

**Report 105**  
**PROJECT ON BUSINESS AND POLITICS IN THE**  
**MUSLIM WORLD**

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This week report dwells much on Yahoo/AP/Reuters News, BBC, New York Times. The report remains a compilation of strategic political, economic, socio-cultural and Geo-strategic issues around North America/Canada, Western Europe, Latin America/Southern Europe, Southeast Europe and Oceania. It obviously begins with a summary of the whole report, a breakdown of easily comprehensible short notes.

#### Headlines

##### US/Canada

- Obama to Seek Sweeping Change in 'No Child' Law
- Bill Clinton pledges to improve Haiti aid distribution
- In Quake's Wake, Haiti Faces Leadership Void
- Huge Deficits May Alter U.S. Politics and Global Power
- US unemployment shows a surprise decline
- Obama, GOP sparring over job creation proposals
- US Tea Party holds first national conference
- World financial leaders focusing on budget crises

##### Western Europe

- France refuses a citizenship over full Islamic veil
- Britain PM condemns rise in anti-Semitic incidents
- Memo 'shows Blair Iraq war deal with Bush'
- 'Outrage' as BAE Systems probes end after £280m deal
- Iran nuclear deal 'close', Mottaki says
- Western officials dismiss Iranian nuclear proposal
- Euro MPs shun bank data deal with US
- Sarkozy and Merkel brush off Obama snub
- Greece unveils austerity programme to cut deficit
- Greece to face European Commission economic scrutiny
- Greece's Papandreou says financial crisis can hit any country
- IMF ready to help Greece
- Greece's Papandreou accepts meeting with Macedonia's Gruevski
- New finance bill squeezes Portugal budget

##### Southeast Europe

##### Romania

- Romania 'to host US missile shield'
- Romania's PDL still backs unicameral parliament
- Romania's Boc briefs Senate on government priorities
- Strike planned in Romania

##### Kosovo

- Kosovo holds elections again in two municipalities
- KFOR cuts troop level

- Rasmussen says NATO supports all strategies for Kosovo integration
- Kosovo Serbs object to strategy for north
- US intelligence official says Kosovo remains source of tension

#### Serbia

- Sweden's Bildt says Western Balkans moving ahead with EU bids
- Trade agreement between Serbia, EU enters in force

#### Bosnia

- Inzko to weigh in on RS law on referendums
- RS opposition party expels former leader

#### Bulgaria, Turkey agree to improve gas links

#### Albania

- Meta says Albania will define maritime borders with Greece
- PACE to help Albania's Topi organise political roundtable
- Albania's Topi agrees to mediate political crisis
- Albania's ruling party to seek referendum on 'lustration law'
- Berisha says Albania has completed EU visa liberalisation questionnaire
- Albanian parliament extends ban on motorised boats

#### Macedonia

- Opposition parties in Macedonia form bloc
- Macedonian parliament approves declaration on Srebrenica

#### Montenegro to continue talks with IMF on possible arrangement

#### Croatia's Josipovic, Kosor discuss EU integration process

#### Oceania

- Australia signs huge China coal deal

## Report Summary

### USA/Canada

#### Political Issue

Whatever the sort of Washington's political tussle, the cry of many Americans is that job creation and the recovery of the economy matters most to them, the public is bent at regaining their economic stamina by seeing the layoff of unemployment.

The possibility of making the American desires come true will depend upon President Obama's ability to skilfully clear his path by bring onboard the co-operation of republicans as many of his proposals are waylaid by republican objection. Meanwhile, the growing strength of oppositions against Obama's administration big government and healthcare reform is signaling a threat to the democrat party. A testimony to that is the on-going US national convention of the Tea Party movement. The movement obviously is championed by Obama's antagonists among the conservative republicans such as former vice-presidential candidate Sarah Palin and disappointed independent voters.

#### Economic Issue

The messiah of change is here as he promised to be the agent of change, yet the ground reality on both political and economic landscape of America is that things are not that well. The economy is yet to regain expected stamina and the future is not that clear for a sustainable economy that can still accord America diplomatic power in

world politics. American troubling economy is not just troubling for itself but also worrisome for the Chinese and European economies. Politics at home remains tussled between the stakeholders as the big parties (democrat and republican) are yet to understand the essence of bipartisanship needed for a country in such a critical moment.

