

**Report No.133**

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

**EUROPEAN UNION, CENTRAL AND EASTERN EUROPE**

**INCLUDING RUSSIA AND BALTIC STATES**

**Weekly report 14<sup>th</sup> Aug to 21<sup>th</sup> Aug 2010**

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<b>About Sources and Region</b>	<b>2</b>
<b>Headlines</b>	<b>3</b>
<b>Brief Report Summary</b>	<b>7</b>
• <b>Geo-strategic Front</b>	<b>12</b>
• <b>Financial and Economic Front</b>	<b>16</b>
• <b>Socio-cultural Front</b>	<b>17</b>
• <b>Cyber News</b>	
<b>Detailed report</b>	<b>17</b>
<b>EUROPEAN UNION</b>	<b>18</b>
<b>CENTRAL EUROPE (POLAND, CZECH, SLOVAKIA &amp; HUNGARY)</b>	<b>17</b>
• <b>Poland</b>	<b>17</b>
• <b>Czech Republic</b>	<b>20</b>
• <b>Slovakia</b>	<b>22</b>
• <b>Hungary</b>	<b>23</b>
<b>EASTERN EUROPE (BELARUS AND UKRAINE)</b>	<b>25</b>
• <b>Belarus</b>	<b>25</b>
• <b>Ukraine</b>	<b>26</b>
<b>BALTIC STATES (ESTONIA, LATVIA &amp; LITHUANIA)</b>	<b>28</b>
• <b>Estonia</b>	<b>28</b>
• <b>Latvia</b>	<b>30</b>
• <b>Lithuania</b>	<b>31</b>
<b>Russia</b>	<b>32</b>

### (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).

### (About European Union)

EU is consisted upon 27 member states and governed by seven following institutions: the European Parliament, the European Council, the Council of the European Union (the Council of Heads of member states); the European Commission, the Court of Justice of the European Union, the European Central Bank and the Court of Auditors. Most of these institutions were created with the establishment of the European Coal and Steel Community (ECSC) in the 1950s.



**Key words for headings (in the Report Summary): -**

***EU-Geo-strategic front- Geo-strategic Front-Financial and Economic Front-Social Front - Cyber news-Central & Europe-Eastern Europe-Baltic States-Russia***

## **Headlines**

### **European Union**

- Nine European Union member states are seeking to alter EU's public debt calculation procedure
- EU fines Poland for poor waste disposal
- European Commission calls for saving time and money in cross-border legal disputes through mediation

### **Poland**

- President breaks off holiday for Polish-Lithuanian talks-20.08.2010
- Polish diplomats instructed to defend EU cohesion-19.08.2010
- The government is preparing a package of reforms to offset next year's envisaged excessive budget burden.
- Tough Break for Polish Privatization Minister
- Polish GDP rose estimated 3.1 per cent in second quarter
- IT Market in Poland 2010
- Floods hit Germany, Poland and Czech Republic
- Poland sees \$9 bln boost from Euro 2012
- Poland's cross wars revive debate on role of church

### **Czech Republic**

- Czech youth group protests U.S. military facility
- Merkel urges, "Look to future," after meeting Czech premier
- Czech PM defends proposed EU accounting changes
- Czech Bond Yield Falls to Record Low at Auction on Cabinet Deficit Pledge
- Czech economy grows 2.2 per cent in second quarter
- Czech Corruption Fight Gets Sidetracked, Already.

### **Slovakia**

- NATO sends cargo aircraft to Pakistan with relief goods donated by Slovakia
- Seeking new partners amid rising criticism, Israel deepens ties with Slovakia
- Brussels vs. Bratislava
- Slovakia doesn't want to pay for Greece's bailout
- Slovakia turns to FT for comfort over Greek bailout
- East Europe economies show mixed performance

## **Hungary**

- Two-Tailed Dog Livens up Hungary's Election
- Hungary, Poland, Eight EU States Seek Change in Debt Calculation; Germany Skeptical
- Transparency International Concerned About Hungary.
- Hungary's Defiance of IMF and European Authorities Scares the Guardians of Austerity in Europe
- N.Korea Asked Hungary to Write Off Debt
- Hungary Regulator Defends New Media Setup.

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

### **Belarus**

- Lukashenko Says Russia Meddling
- Medvedev: Belarus to chair post-Soviet military bloc from December
- Russia: OSCE only effective tool in settling Karabakh conflict
- Belarus and Russia coordinate railfreight traffic with Poland 15. August 2010
- Belarus - Harassment of media grows in run-up to presidential election

### **Ukraine**

- GUUAM Summit in Chisinau Focuses on Separatism, Regional Cooperation
- Ukraine's Next VAT Bonds Will Exceed \$1.65 Billion, Finance Ministry Says
- Ukraine to limit grain exports due to drought Wednesday, 18 August 2010 04:08

- Kiev looks to domestic oil and gas
- Ukraine's GDP grows 6% in second quarter, August 17
- Ukraine media targeted as hackers hit TV channel

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

### **Estonia**

- European Commission calls for saving time and money in cross-border legal disputes through mediation
- Trouble for the Euro? Not In Estonia
- Unemployment concerns-Fri, Aug 20

### **Latvia/Lithuania**

- World Bank Group President Zoellick Visits Latvia to Discuss Support During Global Economic Hard Times
- IMF provides another loan tranche of 105, 8 million Euros to Latvia
- Latvian president calls for establishing new types of relations with RF
- Latvia reports weak second quarter output .
- GDP figures indicate sign of recovery in recession-hit Latvia
- Lithuanian Ruling Party's MPs to arrive in Azerbaijan

### **Russia**

- Split views about Iran's nuclear reactor
- Iran hopes Russia's next step be delivery of S-300 missiles system: MP
- Russian-led bloc undecided on aid for Kyrgyzstan
- Middle East Quartet on Palestinian-Israeli peace-August 21,
- Netanyahu welcomes direct Mideast talks
- Armenian-Russian cooperation secures stability in South Caucasus

- Russia extends military presence in ArmeniaPublished on 20 August 2010 - 10:33am
- The Sochi Summit
- Kaliningrad protest calls for Putin's resignation-August 22, 2010
- Russia 'has no plans to import grain this year'
- Russia builds a wheat wall-AP
- Russia's economic growth lowest among BRIC: report
- Russian Prime Minister Putin fires the head of the forestry agency after Russian fires
- Medvedev urges to draw lessons from fire situation in Russia

### **Chechnya**

- All cafes ordered shut in Chechnya during Ramadan- Reuters
- Women without headscarves targeted in Muslim Chechnya-By REUTERS

### **Caucasian states**

- Suicide bomb and cafe blast rock Russia's Caucasus
- Dagestan Plans Anti-Terror Units, Worrying Locals-15 August 2010
- Governor or Imam? Regional Bosses Seek a Title
- Split emerges in Caucasus Emirate militant groups-17 August 2010

## **Report Summary**

### **Geo-strategic Front**

#### **European Union**

Nine European Union member states, including Poland and Hungary, are seeking to alter the way their public debt is calculated, saying the current method is a “strong disincentive” for pension reforms. The nine countries’ finance ministers told the European Commission and EU President Herman Van Rompuy in a letter that the bloc’s members should be allowed to account for the cost of overhauling their pension systems. The Czech Republic, Romania, Slovakia, Bulgaria, Lithuania, Latvia and Sweden also signed the letter.

When Poland joined the EU in 2004, the country declared that rubbish and waste would be better managed and disposed of. In 2010, the amount of waste ending up on the rubbish tip

was to be reduced by 25 percent, however that number barely reaches 8 percent. The European Union is currently charging 40,000 euro per day for ineffective waste management and disposal. If the situation does not change until the end of 2010, Poland will have to pay around 7 million zloty (1.8 million euro) in fines

The European Commission today reiterated the potential of existing EU-rules on mediation in cross-border legal disputes, reminding Member States that these measures can only be effective if put in place by Member States at national level. Settling disputes and disagreements through court is not only costly and time-consuming but it can also destroy profitable business relationships. Cross-border cases are more complex due to different national laws and jurisdictions as well as practical matters like cost and language. Alternative dispute resolution (ADR) through impartial mediators can address these problems and build constructive solutions.

## **Poland**

President Bronislaw Komorowski had an unofficial meeting with his Lithuanian counterpart Dalia Grybauskaite in NIDA on Thursday while on holiday in the Baltic country. They discussed bilateral relations, the situation of national minorities in Poland and Lithuania and common foreign policy priorities. They agreed on the need to coordinate the implementation of priorities in security and defense matters particularly in the context of NATO's collective defense strategies.

