

**Report No.121**

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

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

**Weekly report 23<sup>th</sup> May to 29<sup>nd</sup> May 2010**

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## Head Lines

### Political front

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

##### Poland

- Poland welcomes U.S. missile battery as key to national security-26 May-FOCUS News  
<http://www.focus-fen.net/?id=n220902>
- U.S. missiles in Poland annoying but not a threat to Russia, says expert-May 27,  
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- Poland sends election observers to Georgia-27.05.2010  
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- Ex-PM Belka proposed as Polish central bank head-May 27, 2010 By the Associated Press  
<http://www.newsday.com/business/ex-pm-belka-proposed-as-polish-central-bank-head>
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- Polish Central Bank Keeps Main Rate at Record Low (Update2)-May 25, 2010  
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##### Czech Republic

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- Election platforms of main Czech parties-May 27

<http://www.reuters.com/article/idUSLDE64P0RH20100526?rpc=401&feedType=RSS&feedName=rbssIndustryMaterialsUtilitiesNews&rpc=401>

- Weak economy is Czech election top topic

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- Czech FinMin says to propose CZK60 bln 2011 cuts

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- FACTBOX - Colourful facts about the Czech Republic

[http://thestar.com.my/news/story.asp?file=/2010/5/29/worldupdates/2010-05-28T215657Z\\_01\\_NOOTR\\_RTRMDNC\\_0\\_-488918-1&sec=Worldupdates](http://thestar.com.my/news/story.asp?file=/2010/5/29/worldupdates/2010-05-28T215657Z_01_NOOTR_RTRMDNC_0_-488918-1&sec=Worldupdates)

## **Slovakia**

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- Hungary Matolcsy Stresses Need For Lower Interest Rates

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- Germany, Denmark Czech Republic, the Netherlands, Austria and Croatia offer 2.12 Million sand bags to Hungary to cope with floods

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

### **Belarus**

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- Cuba and Belarus Sign Agreement to Produce Drugs against Low-Molecular-May 28  
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## **Baltic States (Estonia, Latvia & Lithuania)**

### **Estonia**

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<http://www.marketwatch.com/story/analysts-cautious-ahead-of-estonias-euro-adoption->
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### **Latvia**

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### **Lithuania**

- Georgian FM to visit Lithuania-15.05.2010  
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- IMF says Lithuania needs more fiscal adjustment  
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- Russian government sets green light for START ratification- May 28,  
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- Russian bank balances rise to 475.5 bln rbls  
<http://www.iii.co.uk/news/?type=afxnews&articleid=7914157&subject=economic&action=article>
- U.S. court orders Russian detainee freed from Guantánamo  
<http://www.miamiherald.com/2010/05/14/1628663/us-court-orders-russian-detainee.html>
- Russia, EU ready to wave visa regime-27 May 2010-FOCUS News Agency  
<http://www.focus-fen.net/?id=n220917>

## Summary of the Book/Article Review

**Source:** Foreign Affairs; Mar/Apr2007, Vol. 86 Issue 2, p172-172, 1/3p

- **Charles Grant, “Europe's Blurred Boundaries: Rethinking Enlargement and Neighborhood Policy”, Published by Centre for European Reform, 2006, 78 pp.**

**Reviewed by: Gordon, Philip H**

### ORIGINAL QUOTE

“ The European Union's enlargement process has arguably been Europe's greatest contribution to world peace and stability in the past 50 years. The incentive and then the reality of EU membership helped transform former military and communist dictatorships into prosperous and peaceful democracies from Portugal to Estonia. But as Grant shows in this monograph, EU enlargement is in trouble. After the accession often mostly former communist countries in 2004, and with European economies stagnant and leadership hard to find, public opinion is increasingly hostile to the enlargement process. Ukraine, the Balkans, the Caucasus, and Turkey all want to join, but it is not clear that EU populations want them. Grant supports further enlargement and has written a smart primer with lots of useful ideas on how to promote it in the long run and help the candidates in the meantime. The cause is noble, but this realistic assessment also underscores that it will be an uphill struggle”. **(Gordon, Philip H)**

### SUMMARY

The issues regarding the EU enlargement and its Neighborhood Policies has generated new debates within the EU and remained a burning issue on the political front during the last few years. The Balkans, the Caucasus, and Turkey all want to join EU. But public opinion, especially in the EU member states, opposes such further enlargement because of the fear that the democratic deficits, inefficient Legal Institutions, under-developed civil societies and Low Levels of Economic Development of these former Communist states will slow the pace of growth and affect the development strategies of EU' member states. Charles Grant overwhelmingly support the idea of such further enlargement on the ground that since all important energy transit routes to the EU go through Ukraine, Belarus, Turkey and Georgia, so in this Energy Centric European Politics the integration of these countries into the EU economy would strengthen Europe's energy security. In addition a new free-trade zone with a consumer market of almost 80 million people of these Balkan and Caucasus region would give the European economy a boost.

## **Report Summary**

### **Political and Strategic front**

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

##### **Poland**

The leading Russian military politics expert Pavel Felgengauer said on Wednesday that deployment of U.S. Patriot missiles in Poland greatly annoyed the Kremlin because Moscow has long been insisted that all the countries of the former Warsaw Treaty Organization should and must remained the "zone of Russia's special interests. Russians do not like it that the American military infrastructure has been unfolding in the countries of former Soviet zone of influence. He reminded that the Russia-NATO agreement implied that both parties were not to station permanent armed forces in the border regions.

A group of politicians and experts from Poland has arrived in Tbilisi as observers of local elections in Georgia. The voting will take place this Sunday and is the first local election since the end of the Russian-Georgian conflict over Southern Ossetia.

##### **Czech Republic**

Czechs are going to elect a new parliament on May 28-29. The Political Parties and their election promises are as under:

##### **SOCIAL DEMOCRATS (CSSD)**

The main leftist party pledged to introduce socio-economic reforms in health, social security, education and Tax system by canceling certain Tax burdens on general masses. The party is against raising the number of Czech troops in NATO's Afghanistan mission.

##### **CIVIC DEMOCRATS (ODS)**

The main rightist party promised to cut the state budget deficit through constitutional provisions and Privatization. They pledged not to raise taxes. The party has been supporting the NATO mission in Afghanistan and participation in the US Missile Shield.

##### **COMMUNISTS (KSCM)**

The far-left party, the third largest in the current parliament, pledged to introduce the higher direct taxes and to maintain the current welfare system. They are in favor of state involvement in key economic activities but are against further privatization. They are against participation of Czech Republic in NATO but favored its involvement in a European defense force.

##### **Slovakia**

Slovakia passed a law May 26 that will revoke the Slovak citizenship of anyone who is granted citizenship by another country. Slovak citizens will lose their citizenship if they are granted citizenship by another country.

The law comes on the heels of a Hungarian law which eases citizenship requirements for ethnic Hungarians living abroad wherein applicants for Hungarian citizenship will not need to have permanent residency in Hungary and will only be asked to demonstrate proficiency in the Hungarian language and evidence of Hungarian ancestry.

The citizenship dispute is at the center of rising tensions in Central Europe. EU members Slovakia and Romania, as well as non-EU member Serbia, have significant Hungarian minority populations and are wary that the new citizenship law could lead to increased influence from Budapest on their domestic affairs. "While Slovakia's new law could endanger the citizenship of its roughly 520,000 Hungarians.

## **Hungary**

Millions of ethnic Hungarians living in neighboring nations will be granted Hungarian citizenship, the country's new Parliament has decided. The law drew immediate criticism from Slovakia, which retaliated by banning dual citizenship. To apply for Hungarian citizenship, ethnic Hungarians must prove they are of Hungarian origin and speak the language. It's been 90 years since Hungary lost two-thirds of its territory under a peace treaty after World War I. About 3 million ethnic Hungarians live in those areas, part of neighboring nations including Slovakia, Serbia, Ukraine and Romania.

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

### **Belarus**

Prime Minister Vladimir Putin and his Kazakh colleague agreed on Friday to launch a customs union as their Belarusian counterpart failed to show up at a trilateral summit. Russia, Belarus and Kazakhstan have been in talks to create a customs union that had been expected to come into force on July 1. Talks on the customs union collapsed last week when the prime ministers said they could not resolve sticking points like car duties.

