double taxation and prevent attempts to evade paying taxes through cross-border transactions, the Hong Kong government said in a statement Thursday. It is Hong Kong's fourth such agreement this year after it signed similar pacts that incorporate new transparency standards promoted by the Organization for Economic Cooperation and Development with Brunei, the Netherlands and Indonesia. Private-sector tax experts say they expect the Hong Kong government to conclude several more such agreements this year, with the goal of amassing a total of 12--a standard set informally by the OECD.

## **Hungarian citizenship law enrages Slovaks**

<http://www.irishtimes.com/newspaper/world/2010/0514/1224270378699.html>

Slovakia has recalled its ambassador to Budapest over its plans to help ethnic Hungarians living abroad to acquire citizenship. The neighboring states regularly clash over Slovakia's treatment of ethnic Hungarians who comprise roughly 10 per cent of its 5.4 million population. Budapest protests against alleged discrimination and Bratislava complains about provocative actions by Hungarian nationalists. Relations have been strained in recent months, after Slovakia banned the use of Hungarian in public offices. The ultra-nationalist Jobbik group polled strongly in Hungarian elections that were won by the centre-right Fidesz party, which has its own nationalist streak

## **Recall of Slovak ambassador powerful message: Hungarian FM, May 13, 2010**

<http://english.people.com.cn/90001/90777/90853/6984556.html>

Slovakia's move to recall its ambassador from Hungary is a powerful message that suggests a major concern, Hungary's outgoing Foreign Minister Peter Balazs said Thursday. Balazs, speaking on television channel ATV, said it would not be surprising if Slovakia planned to retaliate against Hungary's plans to allow ethnic Hungarians living outside the country to receive citizenship without actually re-settling in Hungary.

## **No room for paramilitaries in Hungary, government warns-May 12, 2010,**

[http://www.monstersandcritics.com/news/europe/news/article\\_1555236.php/No-room-for-paramilitaries-in-Hungary-government-warns](http://www.monstersandcritics.com/news/europe/news/article_1555236.php/No-room-for-paramilitaries-in-Hungary-government-warns)

Budapest - There is no room for groups such as the outlawed nationalist paramilitary Hungarian Guard to exist alongside the police, a spokesman for the incoming centre-right government Fidesz said on Wednesday, Peter Szijjarto was speaking on national television just two days before the new parliament is due to hold its first session, to which the leader of the extreme right party Jobbik, Gabor Vona, has promised to wear his Hungarian Guard uniform.

## **Economic front**

### **Hungary's Central Bank Has Scope to Reduce Rates, Kiraly Says**

<http://www.bloomberg.com/apps/news?pid=20601085&sid=a7r8edNE1wJE>

May 14 (Bloomberg) -- Hungarian central bank Vice President Julia Kiraly said there's scope to reduce the benchmark interest rate, already at a record low, because a recovery from the worst economic recession since 1991 is stuttering. "Monetary policy has room for easing," Kiraly said in an interview at the annual meeting of the European Bank for Reconstruction & Development yesterday in Zagreb. "Rate reductions are part of a monetary policy that sees no inflationary pressures, while the output gap is significantly negative for the country and the recovery is slow."

## **Hungary plans family tax system to help parents**

<http://www.iii.co.uk/news/?type=afxnews&articleid=7884076&subject=markets&action=article>

BUDAPEST, May 10 (Reuters) - Most Hungarian workers with children will pay less tax under a family tax system to be launched next January, incoming economy minister Gyorgy Matolcsy was quoted by national news agency MTI as saying on Monday. The measure is part of the incoming centre-right Fidesz government's efforts to stimulate Hungary's economy, which suffered its worst downturn in nearly two decades last year, and is expected to lag its European peers on the path to recovery. Matolcsy said families with three children would benefit most from the new system of taxation, but one-child families would also be eligible for some tax reduction, with a cut-off point above an unspecified maximum level of income. Below a certain level, parents would have to pay little to no income tax on their combined tax base, Matolcsy said, adding that the measures were aimed at bolstering the willingness to raise children among middle-class families.

### **Social front**

**Germany, Hungary could replace Ukraine for Euro 2012-May 10, 2010-The Associated Press**

<http://www.cbc.ca/sports/soccer/story/2010/05/10/sp-euro-2012-ukraine.html>

UEFA president Michel Platini said Germany or Hungary could be asked to stage some games of the 2012 European Championship if Ukraine is unable to complete its program of stadium building. Germany or Hungary could be asked to stage some games of the 2012 European Championship if Ukraine is unable to complete its program of stadium building, according to UEFA president Michel Platini. The tournament is due to be co-hosted with Poland, but work on stadiums and infrastructure in Ukraine has been lagging behind schedule.