At the time when EU is going to discuss its €1 trillion 2014-to-2020 budget, Warsaw has set out its strategy for protecting the bloc's Cohesion Policy. The Cohesion Policy is a "promoter of integration" and "contributes to the growth potential and global competitiveness of all European regions". Poland is the largest beneficiary of Cohesion Policy that has enabled Poland to receive €67 billion of EU money in the 2007 to 2013 period.

The broad reform package prepared by the government of Donald Tusk is to cover amendments to anti-corruption and lobbying legislation as well as that on responsibility for public finance discipline. A considerable part of the planned cuts in funding will embrace the public administration sector.

## **Czech Republic**

The Communist Youth Union (KSM) sharply rejects the intention of the Czech Republic's government to place a U.S. early-warning system component, U.S. military radar center to collect and process the system's data. Approximately 70 percent of the citizens have rejected the government's intention to place another component of the mentioned system. Some 200,000 of them expressed their resistance with their signatures under the KSM. But the government of the Czech Republic still continued secret negotiations on the placement of such U.S. military facility.

A first visit to Berlin by the new Czech Prime Minister, Petr Necas, will help normalizing relations between the two neighbors that have been dogged by decades of friction over the expulsion of ethnic Germans from areas such as the Sudetenland after the end of the Second World War.

The Czech Republic and eight other EU countries have asked the European Commission to consider reviewing its accounting rules and treatment of pension reform costs because these were inflating their budget shortfalls despite creating longer-term benefits.

## **Slovakia**

A Trainer Cargo Aircraft of the NATO Airborne Early Warning and Control Force will transport relief goods donated by the Republic of Slovakia on Sunday will conduct a humanitarian relief mission to Pakistan in support of the flood humanitarian efforts in that country.

In the wake of Israel's May 31 assault on the Gaza flotilla, Israel has increased its search for new international partners. The assault, which led to international condemnation, resulted in the deaths of eight Turks and an American citizen. Slovak President Ivan Gasparovic has received Israel's new Ambassador Alexander Ben-Zvi and declared, "With Israel's representatives we don't talk much about mutual relations, as they are very good, we focus more on international policy and the Mideast peace process,".

## **Hungary**

A two-tailed cartoon dog offering free beer and eternal life has galvanized Hungary's latest election campaign. The dog is the symbol of a party that has grown out of Hungary's rock-bottom regard for its politicians as the country lurches from one crisis to another. Founded as a street-art spoof in 2004, the TTDP now has entered the political arena

Since the new Hungarian government took the helm in May, the Hungarian arm of whistle-blower Transparency International has voiced numerous concerns over the cabinet's legislative practice and staffing policies. The organization warned against the nomination of Miklos Juhasz as president of Hungary's Competition Office. Mr. Juhasz was fined in 1999 by the Hungarian financial market authority. The organization also raised concerns over transparency in state-owned enterprises.

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

### **Belarus**

Belarusian President Alexander Lukashenko accused Russian authorities of putting pressure on him ahead of a bid to seek re-election and blamed them for his failure to recognize Georgia's separatist regions as independent states, The United States and European Union have

criticized Belarus for not holding free or fair elections since Lukashenko came to power in 1994. The veteran leader, last re-elected in 2006, plans to seek another term within the next six months.

Belarus will take over the chair of the Collective Security Treaty Organization (CSTO) in December, Russian President Dmitry Medvedev said on Friday. The president of Belarus has expressed his readiness to take it on.

## **Ukraine**

The presidents of Georgia, Ukraine, Azerbaijan, and Moldova gathered April 22 in the Moldovan capital of Chisinau for a summit of the regional grouping GUUAM (Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova). It's the group's first gathering since "velvet revolutions" brought pro-Western leaders to office in Georgia and Ukraine, and Moldova shifted its foreign policy priorities toward the West. EU and NATO expansion have also altered the European political landscape. The gathering focused on separatism, regional cooperation, and promoting GUUAM's geopolitical profile.

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

### **Estonia**

The European Commission today reiterated the potential of existing EU-rules on mediation in cross-border legal disputes, reminding Member States that these measures can only be effective if put in place by Member States at national level. Settling disputes and disagreements through court is not only costly and time-consuming; it can also destroy profitable business relationships. Cross-border cases are more complex due to different national laws and jurisdictions as well as practical matters like cost and language. Alternative dispute resolution (ADR) through impartial mediators can address these problems and build constructive solutions.

### **Latvia**

World Bank Group President Robert B. Zoellick arrived in Latvia yesterday, on the third leg of a European visit to emerging markets in Europe to assess the impact of the global and economic crisis and discuss ways the World Bank can offer support

The International Monetary Fund (IMF) is providing to Latvia another loan tranche of 105.8 million euros (135.6 million US dollars). This decision was made on the results of the third review of the fulfillment of the anti-crisis economic program of the Latvian authorities pursued on agreement with the Fund. The total volume of resources provided by the IMF in support of this programme will reach as a result 1.15 billion euros (1.48 billion US dollars).

### **Russia**

On Saturday, technicians began loading low-enriched uranium fuel supplied by Russia into Iran's first civilian nuclear reactor, and if all goes smoothly, the Bushehr plant could start

producing electricity under United Nations monitoring late this year or early next. Iran began moving fuel assemblies to the plant's reactor compartment on 21 August 2010," Ayhan Evrensel, a press officer for the International Atomic Energy Agency, said in a statement Saturday

Meanwhile the Iranian lawmakers hailed Russia's move on Bushehr nuclear plant fuelling and expressed hope Russia's next step would be the delivery of S-300 missile system to Iran that the Russia has promised in 2007 to deliver to Iran but Russia delayed the delivery of the anti-aircraft missiles,

A meeting in the Armenian capital Yerevan on Friday of the Collective Security Treaty Organization, a Kremlin-led bloc of ex-Soviet republics, ended without a decision. A Russian-led security grouping failed to agree to provide military aid for Kyrgyzstan, whose interim leadership is struggling to maintain order before a landmark election in October.

The Participant of the Middle East Quartet Conference (The United Nations, the Russian Federation, the United States, and the European Union) reaffirmed their strong support for direct negotiations between the Israelis and the Palestinians to resolve all final status issues. The Quartet reaffirms its full commitment to its previous statements, including in Trieste on 26 June 2009, in New York on 24 September 2009, and its statement in Moscow on 19 March 2010, which provides that direct, bilateral negotiations that resolve all final status issues should, lead to a settlement, negotiated between the parties, that ends the occupation which began in 1967 and results in the emergence of an independent, democratic and viable Palestinian state, living side by side in peace and security with Israel and its other neighbors.

President Asif Ali Zardari has attended the Sochi Summit. With Russian President Dimitry Medvedev acting as host to the heads of state from Afghanistan, Tajikistan and Pakistan, the president projected Pakistan's case for flood relief and economic cooperation. The original focus of the summit was to coordinate methods to curb terrorism that has hit the region and to control the drug trade and human trafficking.

## **Financial and Economic Front**

### **Poland**

Poland's gross domestic product was estimated to have risen by 3.1 per cent in the second quarter. That figure, if confirmed, would be up slightly from the first quarter, when GDP rose by 3 per cent. Poland is the sole nation in the European Union to have avoided recession, and saw its GDP grow by 1.7 per cent in 2009.

Hosting the Euro 2012 soccer championship will generate some 28 billion zlotys (\$9.1 billion) for Poland's economy in additional tourist revenues and foreign investment, boosting growth.

Today's economy requires businesses to keep close tabs on market activity in order to make sound decisions and maximize profits. The latest PMR report IT Market in Poland 2010. Development forecasts for 2010-2014 provides us with very latest and most viable data and analysis on Polish IT market issues. All segments of the IT market - hardware, software and IT services - are thoroughly covered. It provides readers with a comprehensive analysis of the IT market, including reliable market development projections, complete profiles of industry leaders as well as vital information on legislation and the institutional environment in the Polish IT market.

## **Czech Republic**

The Czech government's borrowing costs dropped to an all-time low at a sale of 15-year bonds as the country's pledge to halve the size of its budget deficit and a plan to sell bonds in Euros boosted demand for its koruna debt. The government sold 8.3 billion koruna (\$432 million) more of its 5.7 percent notes due in May 2024 today. The average yield in the eighth offering of the security fell to 3.867 percent from 4.582 percent at the previous auction on June 16 and 5.798 percent when the debt was first sold in May 2009.

## **Slovakia**

Amid strong criticism from the EU for refusing to participate in the Greek bailout, Slovakia's foreign ministry has republished on its website a Financial Times commentary seen as defending the country's decision, but apparently without asking for permission. Eurozone member Slovakia decided to submit to parliament the decision on whether to provide financial aid for debt-laden Greece. Crisis-hit Greece won euro zone finance ministers' approval on 2 May to draw €110 billion in bilateral loans over the next three years from euro zone countries and the International Monetary Fund.