The after shock of the financial meltdown is nothing from over as countries around the world are still grasping on how to get out from the financial crisis. The shock of course never exempted big economies, thus the recent G-7 summit in Canada sought for solution. The direction of the US and European economies was a serious issue for the seven biggest economies. But the big seven are yet to understand that despite the agony of the crisis, Asia markets and economies took greater pace in finding themselves out as compared to the western economies. Does this suggest a shift in power, as analysts are now debating power shift from west to east.

#### Social/Humanitarian Issue

The Obama administration is putting lot on its plate, indicating the desire of the administration to correct many ills, do plenty and redirect many of what the administration sees as anomalies. The proposed No Child Left Behind law is part of those issues Obama will want to change. Yet will the administration be able to surmount obstacles in making the law a reality.

Come what may, Haitians will get the help of the international community conveniently. The earthquake that struck the country left and unraveled the nasty political, economic and humanitarian disasters in the country. After the earthquake Haitians have been struggling to get relief as the relieving effort is now left in the hand of the government which to many observers is becoming a failure. Former US President Bill Clinton named by the UN as international aid coordinator has reiterated his promise the people, and indication that the U.S totally has not forgotten his neighbour.

#### Food, Environment and Energy Issue

#### Geostrategic Issues

#### **Western Europe**

#### Political Issue

During his appearance before the Iraq Inquiry Committee, ex-PM Tony Blair tried repeating his obstinacy and justification for Iraq invasion. He denied having a secret understanding with ex-President Bush on attacking Iraq a year before the attack. Incidentally, Elfyn Llwyd, the leader of Plaid Cymru's MPs is refuting what Blair said before the inquiry claiming he has classified memo that can prove Blair is incorrect and show how Blair's government misled the parliament into the war.

The fact however is that the inquiry is a toothless dog constituted only to inquire and make recommendations and devoid of authority to reprimand, hence the extent to which the document will be effective in the whole case needed close watch.

Britons are unsettled about the military past of their government. Campaigners (The Campaign against the Arms Trade) in the UK are raising eyebrow against the corruption investigations into deals that BAE Systems secured from Saudi Arabia, Tanzania, the Czech Republic, South Africa and Hungary. The group is angry and wants BAE to admit two criminal charges and pay fines of £286m (\$447m) to settle US and UK investigations and corruption which the government has failed to admit. Ex-Pm Tony Blair had once said that the government cannot open up on the military deal as it jeopardizes national interest.

European MPs are shunning a renewal of deal that will allow US intelligence agency to access bank accounts of European without snag. At the dawn of 9/11 there was an agreement between the two ends of the Atlantic on data sharing but many MPs came to know that the USA has been spying on the database secretly even before the agreement was reached, thus MPs irked by such violation of privacy right.

It is high time for America to know that asking for more from the Europeans is over, the Cold War is over, the ovation is over and America has to wake up to that reality that Europe wants to have a global say independent of U.S influence.

#### Economic Issue

The aftermath of economic crisis is still making headline in Greece, as the home of Plato is still struggling to find its path out of the economic crisis. The Greek government is planning an austerity programme, which include cutting and raising tax rise in the public services. Such measure is not receiving a welcoming faces among many Greek, saying there will no crime to exit the Eurozone and they are not ready to accept foreign dictate on how to manage their economy. Thus, most Greeks are staging protest against the government plan with the view that why must they be penalised for the irresponsibility of past government. IMF Managing Director Dominique Strauss-Kahn has also said that the financial institution will be willing to help Greece if asked. The Greek government is however not shy to say that no country is immune to financial crisis.

In a similar fashion, cutting deficit of the country was the plan of the Socialist Portuguese government but the opposition-led parliament has passed a bill on regional finance, geared at turning down the government austerity plan. Portugal unlike Greece is not that affected by the financial crisis, yet its economy needed to be rearranged within the Eurozone.

#### Social/Humanitarian Issue

The extent to which Muslims in Europe can claim their right in the public sphere is increasingly become debatable. It was the minaret rejection in Switzerland, followed by the French and Danish position of the burka. If religious freedom is an integral of democratic principles recognized in the west, can Muslim easily exercise their religious freedom without hitch and succumbing to the demand of the larger society.