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

#### **Belarus**

#### **Political front**

**Belarus recalls ambassador from Kyrgyzstan – FM-13.05.2010,**

<http://www.itar-tass.com/eng/level2.html?NewsID=15122988&PageNum=0>

MINSK, May 13 (Itar-Tass) - Belarus has recalled its ambassador from Kyrgyzstan for consultations, Foreign Ministry spokesman Andrei Savinykh told Itar-Tass on Thursday. "Ambassador Viktor Denisenko has been recalled for consultations. The embassy's personnel have been assigned to the Interior Ministry's staff," the diplomat said. In his words, "this is a forced measure. And it is temporary." "We took this step for security reasons and due to the threat to the life of our personnel. Extremist elements, which are not controlled by anyone, may pose a threat. As soon as the situation normalises, Belarusian diplomats will resume their duties in the host country," Savinykh stressed

## **Economic front**

### **EU says not competing with Russia in eastern neighborhood-13-5-2010**

<http://euobserver.com/9/30070>

EUOBSERVER / BRUSSELS – The European Commission on Wednesday (12 May) assured Moscow that the EU's policy's towards its eastern neighbours is not a form of competition, with Brussels keeping the door open for "project-based" co-operation with Russia. "We don't want to see competition in that region, with Russia on one side and the EU on the other. Russia has been offered to take part in the neighbourhood policy. They have refused. But that doesn't mean we are not open for suggestions from Russia to participate in various projects," neighbourhood commissioner Stefan Fuele told journalists while taking stock of the bloc's five-year policy towards its southern and eastern neighbours. Apart from its country-by-country relations with post-Soviet states, the EU last year launched the "Eastern Partnership," a regional approach aimed at boosting EU-inspired reforms in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, which would ultimately lead to more economic integration and a visa-free regime for its citizens. EU leaders earmarked an additional €350 million until 2013 dedicated to this partnership. Half of the sum will go to "administrative capacity building" to deal with transposing "complex" EU law into national legislation. In Ukraine and Moldova's case in particular, this alignment with EU legislation is seen as keeping the door open to eventual EU membership. The commissioner, whose portfolio includes both enlargement and neighbourhood policy, stressed that there was a fundamental difference between the EU's approach towards its southern and eastern neighbours. While Arab countries within the Mediterranean Union were looking at "regulatory convergence" and "legislative approximation" with EU law, Mr Fuele explained, ex-Soviet states in the east were aiming at "economic integration" and adoption of the bloc's internal market rules - which "goes way beyond a free trade area."

### **Belarus wants to attract investors to banking sector -minister**

<http://www.iii.co.uk/news/?type=afxnews&articleid=7894914&subject=economic&action=article>

ZAGREB, May 14 (Reuters) - Belarus is ready to create conditions to attract foreign investors to the banking, agricultural and infrastructure sectors, Economy Minister Economy Minister Nikolai Snopkov said on Friday. The comments by the minister, who took office in December, come as the country is intensifying efforts to attract private capital to help ease a budget deficit that is projected to reach \$900 million this year. "We can create supportive conditions for investment," Snopkov said during a presentation at the annual meeting of the European Bank for Reconstruction and Development. "Yes, still with some bureaucracy, but I hope this would be solved with time." The government is creating a national privatisation agency that would help speed up the sale of some state assets. Belarus, sandwiched between the European Union and Russia, remains one of the least reformed countries of the pre-1990 eastern bloc. Its gross domestic product grew by 0.2 percent last year, after five years of around 10 percent growth. The government hopes to raise about \$1 billion in privatisation this year -- a similar amount to 2009 - and is looking to the West for money.