Belarusian President Aleksandr Lukashenko says his country is willing to give Russia full control over Belarusian pipelines in exchange for cheap gas and oil. Speaking to students and teachers, Lukashenko said that he sees new possibilities in mutual relations between Russia and Belarus in the gas sector.

### **Ukraine**

Ukraine Shelved its bid for NATO membership yesterday. Since taking power three months ago, Mr Yanukovich and his allies have conducted intense negotiations with Moscow on a wide range of issues, signaling the new president's determination to reverse his predecessor's policy of aligning Ukraine with the European Union and United States. However he signaled to coordinate with its neighboring countries through Eastern Partnership Program.

He enraged opponents by agreeing to let the Russian navy remain at a base on Ukraine's Black Sea coast until at least 2042 in exchange for cheaper gas, giving the Kremlin huge influence on Kiev's geopolitical stance for the next three decades.

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

### **Estonia**

President Toomas Ilves of Estonia has concluded a private visit to Poland with a meeting with acting president Bronislaw Komorowski. Yesterday, he received an honorary doctorate from the Catholic University of Lublin. In his address, he focused on the place of Poland and Estonia in the European Union. In his view, six years after accession, Poland and Estonia continue to be called former members of the communist bloc.

### **Latvia**

Latvia's central bank said on Monday it bought net 40 million Euros last week, down from a net 44 mln euro purchase for its currency interventions the previous week. On Monday, the lat continued to trade at the weaker end of its band against the euro and was quoted at 0.7070/80 Euros compared with 0.7065/75 on previous Monday.

### **Russia**

Iran and Russia clashed on Wednesday over Kremlin support for draft UN sanctions against the Islamic Republic, in one of the worst rows between the two powers since the Cold War. The public clash indicates growing concern in Tehran after the United States said Russia and China had agreed to a draft sanctions resolution to punish Iran over its nuclear program. In unusually strong criticism of Russia, Iran's President Mahmoud Ahmadinejad admonished the Kremlin for bowing to US pressure to agree sanctions and bluntly warned President Dmitry Medvedev to be more cautious.

Georgian President Mikheil Saakashvili celebrated his country's independence day Wednesday with the first military parade since Russia routed Georgia in a brief 2008 war and a new round of verbal cannonade against Moscow. Saakashvili, speaking outside the parliament in Tbilisi before the parade indirectly accused Russia of a continued plot to subjugate his country. Russia and Georgia went to war over the breakaway republic of South Ossetia in the summer of 2008, and relations between both countries have been frozen since that time.

Russian Prime Minister Vladimir Putin will visit Turkey on June 8 to attend the third summit of the Conference on Interaction and Confidence-Building Measures in Asia (CICA), RIA Novosti reported. The CICA is an inter-governmental Asian security forum, which was established in 1992 and currently comprises 18 member-states, including Russia, China, South Korea and Turkey. The summit will most likely focus on the current crisis on the Korean peninsula, following the alleged sinking of a South Korean warship by a North Korean submarine.

## ***Economic Front***

### **Poland**

A widely respected former Polish prime minister, Marek Belka, was nominated Thursday to head the country's central bank, six weeks after its former chief was killed in a plane crash

along with the nation's president. Belka, 58, an economist who also has served as a Finance Minister in the past, currently works for the International Monetary Fund.

Around three hundred economists, experts, businessmen as well as representatives of both countries' administrations will participate in the three-day Polish-Ukrainian Economic Forum in Warsaw. The Forum will open with a session called "Ukraine – Poland, new challenges, and new future". A plenary session devoted to bilateral trade and economic cooperation has been planned as well.

Poland's central bank left its main interest rate at a record low today and signaled inflation may slow in coming months even after zloty declines sparked by Europe's debt crisis threatened to push up import prices.

### **Czech Republic**

The Czech economy has been the main focus of the election campaign. Its budget deficit urgently needs to be reduced. Last year the economy shrank by 4.2%, but this year it is expected to grow by 1.4%. Public debt was 35.4% of GDP in 2009, and the budget deficit hit 5.9% of GDP. The Social Democrats of the CSSD promise they could achieve the same but it would take slightly longer. They would do that by raising taxes for the highest wage earners and companies, which they say would allow them to maintain benefits.

### **Hungary**

Incoming Hungarian Economy Minister Gyorgy Matolcsy Tuesday said his ministry targets a stable euro-forint rate and stressed the need for lower interest rates. The center-right Fidesz Party won the April general elections in a landslide victory and is currently in the process of forming a new government. The incoming economy minister said he didn't favor expansive fiscal policy.

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

#### **Belarus**

Belarus outlined its plans for issuance of up to \$1 billion in Eurobonds this year with a maturity period of at least five years, a government spokesman told Reuters. Earlier, Minsk was saying the Eurobonds will total no less than \$500 million this year, while it planned to issue a total of up to \$2 billion as the financial instrument in 2010-11.

#### **Ukraine**

The International Monetary Fund is waiting for Ukraine to come up with additional proposals on ways to strengthen the government's finances and shore up its financial system in discussions on a new IMF loan program. There was no word on when an IMF mission would go to Kiev to finalize a loan agreement with the government.

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

#### **Estonia**

Estonian Finance Minister Jurgen Ligi said the euro area needs stricter fiscal controls to ensure existing members adhere to the rules. Estonia, which on May 12 won European Commission backing to become currency bloc's 17th member in January, is "of course" worried about the euro's health.

## **Lithuania**

Lithuania needs to make further spending cuts over the coming years to bring its budget deficit in line with rules for euro zone entry, the head of the International Monetary Fund's mission there said on Wednesday.

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.

## **Russia**

The 25th EU-Russia summit will take place in Russia's Rostov-on-Don early next week, with the aim of nurturing a new partnership for modernization while tackling the global financial and economic crisis, climate change and energy security. The summit will launch the concrete priorities of the new EU-Russia Partnership for Modernization, and will discuss foreign policy issues and European regional topics. The summit will be held on May 31 and June 1

Banks' balances in their correspondent accounts at the Russian central bank rose to 475.5 billion roubles on Thursday from 455.0 billion roubles in the previous session,

## **Social front**

### **Poland**

Bridges across the Vistula River, which runs through the heart of Warsaw, were packed Saturday with sightseers coming to get a look at the most serious flood in more than a century, part of a widespread natural disaster that has inundated parts of the south of Poland and is now moving north.

Home Office figures show that more European migrants, from countries including Poland and the Czech Republic, are leaving the UK than arriving. It marks a reversal in movement for the first time since large-scale immigration in Europe began.

### **Czech Republic**

#### **Colorful facts about the Czech Republic**

The Czech Republic holds parliamentary elections on Friday and Saturday to install a new administration with a full political mandate after a year of caretaker government. Following are some facts you may not know about the Czech Republic, a landlocked country in central Europe, comprising the historical lands of Bohemia, Moravia and parts of Silesia.

- The Czechs are considered to be one of the most atheistic nations in the world, along with the Estonians and Swedes. A 2006 poll showed 34 percent of Czechs belonged to a religion and only 12 percent attended services once a month or more.
- There is a strong beer culture in the Czech Republic. The beer is often served in pubs and cafes without waiters even asking for an order. Czechs drink a world-leading 160 litres per capita each year, nearly all of it lager.
- Fourteen percent of households own weekend houses, the highest proportion in Europe. Most city-dwelling Czechs have access to these countryside cottages, which range from small cabins to houses large enough to host several generations of a family during summer holidays.
- Czech chemist and inventor Otto Wichterle invented contact lenses.
- Olympic runner Emil Zatopek, fashion model Eva Herzigova, tennis players Ivan Lendl and Martina Navratilova are also Czechs.
- So is Milos Forman, director of Oscar-winning movies Amadeus and One Flew over the Cuckoo's Nest, writer Milan Kundera and the founder of psychoanalysis, Sigmund Freud were all from the German-speaking minority.
- The name for the U.S. currency, "the dollar", came from the Czech "tolar", a silver coin minted in Bohemia in the 16th century.
- Other words that were originally Czech include "robot", a derivation of an old Czech word for "work"
- Many Czechs get up at around 5 a.m. on weekends to pick mushrooms in the forest. The idea is to get to the woods before everyone else and find the edible mushrooms, which are fried or cooked in soups and sauces.
- The town of Jachymov in the northwest of the country was the first place in the world to mine the radioactive uranium ore. The Communists built forced labor camps around the mines and forced political foes and criminals to work there under horrible conditions in the 1950s.