## **Hungary**

North Korea asked Hungary to write off more than 90 percent of its outstanding debt when the financial crisis hit in 2008, the Financial Times reported on Wednesday. Hungary agreed to cancel part of the North's debt but not 90 percent

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

### **Belarus**

The Belarusian and the Russian railway enterprises have coordinated east-west-east freight traffic, including transshipment in Belarus, with the participation of privately-licensed Polish carriers. The EU transport market has expanded recently and many new railway carriers have joined the segment.

### **Ukraine**

Ukraine's Finance Ministry will issue a second tranche of bonds, worth more than 13 billion HRYVNIA (\$1.65 billion), to reimburse value-added tax to exporters. More than 300 companies will receive the bonds "very soon." The bond issue is part of a \$15.2 billion International Monetary Fund loan program approved in July

Ukraine is set to limit wheat and barley exports to 3.5 million tons from now until the end of the year due to the impact of a severe drought. Ukraine, the world's sixth largest exporter of wheat and largest exporter of barley, has been suffering the effects of a severe drought that prompted its neighbor Russia to impose a blanket export ban

Ukraine's gross domestic product (GDP) grew by 6 percent in the second quarter of 2010 from a year earlier. According to the report, Ukraine's economy grew 3.9 percent in the second quarter of 2010 compared to the first quarter, taking into account seasonal

## **Latvia**

Latvia, which experienced the European Union's biggest recession in 2009, saw its economy continue to shrink in the second quarter of 2010, but there are signs of a tentative recovery, according data released Monday. The Latvian statistics office said that gross domestic product (GDP) in the second quarter declined by 3 per cent compared to the same period in 2009. But compared to the first quarter of 2010, GDP rose by a sizable 13.4 per cent, suggesting the worst of the recession has passed since the economy contracted by 18 per cent in 2009.

## **Russia**

Russia, hit by a record drought which has destroyed a quarter of its crops, the agriculture ministry has rejected reports that reveals the Russian strategy for the import of Grain this year. Russia, hit by a record drought which has destroyed a quarter of its crops, has no plans to import grains this year, the agriculture ministry said Friday, rejecting reports it would do so.

Russia's economic growth was the slowest among the BRIC countries, which also groups China, Brazil and India. According to Russia's statistical agency Rosstat, Russian gross domestic product (GDP) rose in the second quarter of 2010 by only 5.2 percent year-on-year, while China's GDP rose by 10.3 percent, India's by 8.9 percent and Brazil's by 11.3 percent

## **Social Front**

### **Poland**

The floods in Germany, Poland and the Czech Republic have claimed the lives of at least ten people. After heavy and persistent rain and a dam breach in Poland, the river Neisse rose rapidly last weekend causing the worst flooding since the so-called flood of the century in 2002. The German meteorological service expects further heavy rain and rising water levels in the next

few days. The current floods opened a debate that the governments of the countries affected have still not made adequate preparations for such disasters.

A crucifix set outside the presidential palace in Warsaw has turned into a shrine. It has spurred demands that the influence of the powerful Roman Catholic Church be pared back to create a more secular Poland. The Roman Catholic Church has been a focus of Polish national resistance over centuries of foreign occupation. It provided protection for the Solidarity trade union in its battles with Soviet-backed communist rule in the 1980s. After an air crash on April 10 the Churches were packed with Poles gathered to honor those who died.

### **Czech Republic**

The Czech Republic's new center-right government wanted to move forward to fulfill its election promises of fiscal responsibility and rooting out corruption in state administration and in the awarding of public contracts. The cabinet has already hit a roadblock in its anti-corruption drive. The cabinet Wednesday refused a proposal put forth by the opposition Social Democrats that would have prevented anonymously-owned companies from winning large public contracts.

### **Hungary**

The head of Hungary's consolidated media regulator Monday defended the new legal setup in the country from criticism voiced by independent observers, who say the legislative overhaul that created the new system may infringe on the freedom of the press. The government's media overhaul brought the country's broadcast regulator, national communication authority and a body responsible for frequency tenders under one umbrella, with the cabinet saying the change will increase transparency

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

#### **Belarus**

After receiving a series of information ministry warnings, two leading opposition newspapers, 'Narodnaya Volya' and 'Nasha Niva', could now be shut down under article 51 of the media law, which allows the authorities to order a closure following two warnings. Harassment of the Belarusian press has been on the upswing in the run-up to the presidential election that has been scheduled for next spring.

#### **Ukraine**

Computer hackers have attacked the website of Ukraine's top independent television channel, as pressure on independent media in the former Soviet republic. The hackers struck on Tuesday, knocking out the website operated by Channel 5 television, Ukraine's leading news channel and one of the former Soviet republic's few media offering unbiased information. Channel 5 engineers working around the clock had restored service by early Thursday.

## **Chechnya**

The spiritual leader of the Muslim region of Chechnya has ordered that eateries shut down completely for the month of Ramadan. He also ordered Muslim women to cover their heads with headscarves during Ramadan. Many fear that growing interest in radical Islam could fuel separatism in the volatile North Caucasus region where rebels are fighting to create a pan-Caucasus state governed by Islamic SHARIA LAW.

## **Caucasian states**

A blast rocked a cafe in Russia's North Caucasus and a suicide bomber killed a policeman on Tuesday. The attacks in the majority-Christian regions of Stavropol and North Ossetia highlight the insurgency's recent trend to spill over from the traditional epicenter of violence in the mainly Muslim regions of Dagestan, Ingushetia and Chechnya.

Russia has 83 regions, but not every regional boss enjoys the same title. Every region has a separate title like the "governor," the "president, the mayor, the government chairman or simply "head." Several regional leaders announced to change their titles. Chechen President Ramzan Kadyrov along with two North Caucasus republics has already changed their leaders' titles in recent years. In 2005, North Ossetia renamed its president as head of the republic, while Dagestan in 2006 introduced the title of president.

Analysts said the title initiative appeared to be a show of loyalty to the Kremlin and expressed bemusement that it had come from Kadyrov, who has amassed more power than any other regional leader since assuming office in 2007.

The split emerged following confusion over the future of Caucasus Emirate leader Dokka Umarov (alias Abu Usman). It initially appeared from a video released on 1 August that Umarov was standing down from his position, to be replaced by Chechen field commander Aslanbek Vadalov. However, it now appears that this video was not intended for public release and was instead aimed at canvassing the opinion of the Emirate's field commanders regarding a possible leadership change.

## **Detailed Report**

### **European Union**

#### **Geo-strategic Front**

##### **EU fines Poland for poor waste disposal**

When Poland joined the EU in 2004, the country declared that rubbish and waste would be better managed and disposed of, resulting in less trash ending up in landfills across the country. In 2010, the amount of waste ending up on the rubbish tip was to be reduced by 25 percent, however that number barely reaches 8 percent. The European Union is currently charging 40,000 euro per day for ineffective waste management and disposal. If the situation does not change until the end of 2010, Poland will have to pay around 7 million zloty (1.8 million euro) in fines

## **European Commission calls for saving time and money in cross-border legal disputes through mediation**

The European Commission today reiterated the potential of existing EU-rules on mediation in cross-border legal disputes, reminding Member States that these measures can only be effective if put in place by Member States at national level. Settling disputes and disagreements through court is not only costly and time-consuming, it can also destroy profitable business relationships. Cross-border cases are more complex due to different national laws and jurisdictions as well as practical matters like cost and language. Alternative dispute resolution (ADR) through impartial mediators can address these problems and build constructive solutions. But it needs skilled mediators and clear rules that both parties can trust. Cross-border mediation is trickier, as it needs to span different business cultures and both sides need common rules they can rely on. That is why EU rules on mediation entered into force in May 2008, and have to be in place by May 2011. They create legal guarantees to mediation and ensure a high-quality process by applying codes of conduct or mediator training. So far, four countries (Estonia, France, Italy and Portugal) have informed the Commission that they have implemented the EU-rules on mediation in national legislation.

### **Poland**

#### **Geo-strategic Front**

##### **President breaks off holiday for Polish-Lithuanian talks-20.08.2010**

President Bronislaw Komorowski had an unofficial meeting with his Lithuanian counterpart Dalia Grybauskaitė in Nida on the coast on Thursday while on holiday in the Baltic country. They discussed bilateral relations, the situation of national minorities in Poland and Lithuania and common foreign policy priorities. The meeting took place yesterday, during Mr Komorowski's holiday in Lithuania. A communiqué on the website of the Presidential Chancellery says that the two presidents pledged to continue the strategic projects in the fields of transportation and energy and agreed on the need to coordinate the implementation of priorities in security and defense, particularly in the context of NATO's collective defense and the new challenges facing NATO.