How important is making a difference between anti-Israeli action and anti-Semitism, whenever Israeli soldiers commit any form of ills and the public react to that, certain angle quickly equate such reaction to anti-Semitism. British PM Gordon

Brown appears to be one of those still grasping to making a distinction between anti-Israeli action and anti-Semitism. According to the British Community Security Trust's report anti-Semitism has soared as compared to last year, the reason owes to the last campaign of the Israeli soldiers on Gaza.

Food, Environment and Energy Issue

Geostrategic Issues

Priorities appear to be responsible for the recent skirmish between the US and EU. The former is domestically in trouble political and economic wise and as President Obama once said the nation am most interested in building is my country, while the EU is longing for a greater and single voice in global politics. United States irked the EU for snubbing the US-EU summit in may, making both Germany and France uncomfortable with Washington. The fact of the matter appears to be the divided understanding between the EU and US on Russia. The former believes Russia to be one among its central issues and neighbour that should be cordially treated as Europe does not either seek the repetition or continuity of the Cold War.

The Iranian government is showing willingness to cart its nuclear substance to a third country for enrichment below the level of military use. However, the government has also asked the west to build tens of nuclear reactors for the country for its energy need. The manifestation of this plan is obviously tricky, upon the views of western powers that Iran is trying to buy time so as to avoid the next prepared sanction, China of course having ties with Tehran has shown no favour for the new sanction.

Once again, is the Iranian nuclear weapon debate fictional or factual, and to what extent would the Iranian compromise their sovereign right for sake of meeting the demand of the international community.

## **Southeast Europe**

Political Issue

The ongoing reelection in Kosovo municipalities points to the fact that this nascent state is ready to correct any electoral anomalies. In few municipalities, the parties of the prime minister and the president are unsettled about the last November election results therefore calling for reelections.

The reduction of KFOR (NATO peacekeeping) forces in Kosovo tells that situation is going in the right direction. Yet such assertion will be misleading owing to the contestable International Civilian Office's (ICO) plan for Kosovo northern region populated by Serbs. The plan is although rejected but geared at incorporating the Serb operating a Serbia-backed parallel institution in the north. It is on this premise that US National Intelligence Director Dennis Blair to the US Senate contends that Kosovo is yet to be a peaceful state.

The political importance of Serbia in the region remains undeniable even though Belgrade still have to cleanse itself from the ills of the Milosevic era. That importance is obviously acknowledged by the European Commission in view of

Serbia induction into the Schengen visa liberalization scheme, recently Belgrade's formal application for EU got accepted and now more recently the EU has entered into a trade agreement with the EU. Would all of these boost Belgrade's desire to further fight for the retraction of Kosovo's decision.

Bicameral parliamentary system is a popular practice among democracies, having certain productive input and output. Yet Romanian ruling political party believes the country can be better governed through a unicameral legislature.

Albanian political stalemate is becoming protracted, worrisome both for the country and observers concerned about Tirana's progress. The representatives of the Parliamentary Assembly of the Council of Europe (PACE) are promising to help Tirana solve its political problem through a third party mediation, even though Albanian President Bamir Topi is shouldering the mediation. Political uncertainty is derailing Albania-EU integration process and should be a concern for all political stakeholders regardless of their party affiliation. Meanwhile, the parliament is seeking a referendum that will determine if "lustration law" used in removing former communist officials from state institutions to be continued or not. Helsinki Committee and the Venice Commission along with the Council of Europe's advisory body have denounced the law on constitutional grounds.

Seeking for a political and economic reform, twelve Macedonian political parties have formed a bloc hoped would be effective in pushing the country towards progress and achieving its EU aspiration. Similarly, the Macedonian parliament approved a declaration in support of a European Parliament (EP) resolution condemning crimes committed in Srebrenica in 1995. Macedonia is having name dispute with Greece, the latter has been blocking Skopje-EU processes, yet no doubt such parliamentary declaration will be a plus mark for Macedonia.

#### Economic Issue

Romania like many of its counterparts hit by the financial meltdown is contending seriously on how to solve the issue of providing employment on one hand and on the other reducing state deficits by cutting down government expenditures involving axing many jobs. Thus, government should expect more of public protests; recently Romanians are seeking and protesting for salary hike, a demand unrealistic before the government.

#### Social/Humanitarian Issue

As part of its measures towards combating crimes and meeting the reforms of the EU, Albanian government is extending ban on motorist boats. The four year extension is believed would be instrumental in reducing the rate of both drug and human trafficking in the country.