## **Hungary**

As a response to the Hungarian activation of the EU Civil protection mechanism, Germany has offered yesterday this afternoon 1 270 010 sand bags to increase its flood containment capacity of the country. The Czech Republic has offered 100 000 additional sand bags, the same amount offered by the Netherlands and Croatia Austria has offered 250 000 and last but not least, Denmark also offered 300.000 additional bags.

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

### **Belarus**

Cuba and Belarus signed a cooperation agreement to produce drugs against low-molecular-weight tumors after a research study carried out by the National Academy of Sciences of Belarus and the Cuban Center for Molecular Immunology Research in Havana.

## **Ukraine**

In the latest defeat for the U.S. government in Guantánamo cases, a federal court ruled that a Russian detainee captured in 2002 must be freed. A federal court on Thursday ordered the Pentagon to set free from Guantánamo a former Russian Army ballet dancer turned devout Muslim whose plight captured the imagination of a Massachusetts college town. Ravil Mingazov, 42, an ethnic Tartar was captured in Pakistan in 2002 and turned over to U.S. forces.

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

### **Estonia**

Estonia's unemployment rate leapt to an all-time high of 19.8 percent in the first quarter from 15.5 percent in the previous quarter, the statistics office said on Friday. Estonia, on line to join the euro zone from Jan. 1, 2011 after a positive recommendation for membership by the European Commission, has been mired deep recession since 2008 with gross domestic product (GDP) contracting by average annual 14.1 percent in 2009.

### **Russia**

Russian Justice Minister Alexander Kononov said on Wednesday that Russia and the European Union (EU) expressed their readiness to gradually wave a visa regime, Xinhua News Agency informed. "During the two-day session, we adopted a final document, where we have expressed our readiness to continue a constructive dialogue on freedom, security and justice," Kononov said after the 12th session of the Russia-EU Permanent Partnership Council on Freedom, Security and Justice

## **Detailed Report**

### **Political front**

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

##### **Poland**

##### **Poland welcomes U.S. missile battery as key to national security-26 May-FOCUS News**

<http://www.focus-fen.net/?id=n220902>

Morag. The stationing of U.S. Patriots missiles on Polish soil is an important step in strengthening Poland's security, the country's defense minister said on Wednesday, RIA Novosti reported. Bogdan Klich officially welcomed the U.S. Patriot missile battery and around 100 U.S. troops to their base in the northern town of Morag. The ceremony was attended by U.S. Ambassador to Poland Lee Feinstein and director of U.S. Army logistics operations in Europe, Brigadier General Mark Bellini. Klich said the deployment of U.S. missiles would go a long way "in strengthening the strategic nature of relations between the United States and Poland." Reinforced air defense was Poland's condition on its participation in the U.S. central European missile defense program, subsequently scrapped by Barack Obama last September. The United States opened a temporary military base near the northern Polish town of Morag, 80 km (50 miles) from the Russian border under the Supplemental Status of Forces Agreement (SOFA) signed in February. For two years, U.S. troops will be deployed at the base for about one month in three to train Polish forces, with the base to become permanent from 2012.

##### **U.S. missiles in Poland annoying but not a threat to Russia, says expert-May 27,**

<http://english.people.com.cn/90001/90777/90853/7001686.html>

The deployment of U.S. Patriot missiles in Poland greatly annoyed the Kremlin but posed no military threat, leading Russian military politics expert Pavel Felgengauer said Wednesday. Felgengauer told Xinhua Wednesday that Moscow insisted all the countries of the former Warsaw Treaty Organization remained the "zone of Russia's special interests". "Russians do not like it that the American military infrastructure has been unfolding in the countries of former Soviet zone of influence. Moscow wants to have a right of veto there and Moscow wants the West to recognize this right, formally or not," Felgengauer said. However, "the missiles themselves that have been deployed in the Polish town of Morag bear no real military threat to Russia," he said. On Wednesday, the Russian Foreign Ministry issued a statement criticizing the NATO decision to deploy the missiles close to the border of the Kaliningrad region, Russia's westernmost enclave squeezed between Poland and Lithuania, both of which are members of NATO and the European Union. Permanent deployment of the U.S. Patriot missile in Poland will mean the violation of the basic agreement between Russia and NATO signed in 1997, said Deputy Foreign Minister Alexander Grushko on Friday. "There are no reasons that could justify the deployment of the missiles near Russian borders," said the Russian diplomat. He reminded that the Russia-NATO agreement implied that both parties were not to station permanent armed forces in the border regions. Earlier, Moscow demanded articulate explanations from the United States and Poland of the deployment of Patriot missiles near the Russian border

## **Poland sends election observers to Georgia-27.05.2010**

[http://www.thenews.pl/international/artykul132435\\_poland-sends-election-observers-to-georgia.html](http://www.thenews.pl/international/artykul132435_poland-sends-election-observers-to-georgia.html)

A group of politicians and experts from Poland has arrived in Tbilisi as observers of local elections in Georgia. The voting will take place this Sunday and is the first local election since the end of the Russian-Georgian conflict over Southern Ossetia. The Polish observers stress the elections are, in a way, a test for Poland whose experts have been assisting Georgian authorities for the past two years in the preparation of principles of regional reforms reflecting European self-government standards.

## **Czech Republic**

### **Czech Democrats heading for victory**

<http://www.todayszaman.com/tz-web/news-211429-100-czech-democrats-heading-for-victory.html>

A left-leaning party that opposes any troop increase in Afghanistan and supports higher taxes appears to be heading for a victory in the ongoing general election in the Czech Republic. All polls put the Social Democrats of former Prime Minister Jiri Paroubek well ahead of its major rival, the conservative Civic Democratic Party. But a stable government is nowhere in sight. The Social Democrats will almost certainly need a partner to carry out their election promises, which include an extra payment to pensioners and an end to fees for doctors' visits. The party wants to adopt the euro as its currency in 2015 or 2016, plans to increase corporate taxes from 19 to 21 percent, and proposes to introduce a new personal tax of 38 percent for those with the highest incomes. The voting opened in the Czech Republic on Friday and will continue today, with preliminary results expected soon after the polls close. The Civic Democrats and other parties have ruled out cooperating with the Social Democrats, accusing them of making irresponsible promises that could harm the country's economic recovery. It could take months to form a government. Analysts warn that the country needs fundamental reforms, including a pension system overhaul and needs them soon. "We can't afford to waste time," said David Marek, an analyst at Patria Finance in Prague

### **Election platforms of main Czech parties-May 27**

<http://www.reuters.com/article/idUSLDE64P0RH20100526?rpc=401&feedType=RSS&feedName=rbssIndustryMaterialsUtilitiesNews&rpc=401>

Thu, May 27 2010 PRAGUE May 26 (Reuters) - Czechs will elect a new parliament on May 28-29 in a vote pitting leftists promising to hike taxes on the rich and raise benefits against rightists who say a win by the left could lead to state bankruptcy.

**The following are the main political parties' campaign pledges.**

### **SOCIAL DEMOCRATS (CSSD)**

\* The main leftist party pledges to cut the state budget deficit in half to below 3 percent of economic output by 2013, and set the country on course to balance the budget by 2018.

\* It wants to cancel fees for visiting the doctor introduced by the previous centre-right government.

\* It pledges to pay an extra pension benefit funded by dividends from state-owned power group CEZ and is against creating private accounts as part of the pension system.

\* It plans to re-introduce a progressive tax system with a 38 percent income tax rate for the highest wage earners, from the current 15 percent. It will also raise the corporate tax rate to 21 percent from 19 percent.

\* The party wants a new Regulatory and Price Office for regulation in services from electricity to telecommunication and banking, and has attacked high power prices for households.

\* The party is against raising the number of Czech troops in NATO's Afghanistan mission.

### **CIVIC DEMOCRATS (ODS)**

\* The main rightist party promises to cut the state budget deficit in half to under 3 percent of GDP by 2012 and balance the budget by 2017.