##### **Polish diplomats instructed to defend EU cohesion-19.08.2010**

EUOBSERVER / BRUSSELS - With the EU fast approaching talks on its €1 trillion 2014-to-2020 budget, Warsaw has set out its strategy for protecting the bloc's Cohesion Policy, the golden goose of subsidies that put Poland in line to receive €67 billion of EU money in the 2007 to 2013 period. The 12-page strategy paper, entitled "Position of the Polish government on the Cohesion Policy after 2013," was approved by an internal unit of the foreign ministry on 30 July and is to serve as a blueprint for Polish negotiators in Brussels. Poland is the largest beneficiary of Cohesion Policy, but the budget line also has an ideological value. The document, obtained by

Polish daily Gazeta Wyborcza and seen by EUobserver, spells out the political logic for keeping the policy intact in the coming years. The Cohesion Policy is a "promoter of integration" and "contributes to the growth potential and global competitiveness of all European regions" at a time when "the EU is going through a difficult financial and economic period, which is impacting its political unity

### **The government is preparing a package of reforms to offset next year's envisaged excessive budget burden.**

A considerable part of the planned cuts in funding will embrace the public administration sector. Equal importance has been assigned to a separate health package to make NHS operations more effective and patient friendly. Another aspect of the broad reform package prepared by the government of Donald Tusk is to cover amendments to anti-corruption and lobbying legislation as well as that on responsibility for public finance discipline.

## **Poland**

### **Financial and Economic Front**

#### **Tough Break for Polish Privatization Minister**

When Poland's Treasury Minister Aleksander Grad returns from his well-deserved summer vacation on Monday, he may find confirmation of the truism that no good deed goes unpunished. In late July, while Mr. Grad was kicking back, Prime Minister Donald Tusk gathered together his other ministers to thrash out a four-year financial plan for the country, setting an ambitious privatization target Mr. Grad hadn't previously expected. Among other things, the plan envisages Poland's 2011 budget deficit at 45 billion zlotys (\$14.5 billion), which will be down from the 52.2 billion zlotys expected this year, but not diverging from the habit of successive Polish governments to spend more than they collected in taxes every year for the past two decades

#### **Polish GDP rose estimated 3.1 per cent in second quarter**

Warsaw - Poland's gross domestic product was estimated to have risen by 3.1 per cent in the second quarter, top government aide Michal Boni told the daily Gazeta Prawna Wednesday. That figure, if confirmed, would be up slightly from the first quarter, when GDP rose by 3 per cent. Poland is the sole nation in the European Union to have avoided recession, and saw its GDP grow by 1.7 per cent in 2009

### **IT Market in Poland 2010**

KRAKOW, POLAND, August 18, 2010 /24-7PressRelease/ -- However last year hardware distributors recorded significant reduction in the number of orders placed, especially by business customers, software and IT services providers performed far better. A majority of them had similar sales as in previous periods, while some even improved their sales results, as if going

against the global trends caused by the crisis. Some cost cutting solutions, more effective planning and budgeting, IT outsourcing and on-line access to software gained popularity during the economic slowdown.

Today's economy requires businesses to keep close tabs on market activity in order to make sound decisions and maximize profits. If you're looking for the very latest and most viable data and analysis on Polish IT market issues, you should read the latest PMR report IT Market in Poland 2010. Development forecasts for 2010-2014. IT Market in Poland 2010. Development forecasts for 2010-2014 provides readers with a comprehensive analysis of the IT market, including reliable market development projections, complete profiles of industry leaders as well as vital information on legislation and the institutional environment in the Polish IT market. All segments of the IT market - hardware, software and IT services - are thoroughly covered. Results of the survey carried out among the 200 largest companies active in the Polish IT market allow readers to learn market leaders' opinions on topics such as the impact of the crisis, potential obstacles to market success and possible new market entries. Plan in accordance with forecasts developed using current macroeconomic indicators, sales figures and development statistics. Strengthen your strategy with a thorough knowledge of market size and structure, and learn from the competition by examining complete profiles of industry leaders

## **Poland**

### **Social Front**

#### **Floods hit Germany, Poland and Czech Republic**

The floods in Germany, Poland and the Czech Republic have claimed the lives of at least ten people. In the Czech Republic and Poland, people are still missing. In many places the damage runs into millions, while the total is not yet known. After heavy and persistent rain and a dam breach in Poland, the river Neisse rose rapidly last weekend causing the worst flooding since the so-called flood of the century in 2002. Numerous other rivers and streams have also broken their banks. The areas worst affected by the flooding include the cities of Görlitz and Zittau in Germany and Bogatynia in Poland. Although water levels have been falling since the end of last week, and the clean-up work has been partially completed, further flooding is still possible along the Spree and Neisse. The German meteorological service expects further heavy rain and rising water levels in the next few days. Following the disasters in recent years, the current floods show that the governments of the countries affected have still not made adequate preparations for such events, not to mention establishing a system of cross-border cooperation

#### **Poland sees \$9 bln boost from Euro 2012**

WARSAW (Reuters) - Hosting the Euro 2012 soccer championship will generate some 28 billion zlotys (\$9.1 billion) for Poland's economy in additional tourist revenues and foreign investment, boosting growth, the sports minister said on Friday.

## **Poland's cross wars revive debate on role of church**

WARSAW (Reuters) - A simple wooden cross honouring victims of a plane crash that killed Poland's president in April has spurred demands that the influence of the powerful Roman Catholic Church be pared back to forge a more secular Poland. The Roman Catholic Church was a focus of Polish national resistance over centuries of foreign occupation. Most recently, it provided protection for the Solidarity trade union in its battles with Soviet-backed communist rule in the 1980s. Churches were packed after an air crash on April 10 killed conservative President Lech Kaczynski and 95 other people, mostly senior state figures. Many Poles gathered spontaneously to honour, and often pray for, those who died. A scout group set a crucifix outside the presidential palace in Warsaw, which turned into a shrine for the victims. Four months later, the three-metre-high cross is still there, festooned with candles and flowers despite attempts by the state and some clergy to move it to a nearby church. The "cross defenders" stood their ground, squabbling with police. The cross debate reflects political divisions. It has become a rallying point for radical rightists backed by the main opposition, the nationalist Law and Justice (PiS) party led by Kaczynski's twin brother, Jaroslaw

## **Czech Republic**

### **Geo-strategic Front**

#### **Czech youth group protests U.S. military facility**

The following statement was issued by the Communist Youth Union (KSM) of the Czech Republic on Aug. 3 regarding the Czech government's intention to place a U.S. early-warning system in their country. It illustrates both the continuing aggressive role of the U.S. and NATO in Eastern Europe and the existence of progressive forces in that region that are resisting renewed imperialist domination. The translated statement has been edited for clarity. The Communist Youth Union (KSM) sharply rejects the intention of the Czech Republic's government to place on our territory a U.S. early-warning system component — a center to collect and process the system's data. Approximately 70 percent of the citizens have rejected the government's intention to place another component of the mentioned system — a U.S. military radar — in the Czech Republic. Some 200,000 of them expressed their resistance with their signatures under the KSM petition along with tens of thousands of signatures under the petitions of other initiatives. After all this, the government of the Czech Republic still continued secret negotiations on the placement of the U.S. military facility on our territory behind the public's back

#### **Merkel urges, "Look to future," after meeting Czech premier**

Berlin - Germany and the Czech Republic have to 'look to the future,' German Chancellor Angela Merkel said Thursday during a first visit to Berlin by the new Czech prime minister, Petr Necas. Relations between the two neighbours have been dogged by decades of friction over the

expulsion of ethnic Germans from areas such as the Sudetenland after the end of the Second World War

### **Czech PM defends proposed EU accounting changes**

BERLIN, Aug 19 (Reuters) - Changing the European Union's Stability and Growth Pact in a way that would cut some countries' deficit and debt levels would not weaken the bloc's budget rules, Czech Prime Minister Petr Necas said on Thursday. The Czech Republic and eight other EU countries have asked the European Commission to consider reviewing its accounting rules and treatment of pension reform costs, arguing in an Aug 6 letter, that these were inflating their budget shortfalls despite creating longer-term benefits

### **Czech Republic**

#### **Financial and Economic front**

##### **Czech Bond Yield Falls to Record Low at Auction on Cabinet Deficit Pledge**

The Czech government's borrowing costs dropped to an all-time low at a sale of 15-year bonds as the country's pledge to halve the size of its budget deficit and a plan to sell bonds in euros boosted demand for its koruna debt. The government sold 8.3 billion koruna (\$432 million) more of its 5.7 percent notes due in May 2024 today, the central bank said on its Bloomberg page. The average yield in the eighth offering of the security fell to 3.867 percent from 4.582 percent at the previous auction on June 16 and 5.798 percent when the debt was first sold in May 2009

##### **Czech economy grows 2.2 per cent in second quarter**

Prague - The Czech Republic's economy grew 2.2 per cent year-on-year in the second quarter of 2010, according to the Czech Statistics Office's preliminary estimate released Friday.