## **Social front**

## **05-09-2010-On Victory Day, Russia thinks about future relations with Korea**

[http://www.koreatimes.co.kr/www/news/special/2010/05/176\\_65615.html](http://www.koreatimes.co.kr/www/news/special/2010/05/176_65615.html)

Observing the 65th anniversary of the capitulation of Nazi Germany this year, Russia's Victory Day celebration in South Korea had a twist. As Russian Ambassador to Korea Konstantin V. Vnukov said, Russia acknowledges that for many Koreans, Russia is still a continuance of the former Soviet Union that sided with North Korea, and helped the regime during the war 60 years ago. Yet, Russia thinks that now is a time to change perception by taking a close scholastic look at the past. "This matter is to be dealt with by historians of both countries. They have to look at historical documents together and discuss it," Vnukov said during a press conference last week commemorating Victory Day on May 9, showing a willingness to make long-time closed archives accessible. The very same comment was made by another Russian diplomat, who spoke at a roundtable forum held a few weeks earlier in Seoul attended by South Korean and Russian scholars. One Korean at the forum questioned access to Russia's national archives, a place believed to contain many historical documents regarding South Korea-Soviet Union relations, complaining that he wasn't able to research relevant documents. No other time seems more appropriate to embark on historical reevaluation, as the two countries celebrate the 20th anniversary of the establishment of diplomatic relations. Apart from this, the ambassador said the time is ripe for diversifying and expanding bilateral economic relations. "Our economic relations have only relied on trade, but we need to grow more complementary, expanding cooperation in technology," he said. To many people's surprise, economic figures between Russia and South Korea are dismal.

## **Ukraine**

### **Political front**

#### **Ukraine unlikely to join Russia-led customs union, says FM09:42, May 15, 2010**

<http://english.people.com.cn/90001/90777/90853/6986311.html>

Ukraine is unlikely to join a customs union involving Russia, Belarus and Kazakhstan, the country's foreign minister Kostyantyn Hryshchenko said here on Friday. "We are a member of the World Trade Organization (WTO), Ukraine's accession to the customs union would go against our commitments as a WTO member," Hryshchenko said in an interview with the Kommersant-Ukraine business daily. Hryshchenko also said Ukraine intended to play a more active part in cooperation with members of the Commonwealth of Independent States (CIS) without seeking a full membership in the group. "Our current status (as participating non-member) is enough to play a more active role in the CIS. It is the approach rather than format that matters," the minister said. Kiev is negotiating a free-trade agreement with the EU, which is incompatible with joining the Russia-led customs union

#### **EU eyes open borders with post-Soviet countries**

<http://euobserver.com/22/30055>

The EU is likely to take a big step toward visa-free travel with Russia at an upcoming summit. But Poland wants to make sure that other post-Soviet countries, especially Ukraine, are also

included. EU foreign ministers in Brussels on Monday (10 May) raised the prospect of handing Russia a roadmap for visa-free travel at a regular summit to take place in Rostov-on-Don, near the Black Sea coast, on 31 May.

Finland's Alexander Stubb said after the meeting that Germany favours the idea. "For me the key issue of the summit is the visa issue," he told German press agency DPA. "There have been very positive movements: Germany has been a swing state." The roadmap is a list of reforms that a country has to put in place to qualify for visa-free travel, such as introduction of biometric passports, adoption of laws on data protection and improvement of border security. It does not oblige the EU to drop visa requirements on a set date. But it does oblige the union to react if the target country meets the criteria. Polish foreign minister Radek Sikorski said the EU should not leave out in the cold the six post-Soviet countries in its Eastern Partnership scheme, however. The scheme covers Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine

### **West acquiesces as Kremlin wins back states-May 11, 2010**

[http://www.kuwaittimes.net/read\\_news.php?newsid=NDE0OTk5MTM1](http://www.kuwaittimes.net/read_news.php?newsid=NDE0OTk5MTM1)

Vladimir Putin has long bemoaned the fall of the Soviet Union. Now he appears to be having some success in winning parts of it back. Analysts and diplomats name Ukraine, Kyrgyzstan and Georgia as former Soviet republics where Russia has succeeded recently in rolling back Western influence. Belarus, which flirted last year with the West, is tracking back towards Moscow and has agreed, together with Central Asian powerhouse Kazakhstan, to join Moscow in a customs union. The West, preoccupied with financial crisis and keen to keep Russia as an ally in tackling problems such as nuclear proliferation and Iran's military ambitions, has acquiesced. "It's extremely important to Putin to reassert Russian influence in the (former Soviet Union)," said Maria Lipman, editor of the Pro et Contra journal at the Moscow Carnegie Centre. "Europe can't compete with that

### **Economic front**

#### **UPDATE 2-Ukraine says hopes IMF talks can finish soon-May 15, 2010**

<http://www.reuters.com/article/idUSLDE64E09620100515?rpc=401&feedType=RSS&feedName=hotStocksNews&rpc=401>