#### Geostrategic Issues

Romania a NATO member is ready to accept the US missile system according to the statement of the President of Romania, although such acknowledgment would

still need the ratification of the parliament. Romania is trying to step into the shoes rejected by Poland and Czech Republic.

But the legitimate question of Russia factor will not go out of the scene. The chances of similar excuses upon which Poles and Czechs refused the system can resurface and does Romania's acceptance an indication to intrepid as per the Russia factor.

## **Oceania**

Political Issue

Economic Issue

An Australian firm has signed a \$60bn deal to supply coal to Chinese power stations. According to Clive Palmer, chairman of the company, Resourcehouse, it was Australia's "biggest ever export contract". Under the deal, the firm will build a new mining complex to give China Power International Development (CPI) 30m tonnes of coal a year for 20 years.

The deal has reaffirmed and further strengthens Sino-Australia economic and energy ties. Last year the China got offended over the Rio deal which they felt was preferential and selective against Chinese company.

Social/Humanitarian Issue

Food, Environment and Energy Issue

Geostrategic Issues

## **Report Details**

US/Canada

The Obama administration is proposing a sweeping overhaul of President Bush's signature education law, No Child Left Behind, and will call for broad changes in how schools are judged to be succeeding or failing, as well as for the elimination of the law's 2014 deadline for bringing every American child to academic proficiency. Educators who have been briefed by administration officials said the proposals for changes in the main law governing the federal role in public schools would eliminate or rework many of the provisions that teachers' unions, associations of principals, school boards and other groups have found most objectionable. Yet the administration is not planning to abandon the law's commitments to closing the achievement gap between minority and white students and to encouraging teacher quality.

Significantly, said those who have been briefed, the White House wants to change federal financing formulas so that a portion of the money is awarded based on academic progress, rather than by formulas that apportion money to districts according to their numbers of students, especially poor students. The well-worn formulas for distributing tens of billions of dollars in federal aid have, for decades, been a mainstay of the annual budgeting process in the nation's 14,000 school districts. Peter Cunningham, a Department of Education spokesman, acknowledged

that the administration was planning to ask Congress for broad changes to the education law, but declined to describe the changes specifically. He said that although the administration had developed various proposals, it would solicit input from Congressional leaders of both parties in coming weeks to create legislative language that can attract bipartisan support. Some details of the president's proposals are expected to be made public on Monday, when the president outlines his \$3.8 trillion budget for the 2011 fiscal year.

The changes would have to be approved by Congress, which has been at a stalemate for years over how to change the policy.

Currently the education law requires the nation's 98,000 public schools to make "adequate yearly progress" as measured by student test scores. Schools that miss their targets in reading and math must offer students the opportunity to transfer to other schools and free after-school tutoring. Schools that repeatedly miss targets face harsher sanctions, which can include staff dismissals and closings. All students are required to be proficient by 2014. Educators have complained loudly in the eight years since the law was signed that it was branding tens of thousands of schools as failing but not forcing them to change.

Haiti faces a massive task helping those who lost homes and livelihoods in the recent earthquake, former US President Bill Clinton has admitted. Named by the UN as international aid co-ordinator, Mr Clinton was visiting Haiti's damaged capital Port-au-Prince. There were protests as he met Haiti's president, after which Mr Clinton vowed to speed up sluggish aid deliveries. Mr Clinton visited as 10 US citizens facing child abduction charges were denied conditional release. The five men and five women, all Baptist missionaries, were sent back to jail with no further hearing scheduled for several days at least. They deny allegations they tried to smuggle 33 children across the border to the Dominican Republic. At least one million people currently need aid in Haiti after the magnitude 7.0 earthquake that officials say killed 212,000. Visiting Port-au-Prince, Mr Clinton apologised for the delay in delivering and co-ordinating relief efforts. "I'm sorry it's taken this long but these people are working hard and what I'm trying to do now is to identify the things that aren't being done and need to be speeded up and fill those blanks. I'm doing the best I can," he said. According to the UN, many people are living near the rubble of their homes and some half a million are packed into some 315 makeshift camps which have sprung up around the city. Mr Clinton said a supply of several thousand new tents would arrive in the next few days to help some of those still sleeping on the streets, along with a hundred lorries to help distribute more aid. He said he would be looking at the structure of the aid operation to see how it could be made to function in a more effective way. "Part of it is just shipping the volume of food in here that is necessary," he said, adding that there was also a considerable distance between the 16 main food distribution centres in the country. On Friday, a crowd of Haitians took several tonnes of food and water from a lorry near the capital's airport and, in a separate incident, eight lorry-loads of food and water were raided in a nearby industrial park.