### **Czech Republic**

#### **Social Front**

##### **Czech Corruption Fight Gets Sidetracked, Already.**

The Czech Republic's new center-right government was elected in late May and sworn in last month on promises of fiscal responsibility and rooting out corruption in state administration and in the awarding of public contracts. The cabinet is moving full steam ahead on budget cuts, but has already hit a roadblock in its anti-corruption drive. The cabinet Wednesday refused a proposal put forth by the opposition Social Democrats that would have prevented anonymously-owned companies from winning large public contracts. The problem now is that the governing coalition says making bearer shares illegal goes against European Union law, and so they are forced to reject any such proposal.

## **Slovakia**

### **Geo-strategic Front**

#### **NATO sends cargo aircraft to Pakistan with relief goods donated by Slovakia**

August 20, Brussels : In response to a request by the Government of Pakistan, the North Atlantic Council on Friday decided to provide airlift and sealift for the delivery of aid donated by nations and humanitarian relief organizations, NATO said. A Trainer Cargo Aircraft of the NATO Airborne Early Warning and Control Force will transport relief goods donated by the Republic of Slovakia on Sunday will conduct a humanitarian relief mission to Pakistan in support of the flood humanitarian efforts in that country.

#### **Seeking new partners amid rising criticism, Israel deepens ties with Slovakia**

BRATISLAVA, Slovakia, Aug. 19 (UPI) -- In the wake of Israel's May 31 assault on the Gaza flotilla, Israel has increased its search for new international partners. The assault, which led to international condemnation, resulted in the deaths of eight Turks and an American citizen. Slovak President Ivan Gasparovic has received Israel's new Ambassador Alexander Ben-Zvi and declared, "With Israel's representatives we don't talk much about mutual relations, as they are very good, we focus more on international policy and the Mideast peace process," Tlacova Agentura Slovenskej Republiky reported Thursday

### **Brussels vs. Bratislava**

#### **Slovakia doesn't want to pay for Greece's bailout**

Slovakia, the newest and poorest country in the euro zone, has a GDP per capita of \$17,044.19. Greece, a charter member of the euro zone and now its most notorious beggar, has per capita GDP of \$29,059.64. Last week, Slovakia's new center-right government voted to pull out of Team Greek Bailout. For this perfectly sensible decision, it is now being scolded by the Brussels bureaucracy for lacking appropriate respect for "European solidarity." Slovakia was lined up to pay a little more than €800 million of the €80 billion package—not exactly pocket change for such a small country. But this seemed nonsensical to newly elected Prime Minister Iveta Radicova. Slovakia's participation in the EU and IMF rescue package was voted down by 69 votes to 2. Newly reinstated Finance Minister Ivan Miklos (named top business reformer by the World Bank's 2004 "Doing Business Report") has a plan for austerity, and expects to cut the country's budget deficit to below 3% of GDP by 2013. Largesse for Greece seems to have fallen into the expendable category.

## **Slovakia**

### **Financial Front**

#### **Slovakia turns to FT for comfort over Greek bailout**

Published: 18 August 2010 Amid strong criticism from the EU for refusing to participate in the Greek bailout, Slovakia's foreign ministry has republished on its website a Financial Times commentary seen as defending the country's decision, but apparently without asking for permission. Eurozone member Slovakia decided to submit to parliament the decision on whether to provide financial aid for debt-laden Greece. Crisis-hit Greece won eurozone finance ministers' approval on 2 May to draw €110 billion in bilateral loans over the next three years from eurozone countries and the International Monetary Fund (EurActiv 03/05/10). Then Slovak Prime Minister Robert Fico, who had expressed doubt about Greece's ability to implement the required savings measures, reiterated his earlier warning that the Slovak portion of the aid – around €800 million – would not come automatically. Slovakia became the 16th member of the euro club on 1 January 2009 (EurActiv 05/01/09). The country left behind the remaining 'Visegrad Four': the Czech Republic, Poland and Hungary, which are at different degrees from joining the euro zone.

### **East Europe economies show mixed performance**

WARSAW, Poland -- Economic data released Friday showed a sharp divergence in growth in Eastern Europe - with the Baltics and Slovakia bouncing back but Hungary and Bulgaria still lagging badly. Hungary saw zero growth in the second quarter compared to the first, the new data showed. Despite a rise in exports, Hungary is burdened by austerity measures aimed at bringing down the deficit, and low domestic demand

### **Hungary**

#### **Geo-strategic Front**

#### **Two-Tailed Dog Livens up Hungary's Election**

BUDAPEST- A two-tailed cartoon dog offering free beer and eternal life has galvanized Hungary's latest election campaign. The dog is the symbol of a party that has grown out of Hungary's rock-bottom regard for its politicians as the country lurches from one crisis to another. "We just elect these people to represent the gangsters and the rich," said Gergely Kovacs, chairman of the Two-Tailed Dog Party (TTDP). "This kind of democracy is ridiculous." Founded as a street-art spoof in 2004, the TTDP has mocked campaigns before. Now it has entered the political arena for real as the public mood has sinks even further. A government scandal ignited bloody street violence in 2006. In 2008, the country faced financial meltdown and the global crisis caused a deep recession last year, toppling the government

#### **Hungary, Poland, Eight EU States Seek Change in Debt Calculation; Germany Skeptical**

Nine European Union member states, including Poland and Hungary, are seeking to alter the way their public debt is calculated, saying the current method is a "strong disincentive" for pension reforms. The nine countries' finance ministers told the European Commission and EU President

Herman Van Rompuy in a letter that the bloc's members should be allowed to account for the cost of overhauling their pension systems. The Czech Republic, Romania, Slovakia, Bulgaria, Lithuania, Latvia and Sweden also signed the letter.

### **Transparency International Concerned About Hungary.**

Since the new Hungarian government took the helm in May, the Hungarian arm of whistleblower Transparency International has voiced numerous concerns over the cabinet's legislative practice and staffing policies. The organization warned against the nomination of Miklos Juhasz as president of Hungary's Competition Office. Mr. Juhasz was fined in 1999 by the Hungarian financial market authority Pszaf for insider trading in shares of a company of which he was the supervisory board chairman. The organization also raised concerns over transparency in state-owned enterprises after Hungarian parliament passed an amendment to the budget bill that restricted access to information about earnings and business dealings in such companies, with the government saying such matters were company secrets

### **Hungary**

#### **Financial and Economic Front**

#### **Hungary's Defiance of IMF and European Authorities Scares the Guardians of Austerity in Europe**

The government of Hungary has taken on a lot of powerful interests in the last couple of months, and so far appears to be winning -- despite provoking outrage from "everybody who's anybody." "The IMF should hold the line," shouted the Financial Times in an editorial the day after Hungary sent the IMF packing in July. "With so many countries in vulnerable positions, it cannot be seen to be a soft touch. Showing a few yellow and red cards is a good way to send a signal to other governments that might be tempted to flirt with indiscipline.

#### **N. Korea Asked Hungary to Write Off Debt**

North Korea asked Hungary to write off more than 90 percent of its outstanding debt when the financial crisis hit in 2008, the Financial Times reported on Wednesday. It quoted a Hungarian government official as saying, "They asked [us] to take good consideration of the Democratic People's Republic of Korea's current economic difficulties and asked for cancellation of over 90 percent of the total" during a meeting in Pyongyang in November 2008. This was an "indication of the secretive totalitarian regimes financial distress," the daily speculated. Hungary agreed to cancel part of the North's debt but not 90 percent.