ZAGREB, May 15 (Reuters) - An aide to Ukraine's President said on Saturday talks with the International Monetary Fund (IMF) about \$19 billion in emergency loans should be finished soon even though they are not going easily. Ukraine's latest tax data showed the new government could make good its promise to raise revenue this year, a key element in the talks, the deputy prime minister said, and the outcome of the talks will be relevant for Ukraine's bond plans this year

### **Social front**

#### **Thousands protest Ukraine president's embrace of Russia-11 May 2010 –**

<http://www.rnw.nl/english/bulletin/thousands-ukrainians-protest-pro-russia-shift>

Around 2,000 supporters of Ukraine's pro-Western opposition held an angry protest in central Kiev on Tuesday to condemn President Viktor Yanukovich's pursuit of close ties with Russia. Protesters accused Yanukovich of selling out to the Kremlin by signing a controversial deal last month that will allow Russia to maintain a naval base in Ukraine until at least 2042 in exchange for cheaper natural gas.

### **Germany, Hungary could replace Ukraine for Euro 2012-May 10, 2010-The AP**

<http://www.cbc.ca/sports/soccer/story/2010/05/10/sp-euro-2012-ukraine.html>

If Ukraine is unable to complete its program of stadium building, Germany or Hungary could be asked to stage some games of the 2012 European Championship if Ukraine is unable to complete its program of stadium building, according to UEFA president Michel Platini. The tournament is due to be co-hosted with Poland, but work on stadiums and infrastructure in Ukraine has been lagging behind schedule. UEFA president Michel Platini said Germany or Hungary could be asked to stage some games Platini said Monday on the German federation's website that Poland could theoretically stage the event in six stadiums, with UEFA asking either Germany or Hungary to provide two venues.

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

#### **Estonia**

Political front

### **Israel, Slovenia and Estonia to become members of OECD-May 10, 2010**

[http://www.monstersandcritics.com/news/business/news/article\\_1554514.php/Israel-Slovenia-and-Estonia-to-become-members-of-OECD](http://www.monstersandcritics.com/news/business/news/article_1554514.php/Israel-Slovenia-and-Estonia-to-become-members-of-OECD)

Paris - The Organization for Economic Cooperation and Development (OECD) said Monday it had accepted Israel, Slovenia and Estonia as members, bringing the organization's membership total to 34. The new members 'will contribute to a more plural and open OECD that is playing an increasingly important role in the global economic architecture,' OECD secretary general Angel Gurría said. He added that the three-year accession process had led to 'real policy changes and reform in all candidate countries.' Estonia, Israel and Slovenia were invited to open accession talks in 2007, along with Chile and Russia. Chile joined the OECD earlier this year. The OECD, which has its headquarters in Paris, said membership talks with Russia were 'progressing.' The new members will be welcomed to the organization at a special ceremony during the annual meeting of the OECD Council on May 27 in the French capital. The meeting will be chaired by Italian Prime Minister Silvio Berlusconi.

### **Latvian prime minister backs Estonian euro bid-May 10, 2010**

[http://www.monstersandcritics.com/news/business/news/article\\_1554678.php/Latvian-prime-minister-backs-Estonian-euro-bid](http://www.monstersandcritics.com/news/business/news/article_1554678.php/Latvian-prime-minister-backs-Estonian-euro-bid)

Riga - Latvian Prime Minister Valdis Dombrovskis gave strong support Monday to neighbouring Estonia's hopes to join the eurozone next year. Speaking at the World Economic Forum on Europe in Brussels, Dombrovskis said Estonia had earned the right to adopt the euro by

implementing tough fiscal austerity measures even while it was undergoing a major recession. 'If you don't let Estonia in I don't know who you should let in,' said Dombrovskis. 'It had a 15-per cent recession last year yet a budget deficit of 1.7 per cent of (gross domestic product) GDP. In fact it is consistently one of the most fiscally prudent countries in the EU 27.' Estonia hopes to become the eurozone's 17th member next year. The European Commission, the European Union's executive, is due to give an opinion on its readiness to join on Wednesday

## **Economic front**

### **Brussels to recommend Estonia for eurozone-11 May 2010**

<http://www.focus-fen.net/?id=n219388>

Brussels. The European Commission will on Wednesday recommend that Estonia be allowed to adopt the common euro currency next year, as it meets all the economic criteria, a source close to the EU executive said, AFP reported. The commission's evaluation on Estonia's bid to become the 17th member of the eurozone "is more than positive" the source said. The opinion of the European Union's executive arm must still be endorsed by its fellow EU nations. If they give the green light then the eurozone will have its first Baltic member state. Estonia would thus become the fifth of the 10 nations which joined the EU in 2004 to adopt the common currency; after Slovenia in 2007, Cyprus and Malta in 2008 and Slovakia last year