\* It has pledged not to raise taxes, saying the rises put in place by the caretaker cabinet are enough.

\* It plans a constitutional law setting budget ceilings on spending and that punishes lawmakers for breaking those rules.

\* It wants to use privatisation proceeds to fund the introduction of state-backed private pension accounts to supplement the pay-as-you-go system.

\* The party wants to cut down on benefits abuse and cut off welfare for people who are unemployed for more than two months and refuse re-qualification courses or public work.

\* The party supports the NATO mission in Afghanistan, and supported now-abandoned plans for missile shield that angered Moscow.

### **COMMUNISTS (KSCM)**

\* The far-left party, the third largest in the current parliament, wants higher direct taxes and to maintain the current welfare system.\* It is for stronger state involvement in key economic segments and is against further privatisation.

\* It is against NATO and supports a European defence force.

### **TOP-09**

\* The most conservative party aims to set a euro adoption target date as quickly as possible.

\* It wants to cut the structural budget deficit in "a short period of time" and cut mandatory spending, along with reducing government costs by 20 percent.

\* Plans to work out balance budget as soon as the economy resumes growth at around 2 percent. It has said government budgets should be balanced or in surplus in periods of growth.

## **PUBLIC AFFAIRS (VV)**

\* The centrist party wants public budgets balanced by 2014, but it has not given proposals for specific structural cuts.

\* The party supports a cut in direct taxes and rises in indirect taxes, such as VAT.

\* It also proposes cutting government procurement spending by 20 percent, and reducing the number of state clerks by 10 percent.

## **Slovakia**

### **Slovakia, Hungary: A Spat over Citizenship-May 26, 2010-AFP**

#### **Summary**

Slovakia passed a law May 26 that will revoke the Slovak citizenship of anyone who is granted citizenship by another country. The law comes on the heels of a Hungarian law which eases citizenship requirements for ethnic Hungarians living abroad. The citizenship dispute is at the center of rising tensions in Central Europe.

#### **Analysis**

The Slovak parliament on May 26 passed legislation by which Slovak citizens will lose their citizenship if they are granted citizenship by another country. The vote comes in response to a Hungarian law passed earlier the same day wherein applicants for Hungarian citizenship will not need to have permanent residency in Hungary and will only be asked to demonstrate proficiency in the Hungarian language and evidence of Hungarian ancestry.

The Hungarian law — pushed forward by the center-right Fidesz party, which recently gained an unprecedented two-thirds parliamentary majority — is at the center of heightened tensions between EU member Hungary and its neighbors. EU members Slovakia and Romania, as well as non-EU member Serbia, have significant Hungarian minority populations and are wary that the new citizenship law could lead to increased influence from Budapest on their domestic affairs. Slovak Prime Minister Robert Fico recently insinuated that the Hungarian citizenship law is an “attack not only on Slovakia and Central Europe, but also a direct attack on the foundations of the European Union.” While Slovakia’s new law could endanger the citizenship of its roughly 520,000 Hungarians — nearly 10 percent of the country’s population — Serbia and Romania are unlikely to pass similar laws. For Serbia, the issue is a thorny one because it could jeopardize the citizenship of its large diaspora. Belgrade has also not shied from giving passports to ethnic Serbs living in Bosnia and Herzegovina. Romania is in a similar conundrum with its citizenship policy toward Moldovans, which is specifically designed to make it easier for the latter to receive Romanian citizenship as a way to wrestle Chisinau from the Russian sphere of influence. Neither

Belgrade nor Bucharest would therefore have much of an argument for opposing the Hungarian law. Slovakia, however, does not have a large diaspora, nor does it have the need to use its citizenship policy to gain influence in neighboring countries such as Serbia and Romania. But stripping a significant number of Hungarians of their Slovak citizenship would be an extreme move. First, it would disenfranchise the Hungarian population and likely lead to a legal challenge before the European Court of Human Rights. Second, it would greatly exacerbate the tensions between Hungary and Slovakia, both of which are NATO and EU member states. Third, it could reopen a number of disputes over ethnic minorities throughout Central Europe and the Balkans.

Ironically, the fact that both Slovakia and Hungary are EU members means stripping the Hungarian minority in Slovakia of its citizenship would not necessarily mean they would be forced out of Slovakia. EU citizenship, granted to any citizen of an EU member state, grants certain rights and freedoms that would be retained by the Hungarians in Slovakia. These include the right to the free movement of people and labor in the entire EU (with exceptions for new member states Bulgaria and Romania until 2013); the right to vote and stand in local and European elections; and the right to appeal to EU courts. There are some limitations to these rights — for example, individuals who depend on welfare for their livelihood are not allowed to cross borders and set up residence in another EU country — but overall they would limit the extent to which Slovakia would be able to make day-to-day life difficult for its Hungarian minority. Over time, however, if enough of the Hungarians were disenfranchised on the national level, a slew of language and minority laws could be overturned by a legislature devoid of Hungarian representation.

### **Syrian-Slovak Cooperation in Transport Discussed-May 25,**

<http://www.sana.sy/eng/21/2010/05/25/289791.htm>

Damascus, (SANA)-Prime Minister Mohammad Naji Otri discussed on Monday with Slovak Minister of Transport, Posts and Telecommunications Lubomir Vazny cooperation and the historic friendly relations between Syria and Slovakia, as well as the mutual desire to expand them in all fields . The talks focused on enhancing mutual cooperation in the transport sector, given its fundamental role in consolidating trade and economic ties, raising trade exchange volume and the flow of goods and products between the two countries.

### **Hungary**

### **Hungary approves historic citizenship law-May 27, 2010**

[http://www.upi.com/Top\\_News/International/2010/05/27/Hungary-approves-historic-citizenship-law/UPI-13911274965111/](http://www.upi.com/Top_News/International/2010/05/27/Hungary-approves-historic-citizenship-law/UPI-13911274965111/)

BUDAPEST, Hungary, May 27 (UPI) -- Millions of ethnic Hungarians living in neighboring nations will be granted Hungarian citizenship, the country's new Parliament has decided. The law drew immediate criticism from Slovakia, which retaliated by banning dual citizenship, Voice of America reported Thursday. To apply for Hungarian citizenship, ethnic Hungarians must prove they are of Hungarian origin and speak the language. It's been 90 years since Hungary lost two-thirds of its territory under a peace treaty after World War I. About 3 million ethnic Hungarians live in those areas, part of neighboring nations including Slovakia, Serbia, Ukraine and

Romania. The new law, to take effect in January, fulfills a campaign promise of Hungary's center-right opposition Fidesz Party, which in April won the two-thirds majority needed in Parliament to pass laws and amend the constitution.

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

### **Belarus**

#### **Russia, Kazakhstan launch customs union without Belarus**

<http://uk.news.yahoo.com/18/20100528/tbs-russia-kazakhstan-launch-customs-uni-5268574.html>

Prime Minister Vladimir Putin and his Kazakh colleague agreed on Friday to launch a customs union as their Belarussian counterpart failed to show up at a trilateral summit. Russia, Belarus and Kazakhstan have been in talks to create a customs union that had been expected to come into force on July 1. Talks on the customs union collapsed last week when the prime ministers said they could not resolve sticking points like car duties and tariffs and that more negotiations were needed. Belarus's Prime Minister Sergei Sidorsky however did not join Putin and Kazakh Prime Minister Karim Masimov for further talks Friday. Putin said Sidorsky cancelled his attendance at the last minute.