### **Hungary**

#### **Social Front**

#### **Hungary Regulator Defends New Media Setup.**

The head of Hungary's consolidated media regulator Monday defended the new legal setup in the country from criticism voiced by independent observers, who say the legislative overhaul that created the new system may infringe on the freedom of the press. The center-right Fidesz party won a landslide victory at Hungary's April general elections and now, holding two thirds of seat in parliament, has the power to radically change the country's laws, including the constitution. The government's media overhaul brought the country's broadcast regulator, national communication authority and a body responsible for frequency tenders under one umbrella, with the cabinet saying the change will increase transparency

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

### **Belarus**

#### **Geo-strategic Front**

##### **Lukashenko Says Russia Meddling**

Belarusian President Alexander Lukashenko accused Russian authorities of putting pressure on him ahead of a bid to seek re-election and blamed them for his failure to recognize Georgia's separatist regions as independent states, Reuters reported. Lukashenko, long at odds with the West but lately quarreling with Moscow, also said he wanted better ties with the United States. The United States and European Union have criticized Belarus for not holding free or fair elections since Lukashenko came to power in 1994. The veteran leader, last re-elected in 2006, plans to seek another term within the next six months. Lukashenko accused Russia of putting pressure on him ahead of the election, a date for which has yet to be set. "America keeps its position, but Russia has sharply changed its stance, trying to bring the president of Belarus to heel before well-known political events," Lukashenko said Friday during a visit to Belarus' central Minsk region. "But you have known me for ages — it is impossible to bend me, and trying to do so is useless," he said, state media reported.

##### **Medvedev: Belarus to chair post-Soviet military bloc from December**

Belarus will take over the chair of the Collective Security Treaty Organization (CSTO) in December, Russian President Dmitry Medvedev said on Friday, RIA Novosti reported. "We have agreed that Belarus will take over the chair of the CSTO in December. The president of Belarus has expressed his readiness to take it on," Medvedev said at an informal CSTO summit in the Armenian capital of Yerevan.

##### **Russia: OSCE only effective tool in settling Karabakh conflict**

Only the OSCE Minsk Group has proven effective in resolving the Nagorno-Karabakh conflict, Russian President Dmitry Medvedev said today at a joint press conference with his Armenian counterpart, the Vesti television channel reported.

## **Belarus**

### **Financial Front**

#### **Belarus and Russia coordinate railfreight traffic with Poland 15. August 2010**

The Belarusian and the Russian railway enterprises have coordinated east-west-east freight traffic, including transshipment in Belarus, with the participation of privately-licensed Polish carriers, according to the Belarusian railway's press service. The EU transport market has expanded recently and many new railway carriers have joined the segment. Cooperation with Belarusian Railways thus needed to be improved. The Belarusian Railway has signed agreements regulating international freight traffic cooperation in 2010 with several licensed Polish carriers, including PKP Cargo, CTL Logistics, DB Schenker Rail Polska and ITL Polska. This will enable the Belarusian Railway to intensify work with the carriers, to increase east-west-east transit cargo.

## **Belarus**

### **Social Front**

#### **Belarus - Harassment of media grows in run-up to presidential election**

After receiving a series of information ministry warnings, two leading opposition newspapers, 'Narodnaya Volya' and 'Nasha Niva', could now be shut down under article 51 of the media law, which allows the authorities to order a closure following two warnings. Harassment of the Belarusian press has been on the upswing in the run-up to the presidential election that has been scheduled for next spring. What with the information ministry's repeated warnings, police raids, tax inspections and the country's new media law, press freedom is now severely compromised in Belarus. After receiving a series of information ministry warnings, two leading opposition newspapers, Narodnaya Volya and Nasha Niva, could now be shut down under article 51 of the media law, which allows the authorities to order a closure following two warnings

## **Ukraine**

### **Geo-strategic Front**

#### **GUUAM Summit in Chisinau Focuses on Separatism, Regional Cooperation**

The presidents of Georgia, Ukraine, Azerbaijan, and Moldova gathered April 22 in the Moldovan capital of Chisinau for a summit of the regional grouping GUUAM (Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova). It's the group's first gathering since "velvet revolutions" brought pro-Western leaders to office in Georgia and Ukraine, and Moldova shifted its foreign policy priorities toward the West. EU and NATO expansion have also altered the European political landscape. This evolving perspective laid the groundwork for the gathering, which focused on separatism, regional cooperation, and promoting GUUAM's geopolitical profile.

Ukrainian President Viktor Yushchenko, who played the most active role of the leaders gathered for the GUUAM summit, said the group should step up cooperation in three key areas: democracy, security, and economic development

## **Ukraine**

### **Financial Front**

#### **Ukraine's Next VAT Bonds Will Exceed \$1.65 Billion, Finance Ministry Says**

Ukraine's Finance Ministry will issue a second tranche of bonds, worth more than 13 billion hryvnia (\$1.65 billion), to reimburse value-added tax to exporters. More than 300 companies will receive the bonds "very soon," the State Tax Administration said today in a statement on its website. The bond issue is part of a \$15.2 billion International Monetary Fund loan program approved in July

#### **Ukraine to limit grain exports due to drought Wednesday, 18 August 2010 04:08**

KIEV: Ukraine is set to limit wheat and barley exports to 3.5 million tonnes from now until the end of the year due to the impact of a severe drought, the agricultural policy ministry said yesterday. "We are proposing to allow the export of 2.5 million tonnes from now until the end of the year," said Agricultural Policy Minister Mykola Prysyzhnyuk, adding that one million tonnes currently held in ports would also be exported. He said that the issue would be discussed at a cabinet meeting yesterday, the Interfax-Ukraine news agency reported. The quota would come into force on September 1, he added. Ukraine, the world's sixth largest exporter of wheat and largest exporter of barley, has been suffering the effects of a severe drought that prompted its neighbour Russia to impose a blanket export ban

### **Kiev looks to domestic oil and gas**

KIEV, Ukraine, Aug. 18 (UPI) -- Domestic production of hydrocarbons will help bring stability to the Ukrainian economy, the first deputy prime minister said. The economy in Kiev was left in tatters by the recession that rocked global markets in 2008 and 2009. The International Monetary Fund and the European Union have pressed Kiev to make sweeping reforms in its energy sector as a precondition for financial aid.

#### **Ukraine's GDP grows 6% in second quarter, August 17**

Ukraine's gross domestic product (GDP) grew by 6 percent in the second quarter of 2010 from a year earlier, the State Statistics Committee of Ukraine said in a report on Monday. According to the report, Ukraine's economy grew 3.9 percent in the second quarter of 2010 compared to the first quarter, taking into account seasonal

## **Ukraine**

## **Social Front**

### **Ukraine media targeted as hackers hit TV channel**

Kiev - Computer hackers have attacked the website of Ukraine's top independent television channel, as pressure on independent media spiked in the former Soviet republic. The hackers struck on Tuesday, knocking out the website operated by Channel 5 television, Ukraine's leading news channel and one of the former Soviet republic's few media offering unbiased information. Channel 5 engineers working around the clock had restored service by early Thursday, said Viacheslav Cherkashyn, operator of the web server hosting the website [www.5.ua](http://www.5.ua).

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

#### **Estonia**

### **Geo-strategic Front**

### **European Commission calls for saving time and money in cross-border legal disputes through mediation**

The European Commission today reiterated the potential of existing EU-rules on mediation in cross-border legal disputes, reminding Member States that these measures can only be effective if put in place by Member States at national level. Settling disputes and disagreements through court is not only costly and time-consuming; it can also destroy profitable business relationships. Cross-border cases are more complex due to different national laws and jurisdictions as well as practical matters like cost and language. Alternative dispute resolution (ADR) through impartial mediators can address these problems and build constructive solutions. But it needs skilled mediators and clear rules that both parties can trust. Cross-border mediation is trickier, as it needs to span different business cultures and both sides need common rules they can rely on. That is why EU rules on mediation entered into force in May 2008, and have to be in place by May 2011. They create legal guarantees to mediation and ensure a high-quality process by applying codes of conduct or mediator training. So far, four countries (Estonia, France, Italy and Portugal) have informed the Commission that they have implemented the EU-rules on mediation in national legislation.

#### **Estonia**

### **Financial and economic Front**

### **Trouble for the Euro? Not In Estonia**

AP Estonia, which joined the European Union in 2004, will adopt the euro as its currency in January 2011. In the European Union, with its glum economic news and struggles to halt a debt crisis, there is some good news: There is a country that's actually excited about adopting the euro. It is the small Baltic nation of Estonia, a former Soviet republic and now an EU member,

scheduled to enter the eurozone in January 2011. It is hard to congratulate Estonia, given how awful this year has been for the euro. There has even been talk of the 16-member eurozone collapsing. Today, Estonia's currency is the kroon — 500 are worth about \$50, and every Estonian knows whose face is on the 500-kroon bill: Carl Robert Jakobson, a famous Estonian writer and politician.

## **Estonia**

### **Social Front**

#### **Unemployment concerns-Fri, Aug 20**

According to the Voice of America, the International Labor Organization (ILO) said in a report released in early August, Global Employment Trends for Youth 2010, that a record 81 million young people aged 15 to 24 years were without work at the end of 2009 and this number was expected to increase in 2010. The ILO said that labor prospects for young people were fairly favorable until 2007. For 10 years before the current economic crisis, the number of unemployed youth increased, on average, by 200 000 a year, the ILO report said. In comparison, youth unemployment increased by a staggering 6.7 million in 2009.