### **Estonia posts 2.7 bln kroon trade deficit in March**

<http://www.iii.co.uk/news/?type=afxnews&articleid=7883201&subject=companies&action=artic>

TALLINN, May 10 (Reuters) - Estonia's preliminary foreign trade deficit leapt to 2.7 billion kroons (\$220 million) in March from a 138 million-kroon surplus in February due to large, one-off imports, the statistics office said on Monday. Exports amounted to 9.7 billion kroons and imports were 12.4 billion kroons, with an increase of 1 percent in exports and a 30 percent increase in imports compared to the previous month.

### **SAS signs deal to sell Estonia Air stake-10 May 10**

<http://www.thelocal.se/26564/20100510/>

Scandinavian airline SAS has signed a letter of intent to sell its stake in Estonian Air, the Estonian government confirmed on Monday. Estonia's Economy Minister Juhan Parts signed the preliminary accord with SAS executives in Tallinn, his ministry said in a statement. "The parties confirmed plans to change the collective ownership structure of Estonian Air," the statement said. The details would remain confidential until the final shareholders' agreement had been concluded, it added, without giving a date. The Estonian government launched talks in January with SAS about Estonian Air's future and last month said that it hoped to complete the takeover in June or July. SAS currently holds a 49-percent stake in Estonian Air. The government owns 34 percent and the remaining 17 percent belongs to Estonian investment company Cresco

## **Latvia**

Political front

Economic front

### **Latvia April CPI points to faster exit from deflation**

<http://www.iii.co.uk/news/?type=afxnews&articleid=7889908&action=article>

RIGA, May 12 (Reuters) - Latvia's prime minister said on Wednesday that the fragile economy was recovering faster than expected and that was leading to a quicker exit from price deflation. He spoke after consumer prices surprised on the upside in April. The consumer price index rose 0.9 percent from March, bringing deflation down to 2.7 percent on a 12-month basis. Both figures were higher than the median forecasts in a Reuters poll for a 0.1 percent rise from March and a drop of 3.6 percent year-on-year. "We see that the exit from the deflationary phase is happening faster than expected and in some way also the exit from the recession is happening faster than expected," Prime Minister Valdis Dombrovskis told a news conference. In the first quarter of this year it stumbled out of recession as gross domestic product rose 0.3 percent from the previous quarter although it still fell 6 percent year-on-year. Parex Asset Management analyst Zigurds Vaikulis said the surprise price rise was due to higher gas tariffs.

### **Latvia Q1 GDP up for first time q/q in 2 years**

<http://www.iii.co.uk/news/?type=afxnews&articleid=7884681&subject=markets&action=article>

RIGA, May 10 (Reuters) - Latvia's economy, the worst hit by financial crisis in the EU last year, crawled out of recession in the first quarter with its first seasonally adjusted quarterly growth for two years, data showed on Monday. The statistics office said in a statement that in the first quarter gross domestic product (GDP) inched up 0.3 percent on a seasonally adjusted basis, the first quarterly growth since a 0.1 percent rise in the fourth quarter of 2007.

### **Latvia c.bank sees 400 mln lats of 2011 budget cuts**

<http://www.iii.co.uk/news/?type=afxnews&articleid=7887699&subject=markets&action=article>

RIGA, May 11 (Reuters) - The head of Latvia's central bank said on Tuesday that the government needed to find budget cuts next year worth more than 400 million lats (\$718.5 million), higher figure than the government recently estimated. Latvia has promised gradually to reduce its budget deficit as one of the conditions of winning funding from a 7.5 billion euro bailout agreed at the end of 2008 with the International Monetary Fund and the European Union. "If we look at next year's budget then our calculations show that the budget deficit could be around 1.2 billion lats which would be ... 9.4 percent (of gross domestic product)," central bank chief Ilmars Rimsevics said during a lecture broadcast online by the bank.

### **Latvian Economy Grows 0.3 Pct In Q1-By The Associated Press 05/10/10**

<http://www.thestreet.com/story/10751566/1/latvian-economy-grows-03-pct-in-q1.html>

RIGA, Latvia (AP) — Latvia's economy, one of Europe's most troubled, grew by 0.3 percent during the first three months of 2010, but is still 6 percent smaller than a year earlier, the country's statistics agency said Monday. The annual decline, based on a flash estimate, is the lowest since the third quarter in 2008, when the economy contracted 5.2 percent.