#### **Cuba and Belarus Sign Agreement to Produce Drugs against Low-Molecular-May 28**

<http://www.cubanews.ain.cu/2010/0528belarus.htm>

Cuba and Belarus signed a cooperation agreement to produce drugs against low-molecular-weight tumors after a research study carried out by the National Academy of Sciences of Belarus and the Cuban Center for Molecular Immunology Research in Havana. The document was signed during a recent visit of a delegation from the European country to Cuba, according to the website of the Cuban Foreign Ministry. Both sides agreed to join efforts to expand markets to sell cytostatic agents produced by the Cuban Center for Molecular Immunology Research in the countries of the Commonwealth of Independent States and in Latin America. The vice president of Belarus, Victor Burya, said last May 23 in Minsk, the country's capital, that his government is willing to continue developing bilateral commercial, scientific and technical cooperation with Cuba

#### **Belarus to offer Russia pipeline control-28 May, 2010**

<http://rt.com/Business/2010-05-28/belarus-russia-gas-lukashenko.html>

Belarusian President Aleksandr Lukashenko says his country is willing to give Russia full control over Belarusian pipelines in exchange for cheap gas and oil. Propeller Speaking to students and teachers, Lukashenko said that he sees new possibilities in mutual relations between Russia and Belarus in the gas sector. Gazprom already owns a 50% stake in Beltransgaz. Belarus is thought to pay \$150 per 1,000 cubic meters of gas, which is well below European prices, but the price is set to go up to \$169 and then even higher in the coming years. Russia's top energy official on Friday turned down an offer to buy Belarus' gas pipeline operator and an oil refinery

in exchange for lower energy prices, saying the deal did not make economic sense. In a surprise move, President Alexander Lukashenko, whose ex-Soviet nation is heavily dependent on Russian subsidies, said Thursday that Belarus was ready to give Moscow a controlling stake in the country's top energy assets -- gas pipeline operator Beltransgaz and the Mozyr oil refinery. The offer came after Russia put pressure on Belarus, saying it underpaid for gas supplies and the nation's gas debt -- already totalling almost 200 million dollars since the start of the year -- could triple by the year's end

#### **Belarus ratifies agreement on CSTO Collective Force-26.05.2010,**

<http://www.itar-tass.com/eng/level2.html?NewsID=15163656&PageNum=0>

Belarusian Defence Minister Yuri Zhadobin presented the document to the deputies saying that it had been signed by Belarus in October 2009 “with the aim to unite the efforts of the CSTO member states to resist armed attacks and to counteract other challenges and threats.” The ratifying of the agreement “will give a legal basis for using Belarus’ forces and means in the Collective Rapid Reaction Force,” he said. “There is a law regulating the responsibility and there are certain agreements on the cases where these forces will be used

#### **Ukraine**

#### **Ukraine abandons 'unrealistic' Nato membership bid**

<http://www.irishtimes.com/newspaper/world/2010/0528/1224271297873.html>

UKRAINE SHELVED its bid for Nato membership yesterday, as President Viktor Yanukovich came under fresh fire for loosening ties with the West in favour of Russia. Since taking power three months go, Mr Yanukovich and his allies have conducted intense negotiations with Moscow on a wide range of issues, signalling the new president’s determination to reverse his predecessor’s policy of aligning Ukraine with the European Union and United States. He enraged opponents by agreeing to let the Russian navy remain at a base on Ukraine’s Black Sea coast until at least 2042 in exchange for cheaper gas, a move which analysts said gave the Kremlin huge influence on Kiev’s geopolitical stance for the next three decades. Critics also accuse Mr Yanukovich’s government of planning energy deals that would give the Russian state or Kremlin-friendly businessmen a dominant position in Ukraine’s economy, which has been ravaged by recession and is propped up by international aid

#### **European integration among priorities for Ukraine – president-28.05.2010**

<http://www.itar-tass.com/eng/level2.html?NewsID=15174352&PageNum=0>

KIEV, May 28 (Itar-Tass) - Ukrainian President Viktor Yanukovich said on Friday that European integration remains among priority directions in the country’s foreign policy. With that in view, the president has instructed the government and the Foreign Ministry to finish by October 15, when a Ukraine-EU summit will be held, work to bring Ukrainian legislation in line with European and pave the way for the signing of the Association Agreement and an agreement on visa-free travels between Ukraine and the EU.

## **Medvedev confident of further improvement in Russian-Ukrainian ties-28 May FOCUS**

<http://www.focus-fen.net/?id=n221130>

Moscow. Russian President Dmitry Medvedev told a United Russia Party meeting he has an optimistic outlook on his country's relations with Ukraine, RIA Novosti reported. "A lot depends on us. I am confident that if we work hard, talk regularly, hold meetings and solve the issues we face, we will be able to work out former difficulties," Medvedev said. Relations between the two countries have seen dramatic improvements since Viktor Yanukovich won the Ukrainian presidential elections in February. Ties were strained under former President Viktor Yushchenko, who aggravated Russia with his pro-Western policies.

## **Poland and Ukrainian ministers discuss Eastern Partnership-24.05.2010**

[http://www.thenews.pl/international/artykul132225\\_poland-and-ukrainian-ministers-discuss-eastern-partnership.html](http://www.thenews.pl/international/artykul132225_poland-and-ukrainian-ministers-discuss-eastern-partnership.html)

Poland's Foreign Minister Radosław Sikorski has met with his Ukrainian counterpart for talks focused on Ukraine's entry to the European Union. "Ukraine has stressed again that EU integration remains a priority for the country's foreign policy," Foreign Affairs Ministry spokesman Piotr Paszkowski told Polish Radio. "Poland has confirmed its readiness in supporting Ukraine's efforts to that end. So we are glad to hear this declaration again from Ukraine." The meeting took place ahead of a summit of EU's foreign ministers centered on the Swedish-Polish Eastern Partnership programme held in the coastal city of Sopot

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

### **Estonia**

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

### **Estonia**

## **Analysts cautious ahead of Estonia's euro adoption**

<http://www.marketwatch.com/story/analysts-cautious-ahead-of-estonias-euro-adoption-2010-05-17>

FRANKFURT (MarketWatch) -- In January, Estonia will likely become the 17th nation to adopt the euro, but that will hardly cure all the challenges facing the tiny Baltic economy, whose dramatic decline has pushed unemployment to a record high. The European Commission concluded last week that Estonia has fulfilled the so-called Maastricht criteria and was ready to adopt the euro next year. The Estonian government implemented severe fiscal tightening last year to make sure it met the convergence criteria. The government budget deficit was 1.7% of gross domestic product in 2009 and general debt stood at 7.2% of GDP, well below EU limits.

## **Estonia's President Ilves concludes Poland trip-20.05.2010**

[http://www.thenews.pl/international/artykul131954\\_estonias-president-ilves-concludes-poland-trip.html](http://www.thenews.pl/international/artykul131954_estonias-president-ilves-concludes-poland-trip.html)

President Toomas Ilves of Estonia has concluded a private visit to Poland with a meeting with acting president Bronislaw Komorowski. Yesterday, he received an honorary doctorate from the Catholic University of Lublin. In his address, he focused on the place of Poland and Estonia in the European Union. He called for counteracting what he described as a continuing division into the old and new members. In his view, six years after accession, Poland and Estonia continue to be called former members of the communist bloc.

## **Latvia**

### **Latvian c.bank says bought net 40 mln euro last week**

<http://www.iii.co.uk/news/?type=afxnews&articleid=7896056&subject=markets&action=article>

RIGA, May 17 (Reuters) - Latvia's central bank said on Monday it bought net 40 million euros last week, down from a net 44 mln euro purchase for its currency interventions the previous week. On Monday, the lat continued to trade at the weaker end of its band against the euro and was quoted at 0.7070/80 euros compared with 0.7065/75 on previous Monday. One trader said the central bank interventions were thought to be from state treasury operations, while the market was stable and no significant changes were expected. 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.

## **Lithuania**

### **Georgian FM to visit Lithuania-15.05.2010**

<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.

## **Russia**

### **Moscow clash in worst row for years-May 27, 2010**

[http://www.dailystar.com.lb/article.asp?edition\\_id=10&categ\\_id=2&article\\_id=115266](http://www.dailystar.com.lb/article.asp?edition_id=10&categ_id=2&article_id=115266)

TEHRAN/MOSCOW: Iran and Russia clashed on Wednesday over Kremlin support for draft UN sanctions against the Islamic Republic, in one of the worst rows between the two powers since the Cold War. The public clash indicates growing concern in Tehran after the United States said Russia and China, the closest thing Iran has to big-power allies, had agreed to a draft sanctions resolution to punish Iran over its nuclear program. In unusually strong criticism of Russia, Iran's President Mahmoud Ahmadinejad admonished the Kremlin for bowing to what he said was US pressure to agree sanctions and bluntly warned President Dmitry Medvedev to be

more cautious. He said that Russian support for the US was unacceptable and that Moscow should rethink its decision or face being viewed as an enemy by Tehran. Within hours, the Kremlin's top foreign policy adviser dismissed the criticism, telling the Iranian president to refrain from "political demagoguery." Iran and Russia clashed yesterday over Kremlin support for draft UN sanctions against the Islamic Republic, in one of the worst rows between the two powers since the Cold War. The public clash indicates growing concern in Tehran after the US said Russia and China, the closest thing Iran has to big-power allies, had agreed to a draft sanctions resolution to punish Iran over its nuclear program.