PORT-AU-PRINCE, Haiti — The journalists had assembled and the cameras were rolling. Seated at center stage were the American ambassador and the American general in charge of the United States troops deployed here. At the back of the room, wearing blue jeans and a somber expression, stood President René Préval, half-listening to the updates on efforts to help Haiti recover from its devastating

earthquake while scanning his cellphone for messages. Then he wandered away without a word. That moment last Wednesday was revealing of the leadership crisis taking hold in Haiti as it faces the task of rebuilding almost every corner of Port-au-Prince, the capital. Foreign nations have sent hundreds of millions of dollars in assistance, only to find the government too weak to harness it. Virtually every symbol of this country's political system vanished into the rubble. The seat of government has been reduced to little more than a platform beneath a towering mango tree outside a police station near the airport. Parliamentary elections have been indefinitely postponed. Radio programs have become soap boxes for opposition leaders to strike the government while it is down. A nation that had been looking forward to a rare, peaceful transfer of power is now experiencing familiar — albeit faint — rumblings of chaos and coups.

During the greatest disaster Haiti has ever faced, its president has seemed incapable of pulling himself together, much less this deeply divided society.

“What the country has seen since the earthquake is not a leader, but a broken man,” said Mirlande Manigat, a former first lady of Haiti who makes no secret of her presidential aspirations. “He’s not doing. He’s not speaking. He’s not acting. He’s not moving. And if he’s not moving, how’s the country supposed to move?”

In the immediate aftermath of the quake, Mr. Préval seemed to wander around in a daze, lapsing into moments of disorientation. The morning after, he sent a taped message to the nation, his only one so far, to a radio station, dispassionately reporting details of the damage and urging listeners, “Kembe,” the Creole term for “hold on.”

WASHINGTON — In a federal budget filled with mind-boggling statistics, two numbers stand out as particularly stunning, for the way they may change American politics and American power. The first is the projected deficit in the coming year, nearly 11 percent of the country's entire economic output. That is not unprecedented: During the Civil War, World War I and World War II, the United States ran soaring deficits, but usually with the expectation that they would come back down once peace was restored and war spending abated. But the second number, buried deeper in the budget's projections, is the one that really commands attention: By President Obama's own optimistic projections, American deficits will not return to what are widely considered sustainable levels over the next 10 years. In fact, in 2019 and 2020 — years after Mr. Obama has left the political scene, even if he serves two terms — they start rising again sharply, to more than 5 percent of gross domestic product. His budget draws a picture of a nation that like many American homeowners simply cannot get above water.

For Mr. Obama and his successors, the effect of those projections is clear: Unless miraculous growth, or miraculous political compromises, creates some unforeseen change over the next decade, there is virtually no room for new domestic initiatives for Mr. Obama or his successors. Beyond that lies the possibility that the United States could begin to suffer the same disease that has afflicted Japan over the past decade. As debt grew more rapidly than income, that country's influence around the world eroded. Or, as Mr. Obama's chief economic adviser, Lawrence H. Summers, used to ask before he entered government a year ago, “How long can the world's biggest borrower remain the world's biggest power?” The Chinese leadership, which is lending much of the money to finance the American government's spending, and which asked pointed questions about Mr. Obama's budget when members visited Washington last summer, says it thinks the long-term answer to Mr. Summers's question is self-evident. The Europeans will also tell you that this is a big worry about

the next decade. Mr. Obama himself hinted at his own concern when he announced in early December that he planned to send 30,000 American troops to Afghanistan, but insisted that the United States could not afford to stay for long. "Our prosperity provides a foundation for our power," he told cadets at West Point. "It pays for our military. It underwrites our diplomacy. It taps the potential of our people, and allows investment in new industry." And then he explained why even a "war of necessity," as he called Afghanistan last summer, could not last for long. "That's why our troop commitment in Afghanistan cannot be open-ended," he said then, "because the nation that I'm most interested in building is our own." Mr. Obama's budget deserves credit for its candor. It does not sugarcoat, at least excessively, the potential magnitude of the problem. President George W. Bush kept claiming, until near the end of his presidency, that he would leave office with a balanced budget. He never got close; in fact, the deficits soared in his last years.