## **Social front**

### **Police unmask Latvian hacker who tweeted bankers' pay details 14 May, 2010**

<http://www.finextra.com/News/Fullstory.aspx?newsitemid=21392>

Neo, the Latvian hacker who stole millions of classified tax documents from government computers and leaked the information via Twitter, has been caught by police. 960 views 0 comments In February, Neo and his colleagues at the People's Army of the Fourth Awakening contacted a local TV station to claim they had downloaded the documents from the state revenue service. They exposed salary details for senior officials through Twitter, revealing that management at a Latvian bank that received bail out money had not taken the pay cuts they promised at the time. The revelations prompted anger in a country devastated by the global financial crisis and forced to embark on austerity measures to meet the terms of a EUR7.5 billion IMF and EU led bailout. The hacker, who took his name from the central character in the Matrix film, attained cult status for his actions and was hailed as a "virtual Robin Hood".

## **Lithuania**

### **Political front**

#### **Georgian FM to visit Lithuania-5.05.2010**

<http://en.trend.az/news/politics/foreign/1687945.html>

Georgian Foreign Minister Grigol Vashadze will pay a working visit to Lithuania May 17-20, the Georgian Foreign Ministry said. Vashadze will meet with Lithuanian President Dalia Grybauskaitė, Foreign Minister Audronius Ažubalis, Seimas Chairman of Lithuania Irena Degutiene and other senior leaders of the country, the Foreign Ministry said.

#### **Upbeat economic data in the Baltics-May 10, 2010**

[http://www.monstersandcritics.com/news/business/news/article\\_1554583.php/Upbeat-economic-data-in-the-Baltics](http://www.monstersandcritics.com/news/business/news/article_1554583.php/Upbeat-economic-data-in-the-Baltics)

Riga - Economic data released in Latvia, Lithuania and Estonia on Monday suggested the worst of the Baltic states' deep recessions may be over. In 2009, Latvia experienced the deepest recession in the European Union, with its economy shrinking by 18 per cent, while neighbouring Lithuania saw its economy contract by 15 per cent in 2009, and Estonia reported a recession of 14 per cent. On Monday, preliminary economic data released by Latvia's national statistics office showed gross domestic product (GDP) shrank by just 6 per cent year-on-year in the first quarter of this year. In the previous quarter, GDP shrank by 16.9 per cent. The latest data represents a significant turnaround, especially as the seasonally-adjusted figure showed positive growth of 0.3 per cent after eight consecutive quarters of contraction.

## **Economic front**

### **Lithuania cuts 2011 growth forecast - finmin**

<http://www.iii.co.uk/news/?type=afxnews&articleid=7891176&subject=companies&action=artic>

VILNIUS, May 13 (Reuters) - Lithuania's economy will grow at a slower pace than previously forecast in 2011 as domestic consumption remains weak due to further fiscal consolidation, the Finance ministry said on Thursday. The ministry upheld its forecast of 1.6 percent growth this year, saying the recovery from a 14.8 percent fall in 2009 will be helped by exports. But it cut its growth forecast for 2011 to 2.8 percent from a previous 3.2 and said it would slow further to 1.2 percent in 2012, the ministry said in a statement. Lithuania, a Baltic state of 3.4 million, was among the worst-hit by the crisis in the European Union, after years of credit-fuelled growth

### **EU's Least-Indebted State Is Model After Greek Crisis-May 11, 2010**

<http://www.businessweek.com/news/2010-05-11/eu-s-least-indebted-state-is-model-after-greek-crisis-update2-.html>

May 11 (Bloomberg) -- Estonia, the least-indebted European Union member, may be the standard against which other euro candidates are measured as the monetary union moves ahead with enlargement after committing almost \$1 trillion to defend its currency from Greek-induced hemorrhaging. The Baltic state will outperform the 16 euro nations on the EU's fiscal criteria this year, according to the European Commission, the bloc's executive arm. That means Estonia will probably receive the backing of EU officials when they assess the country's euro bid tomorrow, said Christian Keller, chief economist for emerging market currencies at Barclays Capital.

## **Social front**

### **Lithuanian president says 'brain drain' through migration is huge concern**

<http://www.irishtimes.com/newspaper/ireland/2010/0511/1224270128900.html>

THE "BRAIN drain" suffered by Lithuania as a result of continuing migration to countries like Ireland is of huge concern, the Lithuanian president said during a visit to Dublin yesterday. "We are a small nation, and we are losing the most active people between 25 and 40 years old after we have trained them and invested in their education. It is a huge loss," President Dalia Grybauskaite told The Irish Times. Close to 90,000 Lithuanians live in Ireland, making the community the third-largest in the Lithuanian diaspora. The impact of the global economic crisis on Lithuania has made the flow of migration from the country "more aggressive", according to Ms Grybauskaite. In contrast with other nations, the number of Lithuanian migrants choosing to return home as a result of the downturn is quite small.