### **Saakashvili Targets Russia during Parade**

[http://www.sptimesrussia.com/index.php?action\\_id=2&story\\_id=31545](http://www.sptimesrussia.com/index.php?action_id=2&story_id=31545)

MOSCOW — Georgian President Mikheil Saakashvili celebrated his country's independence day Wednesday with the first military parade since Russia routed Georgia in a brief 2008 war and a new round of verbal cannonade against Moscow. Saakashvili, speaking outside the parliament in Tbilisi before the parade and surrounded by young boys dressed in military fatigues, indirectly accused Russia of a continued plot to subjugate his country. "Our independence today is confronted by the empire. There are forces that ... spare no efforts to defeat us in this great battle for freedom," he said, according to the Civil.ge web site. Georgia was privileged to have had "the pleasure to fight for independence." Russia and Georgia went to war over the breakaway republic of South Ossetia in the summer of 2008, and relations between both countries have been frozen ever since.

### **Putin to attend security forum in Turkey on June 8-28.05.2010**

<http://en.trend.az/regions/world/russia/1695648.html>

Russian Prime Minister Vladimir Putin will visit Turkey on June 8 to attend the third summit of the Conference on Interaction and Confidence-Building Measures in Asia (CICA), RIA Novosti reported. The CICA is an inter-governmental Asian security forum, which was established in 1992 and currently comprises 18 member-states, including Russia, China, South Korea and Turkey. The summit will most likely focus on the current crisis on the Korean peninsula, following the alleged sinking of a South Korean warship by a North Korean submarine.

### **Russian government sets green light for START ratification- May 28,**

<http://english.people.com.cn/90001/90777/90853/7003094.html>

The Russian government has studied the new strategic arms reduction treaty (START) and proposed Russian President Dmitry Medvedev to submit the document to parliament for ratification, the RIA Novosti news agency reported on Thursday. Earlier the agency said the government has approved the treaty signed by Moscow and Washington in April, citing the government website. Under the new treaty, the warheads held by the two nuclear superpowers will be reduced to 1,500, about 30 percent lower than the previous treaty's limitation. Strategic offensive weapons will be based solely on the national territories of Russia and the United States.

### **Economic Front**

## **Poland**

### **Ex-PM Belka proposed as Polish central bank head-May 27, 2010 By the Associated Press**

<http://www.newsday.com/business/ex-pm-belka-proposed-as-polish-central-bank-head-1.1954394?qr=1>

(AP) — A widely respected former Polish prime minister, Marek Belka, was nominated Thursday to head the country's central bank — six weeks after its former chief was killed in a plane crash along with the nation's president. Belka, 58, an economist who also has served as a finance minister in the past, currently works for the International Monetary Fund. Experts believe the highly regarded

### **Polish-Ukrainian Economic Forum opens in Warsaw-26.05.2010**

[http://www.thenews.pl/business/artykul132369\\_polish-ukrainian-economic-forum-opens-in-warsaw.html](http://www.thenews.pl/business/artykul132369_polish-ukrainian-economic-forum-opens-in-warsaw.html)

Around three hundred economists, experts, businessmen as well as representatives of both countries' administrations will participate in the three-day Polish-Ukrainian Economic Forum in Warsaw. The Forum will open with a session called "Ukraine – Poland, new challenges, new future". A plenary session devoted to bilateral trade and economic cooperation has been planned as well.

### **Polish Central Bank Keeps Main Rate at Record Low (Update2)-May 25, 2010**

<http://www.businessweek.com/news/2010-05-25/polish-central-bank-keeps-main-rate-at-record-low-update2-.html>

May 25 (Bloomberg) -- Poland's central bank left its main interest rate at a record low today and signaled inflation may slow in coming months even after zloty declines sparked by Europe's debt crisis threatened to push up import prices. The Warsaw-based Narodowy Bank Polski left the benchmark seven-day reference rate at 3.5 percent for an 11th month, in line with expectations of all 14 economists surveyed by Bloomberg

## **Czech Republic**

### **Weak economy is Czech election top topic**

<http://www.euronews.net/2010/05/28/weak-economy-is-czech-election-top-topic/>

The Czech economy has been the main focus of the election campaign. Although the country is in a better state than some of its central European neighbours, its budget deficit urgently needs to be reduced. Last year the economy shrank by 4.2%, but this year it is expected to grow by 1.4%. Public debt was 35.4% of GDP in 2009, and the budget deficit hit 5.9% of GDP. The Social Democrats of the CSSD promise they could achieve the same but it would take slightly longer. They would do that by raising taxes for the highest wage earners and companies, which they say would allow them to maintain benefits.

## **Czech FinMin says to propose CZK60 bln 2011 cuts**

<http://www.iii.co.uk/news/?type=afxnews&articleid=7912103&subject=markets&action=article>

PRAGUE, May 26 (Reuters) - The Czech government will propose 60 billion crown (\$2.88 billion) worth of tax hikes and spending cuts for the 2011 budget to meet a deficit target of a maximum 4.8 percent of gross domestic product, Finance Minister Eduard Janota was quoted as saying on Wednesday. Janota will propose the cuts to the government by July 10, daily Hospodarske Noviny quoted him as saying. The Czech Republic will hold a general election at the end of this week, so Janota's proposals will possibly be implemented by a new administration. There is also a chance that an inconclusive result could lead to protracted coalition talks, keeping the current government in power for longer. The government must approve the 2011 budget by September when it should be sent to the parliament

## **Hungary**

### **Hungary Matolcsy Stresses Need For Lower Interest Rates**

[http://www.advfn.com/news\\_Hungary-Matolcsy-Stresses-Need-For-Lower-Interest-Rates\\_42959816.html](http://www.advfn.com/news_Hungary-Matolcsy-Stresses-Need-For-Lower-Interest-Rates_42959816.html)

Incoming Hungarian Economy Minister Gyorgy Matolcsy Tuesday said his ministry targets a stable euro-forint rate and stressed the need for lower interest rates. "We don't have an exact foreign currency-forint exchange rate, we aim to reach a stable rate" Matolcsy said at a parliamentary committee hearing. The center-right Fidesz Party won the April general elections in a landslide victory and is currently in the process of forming a new government. The incoming economy minister said he didn't favor expansive fiscal policy.

### **Hungary faces uphill battle to reach EU's 3% R&D target-27 May 2010**

<http://www.euractiv.com/en/priorities/hungary-faces-uphill-battle-to-reach-the-3-rd-target-news-494546>

Hungary's expenditure on investing in research and development (R&D) barely amounts to 1% of GDP today. While Brussels sees boosting research and innovation as a way out of the current crisis, it is the economic downturn itself that is making the target seem over-ambitious. "Hungary also sees innovation, research and development as one of the main options in building our future," declared István Varga, Hungary's minister for national development and the economy at the time, in September 2009. Despite sharing Brussels' goal of making innovation a cross-sector priority throughout the economy, the then-socialist government decided to slash innovation funding by 20% as of 2010

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

### **Belarus**

#### **Belarus targets Eurobond issue of up to \$1 bln in 2010**

<http://www.iii.co.uk/news/?type=afxnews&articleid=7908892&subject=companies&action=article>

MINSK, May 24 (Reuters) - Belarus outlined its plans for issuance of up to \$1 billion in Eurobonds this year with a maturity period of at least five years, a government spokesman told Reuters. Earlier, Minsk was saying the Eurobonds will total no less than \$500 million this year, while it planned to issue a total of up to \$2 billion as the financial instrument in 2010-11. It picked Russia's Sberbank, BNP Paribas, Deutsche Bank and Royal Bank of Scotland to organise the placement of the bonds. "A decision was made to issue Eurobonds worth up to \$1 billion with a maturity period no less than five years," the government representative said. Belarus has got a \$3.6 billion in loans from the International Monetary Fund since the beginning of last year.