## **Latvia**

### **Geo-Political front**

#### **World Bank Group President Zoellick Visits Latvia to Discuss Support During Global Economic Hard Times**

RIGA, —World Bank Group President Robert B. Zoellick arrived in Latvia yesterday, on the third leg of a European visit to emerging markets in Europe to assess the impact of the global and economic crisis and discuss ways the World Bank can offer support

#### **IMF provides another loan tranche of 105, 8 million Euros to Latvia**

WASHINGTON, (Itar-Tass) - The International Monetary Fund (IMF) is providing to Latvia another loan tranche of 105.8 million euros (135.6 million US dollars). This decision was made on the results of the third review of the fulfilment of the anti-crisis economic programme of the Latvian authorities pursued on agreement with the Fund. The total volume of resources provided by the IMF in support of this programme will reach as a result 1.15 billion euros (1.48 billion US dollars). The IMF said in a press release on Thursday that on July 21, 2010, the Executive Board of the International Monetary Fund (IMF) concluded the 2010 Article IV consultation with the Republic of Latvia and completed the Third Review of the country's performance under an economic program supported by a Stand-By Arrangement (SBA). Completion of the review makes available an amount equivalent to SDR 90 million (about €105.8 million or US\$135.6

million), bringing total disbursements under the SBA to SDR 982 million (about €1.15 billion or US\$1.48 billion).

### **Latvian president calls for establishing new types of relations with RF**

RIGA, (Itar-Tass) - Latvian President Valdis Zatlers calls for establishing “a new type of relations” with Russia. He stressed that the parties intended to sign several interstate agreements in order to maintain good relations between neighbouring countries. According to the Latvian president, the leaders of the two countries should meet oftener in the future in order to discuss the development of cooperation between Latvia and Russia

### **Economic Front**

#### **Latvia reports weak second quarter output .**

RIGA: Latvia, having experienced the deepest recession in the European Union last year, posted weak growth of 0.1 percent in the second quarter from the first-quarter level, official data showed yesterday. Compared to data for the second quarter of 2009, Latvia’s economy shrank by 3.9 percent over the same period this year, the preliminary adjusted data from Latvia’s central statistical bureau showed. The Baltic EU nation of 2.2 million people emerged from recession in the first quarter of this year when its economy expanded by 0.3 percent from output in the last quarter of last year.

#### **GDP figures indicate sign of recovery in recession-hit Latvia**

Riga - Latvia, which experienced the European Union's biggest recession in 2009, saw its economy continue to shrink in the second quarter of 2010, but there are signs of a tentative recovery, according data released Monday. The Latvian statistics office said that gross domestic product (GDP) in the second quarter declined by 3 per cent compared to the same period in 2009. But compared to the first quarter of 2010, GDP rose by a sizable 13.4 per cent, suggesting the worst of the recession has passed since the economy contracted by 18 per cent in 2009

### **Lithuania**

#### **Political front**

#### **Lithuanian Ruling Party’s MPs to arrive in Azerbaijan**

MPs of Lithuania’s ruling Resurrection Party will arrive in Azerbaijan, the Azerbaijani Milli Mejlis (Parliament) told Trend today. The delegation is headed by Arunas Valinskas, chairman of the Party and member of Lithuanian Seimas’ Committee on Foreign Affairs and Lithuania-Azerbaijan Interparliamentary Friendship Group.

### **Russia**

## **Geo-strategic Front**

### **Split views about Iran's nuclear reactor**

Iran has crossed a new nuclear threshold, but it's one the Obama administration isn't worried about. On Saturday, technicians began loading low-enriched uranium fuel supplied by Russia into Iran's first civilian nuclear reactor, and if all goes smoothly, the Bushehr plant could start producing electricity under United Nations monitoring late this year or early next. "The International Atomic Energy Agency regularly inspects the Bushehr Nuclear Power Plant in Iran. Iran began moving fuel assemblies to the plant's reactor compartment on 21 August 2010," Ayhan Evrensel, a press officer for the International Atomic Energy Agency, said in a statement Saturday

### **Iran hopes Russia's next step be delivery of S-300 missiles system: MP**

Iranian lawmaker Alaeddin Boroujerdi hailed Russia's move on Bushehr nuclear plant fuelling and expressed hope Russia's next step would be the delivery of S-300 missile system to Iran, the semi-official ISNA news agency reported on Saturday. Iran struck a deal with Russia in 2007 to buy the S-300 systems, but Russia delayed the delivery of the anti-aircraft missiles, Xinhua reported

### **Russian-led bloc undecided on aid for Kyrgyzstan**

YEREVAN, Aug 20 (Reuters) - A Russian-led security grouping failed on Friday to agree to provide military aid for Kyrgyzstan, whose interim leadership is struggling to maintain order before a landmark election in October. The Central Asian state had asked Russia and fellow ex-Soviet republics to supply hardware and military training in the wake of ethnic bloodshed in June in the south of the poverty-stricken country. However, a meeting in the Armenian capital Yerevan on Friday of the Collective Security Treaty Organisation, a Kremlin-led bloc of ex-Soviet republics, ended without a decision. Armenian President Serzh Sargsyan said consultations on the issue would continue.

### **Middle East Quartet on Palestinian-Israeli peace-August 21,**

The following statement was issued on Saturday by the Middle East Quartet (The United Nations, the Russian Federation, the United States, and the European Union) "The representatives of the Quartet reaffirm their strong support for direct negotiations between the Israelis and the Palestinians to resolve all final status issues. The Quartet reaffirms its full commitment to its previous statements, including in Trieste on 26 June 2009, in New York on 24 September 2009, and its statement in Moscow on 19 March 2010, which provides that direct, bilateral negotiations that resolve all final status issues should, lead to a settlement, negotiated between the parties, that ends the occupation which began in 1967 and results in the emergence

of an independent, democratic and viable Palestinian state, living side by side in peace and security with Israel and its other neighbours."

### **Netanyahu welcomes direct Mideast talks**

(CNN) -- The reaction to the U.S. invitation for direct talks between Israelis and Palestinians next month was swift. Israeli Prime Minister Benjamin Netanyahu welcomed the invitation and said he was "pleased with the American clarification that the talks would be without preconditions." "Reaching an agreement is a difficult challenge but is possible. We are coming to the talks with a genuine desire to reach a peace agreement between the two peoples that will protect Israel's national security interests, foremost of which is security," said Netanyahu, who wants "serious and comprehensive talks

### **Armenian-Russian cooperation secures stability in South Caucasus**

August 20, 2010 - 12:34 AMT 07:34 GMT PanARMENIAN.Net - A reception in honor of Russian President Dmitry Medvedev and his spouse was organized in the residence of Armenian President on August 19 evening. "Mr. Medvedev's visit to Armenia offers an opportunity to discuss the Armenian-Russian cooperation. We are proud of our friendly relations and multilateral collaboration, which is a major factor for ensuring security and stability in the Caucasus," Armenian President Serzh Sargsyan said.

### **Russia extends military presence in Armenia Published on 20 August 2010 - 10:33am**

Armenia and Russia signed a deal Friday extending the presence of Russian forces in the ex-Soviet republic by decades, bolstering Moscow's military clout in the strategic South Caucasus region. Russian President Dmitry Medvedev and his Armenian counterpart Serzh Sarkisian oversaw the signing of the deal in Yerevan during a visit by the Russian leader. The agreement will see Moscow extend its lease on a military base in Armenia from 2020 to 2044 and upgrade the mission of the estimated 3,000 Russian troops stationed there to include providing for Armenia's security.

### **The Sochi Summit**

Amidst much criticism for his foreign tours, President Asif Ali Zardari has attended the Sochi Summit and with the meeting providing promising outcomes, it is hoped that the melee of harshness Mr Zardari has faced will soon quiet down. With Russian President Dimitry Medvedev acting as host to the heads of state from Afghanistan, Tajikistan and Pakistan, the president projected Pakistan's case for flood relief and economic cooperation. The original focus of the summit was to coordinate methods to curb the plague of terrorism that has hit the region with such violent force. The only way forward in this regard is regional cooperation since terrorism is no respecter of borders. All four countries have stated that they will adopt any means necessary to end terrorism within their borders and beyond. The summit also brought to the fore the need to

control the drug trade and human trafficking that emanates from the region as these too are linked with crime and terrorism. Russian President Dmitry Medvedev called Wednesday for closer cooperation between Russia, Pakistan, Afghanistan and Tajikistan.