## **Russia**

### **Political front**

### **Turkey, Russia eye strategic partnership in Medvedev visit**

<http://www.todayszaman.com/tz-web/news-209892-100-turkey-russia-eye-strategic-partnership-in-medvedev-visit.html>

Russian President Dmitry Medvedev, whose visit to Turkey begins today, wrote an article for Today's Zaman ahead of his visit. Turkey and Russia will discuss plans to introduce a visa-free regime and ways to deepen cooperation in energy, economy, agriculture and security, in addition to political ties, during Russian President Dmitry Medvedev's visit to Turkey, which begins today. Turkish-Russian ties have predominantly expanded on an economic basis, with gigantic energy deals and projects constituting the backbone of the growing cooperation. But Medvedev's visit is likely to be a cornerstone in introducing a political and strategic dimension to the growing ties, with the two countries formally creating a high level cooperation council.

### **Medvedev to visit Syria, Turkey-10.05.2010,**

<http://www.itar-tass.com/eng/level2.html?NewsID=15109149&PageNum=0>

MOSCOW, May 10 (Itar-Tass) -- Russian President Dmitry Medvedev will go on a three-day Asian tour Monday to visit Syria and Turkey. High on the agenda of his talks in the countries is economic and humanitarian bilateral cooperation, development of the tourism industry and international relations. "Dmitry Medvedev was invited to Syria already long ago and for several times, the incumbent president of this country has paid three visits to Russia," Russian presidential aide Sergei Prikhodko told reporters. "We hope that the level of political dialogue, our role in the Middle East settlement, broader bilateral trade and economic relations and our traditional attention to this region are quite enough to make this visit right now," Prikhodko said. The Russian president will arrive in Damascus with Russian first lady Svetlana Medvedev on Monday evening. After short negotiations with Syrian President Bashar al-Asad Medvedev will have an official dinner. The leaders of the countries are to have a quite intensive agenda on May 11. At first the negotiations will be held in the eye-to-eye and broad formats to be highlighted with the signing of several bilateral documents that envisage broader cooperation in various fields from the air traffic and information technologies to tourism and environmental protection

### **Russia could join WTO this year: deputy PM-(Reuters)-11 May 2010**

[http://www.khaleejtimes.com/biz/inside.asp?xfile=/data/internationalbusiness/2010/May/internationalbusiness\\_May39.xml&section=internationalbusiness](http://www.khaleejtimes.com/biz/inside.asp?xfile=/data/internationalbusiness/2010/May/internationalbusiness_May39.xml&section=internationalbusiness)

LONDON - Russia may be able to join the World Trade Organisation this year, Russia's first deputy prime minister Igor Shuvalov said on Tuesday, flagging progress in the decade-and-a-half old accession process. "It's tough, but it's possible," Shuvalov told a news briefing. "Our meeting in Washington was favourable on both sides." Russia has frequently predicted its imminent entry to the WTO but the process has repeatedly been held up by outstanding differences between Moscow and existing members. Shuvalov said the status of Russian state-owned enterprises was one of the stumbling blocks to WTO accession. Some countries such as the United States fear state-controlled companies could have an unfair advantage and would want guarantees in any accession deal.

### **Russia backs Brazil as mediator in Iran nuke dispute**

<http://satellite.tmcnet.com/news/2010/05/14/4789858.htm>

Moscow, May 14, 2010 (EFE via COMTEX) -- Brazilian President Luiz Inacio Lula da Silva won here Friday Russia's unconditional support for his mediation in the Iranian nuclear dispute.

"I hope the Brazilian president's mission is crowned with success. This could be the last chance before the sanctions we all know about are adopted by the U.N. Security Council," Russian President Dmitri Medvedev said at a joint press conference with Lula in the Kremlin.