## **Ukraine**

### **IMF seeks proposals from Ukraine in loan talks-May 27**

<http://www.reuters.com/article/idUSN2713139520100527?rpc=401>

WASHINGTON May 27 (Reuters) - The International Monetary Fund is waiting for Ukraine to come up with additional proposals on ways to strengthen the government's finances and shore up its financial system in discussions on a new IMF loan program, an IMF spokeswoman said on Thursday. There was no word on when an IMF mission would go to Kiev to finalize a loan agreement with the government.

### **Ukrainian President Invites Investors to Share in Euro 2012 Legacy**

<http://www.prnewswire.com/news-releases/ukrainian-president-invites-investors-to-share-in-euro-2012-legacy-95111764.html>

KIEV, Ukraine, May 28, 2010 /PRNewswire/ -- A major event to capitalise on Ukraine's status as host of football championship Euro 2012 will take place in Kiev on Monday (31 May). President Viktor Yanukovich will meet with representatives of the global hotel industry at a specially arranged international conference to outline the investment incentives aimed at expanding the country's hospitality sector and stimulating economic growth in a potentially huge market for tourism. Vice Prime Minister Borys Kolesnikov, head of National Agency 2012, charged with delivering the tournament in Ukraine, said: "Ukraine's economic growth and stability is back on track and Euro 2012 provides us with a perfect opportunity to show the world how much we have to offer, from our rich cultural heritage, to the natural beauty of the country itself.

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

### **Estonia**

**They Have Made a Desert and called it successful adjustment.**

<http://krugman.blogs.nytimes.com/2010/05/14/they-have-made-a-desert/>

Estonia is being hailed for its fiscal rectitude, which qualifies it for entry into the euro. Meanwhile we learn that Latvia is often cited as an example for Greece as it undergoes a brutal internal devaluation while keeping its currency pegged to the euro. So how are these role models doing? Unemployment in Estonia is 19.8%; in Latvia, 20.4%. And here's a little comparison of the depths of recession in three cold countries:

### **A fiscal consolidation plan-Estonia**

<http://bilbo.economicoutlook.net/blog/?p=9787>

Another day passes and lots more reading done. Some of it interesting but a significant amount of it tedious even enraging. I hum my mantras as I read to stay calm. But among the things I read there were some standouts – not all of which I will have time to write about today. But this news report – Estonia Wants Stricter Euro Budget Rules – came in overnight, which caught my eye. Further examination, revealed how skewed policy priorities have become over the course of this economic crisis. The most costly things for an economy are ignored and aspirations that will impose future costs are promoted. Driving this policy agenda (madness) are the false messages that the IMF continually put out which spread a mélange of lies and non-sequiturs across the policy debate. I came up with a fiscal consolidation plan myself today as a result. I will disclose it later.

### **Estonia Wants Stricter Euro Budget Rules, Ligi Says-May 17, 2010**

<http://www.businessweek.com/news/2010-05-17/estonia-wants-strict-euro-budget-rules-ligi-says-update1-.html>

May 17 (Bloomberg) -- Estonian Finance Minister Jurgen Ligi said the euro area needs stricter fiscal controls to ensure existing members adhere to the rules. Estonia, which on May 12 won European Commission backing to become currency bloc's 17th member in January, is "of course" worried about the euro's health, Ligi said in an interview with Bloomberg Radio today, adding "bad news" surrounding the euro region hurts Estonian support for the single currency

### **Lithuania**

#### **IMF says Lithuania needs more fiscal adjustment**

<http://www.iii.co.uk/news/?type=afxnews&articleid=7901166&subject=markets&action=article>

VILNIUS, May 19 (Reuters) - Lithuania needs to make further spending cuts over the coming years to bring its budget deficit in line with rules for euro zone entry, the head of the International Monetary Fund's mission there said on Wednesday. Catriona Purfield, the head of the IMF mission to Lithuania, said the IMF may revise its forecast for Lithuania's economy to fall 1.6 percent this year after a better-than-expected first-quarter result. The economy contracted 2.9 per cent year-on-year in Q1, a better performance than analysts forecast.

#### **Lithuania cuts 2011 growth forecast – fin-min**

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

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.

## Russia

### EU-Russia summit aimed at new partnership for modernization13:07, May 29

<http://english.people.com.cn/90001/90777/90853/7004595.html>

The 25th EU-Russia summit will take place in Russia's Rostov-on-Don early next week, with the aim of nurturing a new partnership for modernization while tackling the global financial and economic crisis, climate change and energy security. According to a press conference held here on Friday, the summit will launch the concrete priorities of the new EU-Russia Partnership for Modernization, and will discuss foreign policy issues and European regional topics. The summit, the first one with Russia under the Lisbon Treaty, will be attended by Russian President Medvedev, European Council President Herman Van Rompuy and European Commission President Jos Manuel Barroso, Vice President and High Representative for Foreign Affairs and Security Policy Catherine Ashton and Trade Commissioner Karel De Gucht. During the summit, which will be held on May 31 and June 1, discussions on bilateral EU-Russia relations are likely to focus on the new EU-Russia Partnership for Modernization, which was first discussed at the Stockholm summit. The operational launch of this partnership with a concrete set of priorities is an opportunity for the EU and Russia to build on the achievements made in implementing the four common spaces, and will further encourage growth and increase competitiveness.

### Russian bank balances rise to 475.5 bln rbls

<http://www.iii.co.uk/news/?type=afxnews&articleid=7914157&subject=economic&action=article>

MOSCOW, May 27 (Reuters) - Banks' balances in their correspondent accounts at the Russian central bank rose to 475.5 billion roubles on Thursday from 455.0 billion roubles in the previous session, the central bank said.

All figures are in billions of roubles

BALANCES	May 27	May 26
Total	475.5	455.0
Moscow region	317.1	298.6
Banks' deposits at the central bank	650.3	659.4

## Social front

## **Poland**

### **In Poland, floods threaten political consequences-May 25, 2010**

<http://www.globalpost.com/dispatch/poland/100524/vistula-river-flood-natural-disaster-news>

WARSAW, Poland — Bridges across the Vistula River, which runs through the heart of Warsaw, were packed Saturday with sightseers coming to get a look at the most serious flood in more than a century, part of a widespread natural disaster that has inundated parts of the south of Poland and is now moving north.

### **Pawlak: “iPads a must for every student”-27.05.2010**

[http://www.thenews.pl/national/artykul132406\\_pawlak-ipads-a-must-for-every-student.html](http://www.thenews.pl/national/artykul132406_pawlak-ipads-a-must-for-every-student.html)

Deputy PM and presidential hopeful, Waldemar Pawlak is continuing his campaign trail by promoting new technologies for pupils and students across Poland. “Every student should have a tablet [computer] instead of a satchels [full of books], best run with open source programs, of course,” Pawlak told the Rzeczpospolita daily. “I think it’s a closer perspective than we imagine,” Pawlak muses, adding that “the cost of such a device is not that expensive compared to three years’ worth of books at elementary school.” The presidential hopeful himself owns an iPad, and wants every child in Poland to be issued with one. “During the course of one [presidential] term it could be possible,” Pawlak told Rzeczpospolita. With low ratings in the polls, the presidential hopeful from the Polish Peasant's Party (PSL) is advocating more than just new technologies in the classroom and lecture hall.

### **UK sees shift in migration trend-27 May 2010**

[http://news.bbc.co.uk/2/hi/uk\\_news/10174019.stm](http://news.bbc.co.uk/2/hi/uk_news/10174019.stm)

E-mail this to a friendPrintable version Many Polish migrants to the UK have returned home More European migrants, from countries including Poland and the Czech Republic, are leaving the UK than arriving, Home Office figures show. It marks a reversal in movement for the first time since large-scale immigration in Europe began. In all, there were 45,000 arrivals of A8 nationals in 2009, compared with 57,000 departures. A8, or accession eight, refers to the central and eastern European countries that acceded to the EU in 2004. They comprise Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary and Slovenia.