### **Kaliningrad protest calls for Putin's resignation-August 22, 2010**

MOSCOW: Some 700 supporters of Russia's political opposition protested in the Baltic region of Kaliningrad on Saturday, demanding the resignation of Prime Minister Vladimir Putin and his government, local police said. Members from opposition parties including The Left Front, Other Russia and the Communist Party demonstrated to express their "general discontent" with strongman Putin, Boris Nemstov, leader of the Solidarity party, told the Echo of Moscow radio station. According to Nemstov, a former deputy prime minister, some 3,000 people took part in the demonstration, while Russian news agencies quoted organisers as saying 800 people and local police counted 700 participants.

### **Russia**

#### **Financial and Economic Front**

#### **Russia 'has no plans to import grain this year'**

A Russian farmer shovels grain at a farm in Vasyurinskoe on August 13. Russia, hit by a record drought which has destroyed a quarter of its crops, has no plans to import grains this year, the agriculture ministry said, rejecting reports it would do so. Russia, hit by a record drought which has destroyed a quarter of its crops, has no plans to import grains this year, the agriculture ministry said Friday, rejecting reports it would do so.

#### **Russia builds a wheat wall-AP**

The drought and the bad harvest in Russia and other grain-producing countries of the former Soviet Union have inflicted suffering in the form of bread shortages and high prices. Another consequence is that the Russian government is showing its wavering allegiance to international trade. By prohibiting grain exports, Russia has taken a step away from the world's trade system, as well as harming some of the major markets for its grain, including Turkey and Egypt, the world's largest importer of wheat. Russian grain-exporting businesses are being forced to breach their contracts. The grain embargo came into effect last Sunday, and is scheduled to last until the end of the year. Though Dmitri Medvedev, the President, has said it could be lifted earlier, Vladimir Putin, the Prime Minister, has warned it could be extended into 2011 – an example of their good-cop-bad-cop routine.

#### **Russia's economic growth lowest among BRIC: report**

Russia's economic growth was the slowest among the BRIC countries, which also groups China, Brazil and India, Moscow's Vedomosti daily reported Friday. According to Russia's statistical

agency Rosstat, Russian gross domestic product (GDP) rose in the second quarter of 2010 by only 5.2 percent year-on-year, while China's GDP rose by 10.3 percent, India's by 8.9 percent and Brazil's by 11.3 percent

## **Russia**

### **Social Front**

#### **Russian Prime Minister Putin fires the head of the forestry agency after Russian fires**

21 August 2010, Moscow : Russian Prime Minister Putin on Friday fired the country's head of the forestry agency for failing to sufficiently deal with the recent wild fires that have plagued the country, BBC reported. Prime Minister Putin replaced Alexei Savinov with his deputy, Viktor Maslyakov. Critics within the country are saying that Putin should take a share of the blame after passing a law that decentralizing the protection of Russia's forests.

#### **Medvedev urges to draw lessons from fire situation in Russia**

YEREVAN, August 20 (Itar-Tass) - The situation with wildfires in Russia has almost stabilized and is being kept under control, but lessons should be drawn from the fire situation, Russian President Dmitry Medvedev told a press conference here on Friday.

“Certainly, serious lessons should be drawn from what had happened,” Medvedev noted. “In general, we coped with a very difficult problem amid the unprecedented abnormal heat, but I should thank those who were helping us,” Medvedev said. He addressed sincere words of gratitude to the Armenian people. “Speaking in this hall at an official dinner yesterday I said that there are some situations when a country even such large and strong as Russia cannot settle all the problems alone,” the president noted. “The fact that the Armenian president called me up and offered country’s capabilities that were used in the firefighting efforts, including against those fires creeping closely to strategic facilities, demonstrates the level of our cooperation,” Medvedev pointed out. “This is really strategic and allied relations,” the Russian leader stated

## **Chechnya**

### **Social Front**

#### **All cafes ordered shut in Chechnya during Ramadan-Aug 18 Reuters**

GROZNY, Russia, Aug 18 (Reuters) - The spiritual leader of the Muslim region of Chechnya has ordered that eateries shut down completely for the month of Ramadan, sparking outrage from activists and residents who say it violates Russian law. Against the backdrop of a spreading insurgency, many fear that growing interest in radical Islam could fuel separatism in the volatile North Caucasus region where rebels are fighting to create a pan-Caucasus state governed by Islamic sharia law.

#### **Women without headscarves targeted in Muslim Chechnya-By REUTERS**

GROZNY, Russia: Many women in Russia's volatile Chechnya region said on Friday they had been harassed and some physically harmed by bands of men for not wearing headscarves during

the Muslim fasting month of Ramadan. Against the backdrop of a spreading Islamist insurgency, many fear that growing interest in radical Islam could fuel separatism in the volatile North Caucasus, where the Kremlin watches uneasily as sharia law eclipses Russian

### **Caucasian states**

#### **Suicide bomb and cafe blast rock Russia's Caucasus**

PYATIGORSK Russia (Reuters) - A blast rocked a cafe in Russia's North Caucasus and a suicide bomber killed a policeman on Tuesday, dealing a blow to Kremlin efforts to contain a spreading Islamist insurgency. The attacks in the majority-Christian regions of Stavropol and North Ossetia highlight the insurgency's recent trend to spill over from the traditional epicentre of violence in the mainly Muslim regions of Dagestan, Ingushetia and Chechnya.

#### **Dagestan Plans Anti-Terror Units, Worrying Locals-15 August 2010**

Staunton — In spite of the violent precedent of such units in Chechnya, President Dmitry Medvedev has vindicated calls by some in the North Caucasus republic of Dagestan for the creation of anti-terrorist and anti-extremist units staffed by local people. That is an indication of just how poorly the existing policing structures are performing and how powerful the threat from the militants has become. At a meeting of the Dagestan Anti-Terrorist Commission on Aug. 9, Dagestan's president, Magomedsalam Magomedov, said the “low effectiveness” of the current struggle against terrorism and extremism is a serious issue and that Makhachkala needs to take new measures now. Magomedov said that since the start of 2010, “more than 250 people” in the republic have suffered from attacks, which have been occurring in more locations throughout the republic than ever. “One must recognize that our responses and the actions of the force structures have not been as effective as we would like,” he continued.

#### **Governor or Imam? Regional Bosses Seek a Title**

MOSCOW — Russia has 83 regions, but not every regional boss enjoys the same title. For most, the title is “governor,” but for others it might be “president,” “mayor,” “government chairman” or simply “head.” The initiative has rapidly gained steam, with the Kremlin, the Federation Council and other North Caucasus leaders expressing support. But some politicians said regions should be allowed to pick their own titles, and several senior Chechen officials declared that Kadyrov should be known as imam. Kadyrov credited the idea to his late father, Chechen President Akhmad Kadyrov, and said he had realized his father's wisdom during a trip with Medvedev to Turkey and Syria in the spring. On Friday, he said he had agreed in phone conversations with the leaders of several other North Caucasus republics — Ingushetia, Dagestan, Kabardino-Balkaria, Karachayevo-Cherkessia and Adygeya — to ask the State Duma to pass a law introducing a unified title for regional leaders.

The possible use of a religious title was widely criticized Friday as running counter to the country's secular status. Torshin warned that a title like imam would pave the way for other “archaisms” like sultan or khan. Chechen presidential spokesman Alvi Karimov said Kadyrov was open to any title allowed by the Russian Constitution. Asked if imam was constitutional, Karimov replied. Two North Caucasus republics have changed their leaders' titles in recent years. In 2005, North Ossetia renamed its president as head of the republic, while Dagestan in

2006 introduced the title of president. Previously, the republic had been governed by the leader of the state council, reflecting its multiethnic makeup.

Ingush President Yunus-Bek Yevkurov has asked the local parliament to change his title to “regional head” or “leader,” his spokesman Kaloï Akhilgov said Friday, Interfax reported. Analysts said the title initiative appeared to be a show of loyalty to the Kremlin and expressed bemusement that it had come from Kadyrov, who has amassed more power than any other regional leader since assuming office in 2007. Meanwhile, Kadyrov’s office made it clear that the purging of presidents should include all walks of life, including charities and sports clubs. “Soon there will no more be positions called president in Chechnya,” a Kadyrov aide told Interfax

### **Split emerges in Caucasus Emirate militant groups-17 August 2010**



The split emerged following confusion over the future of Caucasus Emirate leader Dokka Umarov (alias Abu Usman). It initially appeared from a video released on 1 August that Umarov was standing down from his position, to be replaced by Chechen field commander Aslanbek Vadalov. However, it now appears that this video was not intended for public release and was instead aimed at canvassing the opinion of the Emirate's field commanders regarding a possible leadership change.