Lula said he was "optimistic" about his trip to Tehran next Sunday, where he said he will do everything to convince his "friend," Iranian President Mahmoud Ahmadinejad, that "agreements are better than disagreements." "I'm making the trip in the knowledge that the dialogue we will undertake is very important and I will try to use all my powers of persuasion," he said about the conflict with Iran, accused by the United States and its allies of hiding a secret plan to build an atomic arsenal behind its civil nuclear program

#### **Somalia seeks answers from Russia on pirates-Reuters/Nairobi**

[http://www.gulf-times.com/site/topics/article.asp?cu\\_no=2&item\\_no=361521&version=1&template\\_id=39&parent\\_id=21](http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=361521&version=1&template_id=39&parent_id=21)

Somalia's transitional government has called on Russia to explain why it had cut 10 Somali pirates adrift in the Gulf on Aden without navigation equipment or much hope of survival. Russian forces last week stormed a hijacked oil tanker in a rescue operation that killed one pirate. Russia said 10 others arrested were later set loose aboard one of the small vessels they used in the attack. A military official said they were stripped of their weapons and navigation equipment. Russian media later quoted a military source saying the pirates were now likely dead.

#### **Kuwait's FM arrives in St. Petersburg SAINT**

<http://www.kuna.net.kw/NewsAgenciesPublicSite/ArticleDetails.aspx?id=2083424&Language=en>

PETERSBURG, Russia, May 14 (KUNA) -- Kuwaiti Deputy Prime Minister and Foreign Minister Sheikh Dr. Mohammad Sabah Al-Salem Al-Sabah arrived in St. Petersburg on a visit to Russia on Friday, ahead of heading to Moscow later. Sheikh Dr. Mohammad will visit the Hermitage Museum tomorrow. The Museum hosted an exhibition of Kuwait's Dar Al-Athar Al-Islamiya. The Kuwaiti top diplomat is scheduled to hold talks with Russian foreign minister Sergey Lavrov next Sunday.

#### **Economic front**

## **Russian bank balances fall to 456.6 bln rbls**

<http://www.iii.co.uk/news/?type=afxnews&articleid=7885652&subject=economic&action=articl>

MOSCOW, May 11 (Reuters) - Banks' balances in their correspondent accounts at the Russian central bank fell to 456.6 billion roubles on Tuesday from 617 billion roubles on Friday, the central bank said. All figures are in billions of roubles

BALANCES May 11 May 7

Total 456.6 617.0

Moscow region 309.1 453.2

Banks' deposits at the central bank 941.3 741.0

## **IMF May Boost Russia GDP View; Sees Few Ill Effects from Europe**

[http://www.advfn.com/news/IMF-May-Boost-Russia-GDP-View-Sees-Few-Ill-Effects-From-Europe\\_42752905.html](http://www.advfn.com/news/IMF-May-Boost-Russia-GDP-View-Sees-Few-Ill-Effects-From-Europe_42752905.html)

The International Monetary Fund said Tuesday it may boost its forecast for Russian economic growth in 2010, as the country enjoys growing foreign reserves and suffers little contagion from concerns about European nations' sovereign debt. "Russia's economy is quite robust and not likely to be affected by developments in Europe in the short term," the organization's Moscow representative, Odd Per Brekk, told reporters in Moscow. Revenue from commodity sales is boosting Russia's reserves, and the Eurobond market swallowed the country's first new foreign debt in a decade at record-low yields. The banking sector has relatively little exposure to Europe's debt problems, Brekk said. The IMF currently expects Russia's gross domestic product to expand by 4% in 2010 and 3.3% in 2011. Broker Renaissance Capital said today its indicator for seasonally adjusted second-quarter GDP growth climbed to 1% from first-quarter levels, up from a previous reading for the second quarter of 0.4%

## **Social front**

### **Moscow vice mayor charged with taking large bribe-14.05.2010, 15.47**

<http://www.itar-tass.com/eng/level2.html?NewsID=15126806&PageNum=0>

MOSCOW, May 14 (Itar-Tass) - The Moscow department of the Russian Prosecutor's Investigative Committee (SKP) has opened a criminal case against vice mayor of Moscow Alexander Ryabinin who is also chairman of the city's Control Committee (Moscontrol), SKP spokesman Vladimir Markin told Itar-Tass. He specified that the case was opened under Article 290 part 4 of the RF Criminal Code (taking a large-scale bribe). "According to the investigation, in December 2009 Ryabinin took a bribe through a mediator – the head of a commercial organisation – in the form of non-residential premises 200 square metres in size for the coordination of a draft resolution of the Moscow government on the construction of objects in the Levoberezhny district of the RF capital," the SKP spokesman noted. "The ownership right to

the premises was registered in favour of Ryabinin's daughter," Markin stressed. The premises are located in Bakhrushin Street.