## **Czech Republic**

### **FACTBOX - Colourful facts about the Czech Republic**

[http://thestar.com.my/news/story.asp?file=/2010/5/29/worldupdates/2010-05-28T215657Z\\_01\\_NOOTR\\_RTRMDNC\\_0\\_-488918-1&sec=Worldupdates](http://thestar.com.my/news/story.asp?file=/2010/5/29/worldupdates/2010-05-28T215657Z_01_NOOTR_RTRMDNC_0_-488918-1&sec=Worldupdates)

REUTERS - The Czech Republic holds parliamentary elections on Friday and Saturday to install a new administration with a full political mandate after a year of caretaker

government. Following are some facts you may not know about the Czech Republic, a landlocked country in central Europe, comprising the historical lands of Bohemia, Moravia and parts of Silesia.

\* The Czechs are considered to be one of the most atheistic nations in the world, along with the Estonians and Swedes. A 2006 poll showed 34 percent of Czechs belonged to a religion and only 12 percent attended services once a month or more.

\* There is a strong beer culture in the Czech Republic. Czechs meet in pubs and beer gardens after work to chat with friends, and beer is often served automatically, without waiters even asking for an order. Czechs drink a world-leading 160 litres per capita each year, nearly all of it lager.

\* Fourteen percent of households own weekend houses, the highest proportion in Europe. Most city-dwelling Czechs have access to these countryside cottages, which range from small cabins to houses large enough to host several generations of a family during summer holidays.

The tradition dates to the 1920s but peaked during hardline communist rule in the 1970s in what was seen as an effort by the regime to allow privacy through private ownership because people could not take part in politics or travel abroad.

\* Czech chemist and inventor Otto Wichterle invented contact lenses. Olympic runner Emil Zatopek, fashion model Eva Herzigova, tennis players Ivan Lendl and Martina Navratilova are also Czechs. So is Milos Forman, director of Oscar-winning movies *Amadeus* and *One Flew Over the Cuckoo's Nest*, and writer Milan Kundera.

Others who were born in the country include automotive engineer Ferdinand Porsche, writer Franz Kafka and the founder of psychoanalysis, Sigmund Freud -- all of them from the German-speaking minority.

\* Germans were for centuries a significant minority in the Czech lands, until nearly all --- about 3 million -- were expelled after World War Two, and their property confiscated, as a retribution for Nazi occupation.

\* The name for the U.S. currency, "the dollar", came from the Czech "tolar", a silver coin minted in Bohemia in the 16th century.

Other words that were originally Czech include "robot", a derivation of an old Czech word for "work" which first appeared in Karel Capek's science fiction drama *R.U.R.*

\* Many Czechs get up at around 5 a.m. on weekends to pick mushrooms in the forest. The idea is to get to the woods before everyone else and find the most porcini, chanterelles and other edible mushrooms, which are fried or cooked in soups and sauces.

\* The town of Jachymov in the northwest of the country was the first place in the world to mine the radioactive uranium ore. The Communists built forced labour camps around the mines and forced political foes and criminals to work there under horrible conditions in the 1950s.

## **Hungary**

## **Germany, Denmark Czech Republic, the Netherlands, Austria and Croatia offer 2.12Million sand bags to Hungary to cope with floods**

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/622&format=HTML&age d=0&language=EN&guiLanguage=en>

As a response to the Hungarian activation of the EU Civil protection mechanism, Germany has offered yesterday this afternoon 1 270 010 sand bags to increase its flood containment capacity of the country. The Czech Republic has offered 100 000 additional sand bags, the same amount offered by the Netherlands and Croatia Austria has offered 250 000 and last but not least, Denmark also offered 300.000 additional bags. The combined offers of these five countries(2.12 Million bags) go beyond the to 2 million sand bags that Hungary requested on 25 May when it activated the EU Civil Protection Mechanism. At this point in time, the Hungarian authorities have already accepted the offer of the Netherlands and are considering the others. Since 15 May, the country has put in place temporary flood protection measures along 930 km of river banks. With over 3.6 million sandbags already in use as temporary protection, Hungary is facing shortages. As the flood situation is worsening, the country urgently needs to strengthen its flood containment capacity and put in place additional temporary protection.

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

#### **Ukraine**

#### **U.S. court orders Russian detainee freed from Guantánamo**

<http://www.miamiherald.com/2010/05/14/1628663/us-court-orders-russian-detainee.html>

In the latest defeat for the U.S. government in Guantánamo cases, a federal court ruled that a Russian detainee captured in 2002 must be freed. A federal court on Thursday ordered the Pentagon to set free from Guantánamo a former Russian Army ballet dancer turned devout Muslim whose plight captured the imagination of a Massachusetts college town. Judge Henry Kennedy Jr. ordered the Obama administration to take "all necessary and appropriate diplomatic steps . . . forthwith" to release Ravil Mingazov, 42, an ethnic Tartar who was captured in Pakistan in 2002 and turned over to U.S. forces. Thursday's midday ruling raised to 35 the number of Guantánamo detention cases the U.S. government has lost since the U.S. Supreme Court ruled two years ago that the war-on-terror captives can sue for their freedom in federal courts.

#### **Russia, EU ready to wave visa regime-27 May 2010-FOCUS News Agency**

<http://www.focus-fen.net/?id=n220917>

Moscow. Russian Justice Minister Alexander Kononov said on Wednesday that Russia and the European Union (EU) expressed their readiness to gradually wave a visa regime, Xinhua News Agency informed. "During the two-day session, we adopted a final document, where we have expressed our readiness to continue a constructive dialogue on freedom, security and justice," Kononov said after the 12th session of the Russia-EU Permanent Partnership Council on Freedom, Security and Justice.

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

### **Estonia**

#### **Estonia's unemployment rate hits record high in Q1**

<http://www.iii.co.uk/news/?type=afxnews&articleid=7893408&subject=economic&action=article>

TALLINN, May 14 (Reuters) - Estonia's unemployment rate leapt to an all-time high of 19.8 percent in the first quarter from 15.5 percent in the previous quarter, the statistics office said on Friday. Estonia, on line to join the euro zone from Jan. 1, 2011 after a positive recommendation for membership by the European Commission, has been mired deep recession since 2008 with gross domestic product (GDP) contracting by average annual 14.1 percent in 2009.

### **Latvia**

#### **Latvia accuses Russia of meddling in war crimes trial-May 17, 2010**

[http://www.monstersandcritics.com/news/europe/news/article\\_1556317.php/Latvia-accuses-Russia-of-meddling-in-war-crimes-trial](http://www.monstersandcritics.com/news/europe/news/article_1556317.php/Latvia-accuses-Russia-of-meddling-in-war-crimes-trial)

Riga - Latvia's relations with neighboring Russia came under strain Monday after the Latvian government accused Russia of attempting to influence the European Court of Human Rights (ECHR), following a decision on a controversial war crimes trial. A statement by the Latvian foreign ministry said it 'strongly condemns attempts by representatives of the Russian Federation to exercise pressure on the European Court of Human Rights.' A number of attempts to influence proceedings were made during the case of Kononov versus Latvia at the ECHR 'at the time when judges were deliberating,' the ministry alleged. It also called for condemnation of Russia's actions at the Council of Europe and said the 'dangerous trend' should lead to reform of the court's working methods. Earlier Monday the court found against Vasiliy Kononov, an 87-year-old former 'Red partisan' who took part in the killing of nine villagers near the Latvian-Belarusian border in 1944 and who Latvia later convicted of war crimes. Born in independent Latvia in 1923, Kononov was awarded Russian citizenship in 2000 and took Latvia to court alleging that his actions as a combatant had not been illegal under international law.

#### **Neo: The hacker who tweeted bankers' pay details-05/18/10**

<http://www.fsteurope.com/news/latvian-hacker-neo-arrested/>

For months in Latvia, bankers have had a enemy; it's not been the economic recession or the Icelandic volcano, but a hacker called Neo who has been leaking information on bankers and establishments who 'cashed in' during the recession. Using the likes of Twitter, the hacker called Neo has been revealing the finances of leading Latvia firms, including pay details of managers from a Latvian bank that received a bail-out, but didn't take the salary cuts they promised to. Other leaks have shown state-owned companies awarding bonuses to staff while asking the government for financial aid. Neo, who claims to be a member of the People's Army of the

Fourth Awakening, has been embraced as a cult hero in the country and dubbed a 'virtual Robin Hood'.