The US unemployment rate unexpectedly fell in January, to its lowest level in five months, official figures from the Labor Department have shown. Last month's rate was 9.7%, down from 10% in December. Yet at the same time, US employers cut 20,000 jobs in January, which was also unexpected. Most analysts had predicted the economy to add jobs. President Barack Obama has declared that job creation would be his top priority for 2010. Last month's job losses were the lowest since the US recession started, with the exception of November 2009 when a surprise rise in employment was seen. "While unemployment remains a severe problem, today's employment report contains encouraging signs of gradual labour market healing," said White House economic adviser Christina Romer. Contradicting data

The 20,000 job losses in January also compares with 779,000 losses for the same month last year. Analysts had expected the jobless rate to rise to 10.1% last month, and 5,000 net new jobs to be created. Although overall, employers cut more jobs than they created, there were some sectors that performed well. Manufacturing added 11,000 new jobs in January, its best performance since April 2009. Meanwhile, retailers created 42,100 new jobs, the most since November 2007. The apparent contradiction between the unemployment rate falling, and US employers cutting jobs in January can be explained by the fact the data comes from two different surveys. The unemployment rate data looks at households, while the job creation figures come from companies.

WASHINGTON – Republicans sparred with President Barack Obama in their Saturday media addresses over proposals to create jobs, further evidence of the difficulty of bipartisan solutions to the nation's pressing problems. Obama pushed Congress to use \$30 billion that had been set aside to bail out Wall Street to start a new program that provides loans to small businesses, which the White House calls the engine for job growth. Republicans, meanwhile, taunted Obama with a familiar refrain: Where are the jobs the president promised in exchange for the billions of dollars already spent? The barb came a day after the government reported an unexpected decline in the unemployment rate, from 10 percent to 9.7 percent. It was the first drop in seven months but offered little consolation for the 8.4 million jobs that have vanished since the recession began. "Even though our economy is growing again, these are still tough times for America," Obama said. "Too many businesses are still shuttered. Too many families can't make ends meet. And while yesterday, we learned that the unemployment rate has dropped below 10 percent for the first time since summer, it is still unacceptably high — and too many Americans still can't find

work." To help the recovery, Obama asked Congress to use leftover money from the Troubled Asset Relief Program, or TARP, to provide to small banks so they can make more loans to small businesses. Republicans have criticized the move, arguing any money leftover from the bailout should be used to reduce the budget deficit.

In the weekly GOP address, Rep. Jeb Hensarling of Texas chided Obama for proposing a 2001 budget last week that would increase spending, taxes and the national debt. "Americans are still asking, 'where are the jobs?' but all they are getting from Washington is more spending, more taxes, more debt and more bailouts," Hensarling said. The Republican attack came even as key Democrats and Republicans in the Senate are working on a bipartisan jobs bill. The senators hope to unveil legislation as early as Monday that would provide tax breaks to businesses that hire unemployed workers, extend unemployment payments for those whose benefits have run out, and renew a program that offers the jobless a subsidy for health insurance premiums. Senate passage of a bipartisan jobs bill would mark an important political victory for Obama. But Saturday's radio and Internet addresses showed that bipartisanship won't be easy.

The first US national convention of the Tea Party movement has begun, with former vice-presidential candidate Sarah Palin due to appear as a speaker. The movement brings together people who oppose President Barack Obama's healthcare plan, stimulus package and other issues. Some activists have complained about the \$500 (£317) registration fee for the Nashville conference. Barely a year old, the movement gained influence during the healthcare debate. Members, gathered from state-level Tea Parties, complain that big spending to stimulate the economy is being wasted in Washington and on Wall Street while small-town America has to tighten its belt. And the coalition of disaffected conservatives is undoubtedly growing in influence - its endorsement of Republican Scott Brown helped his election last month as Massachusetts senator, says the BBC's Madeleine Morris from Washington. But there has been controversy over the conference's use of paid lobbyists and PR companies and former Alaskan governor Mrs Palin's reported \$100,000 fee. In an opinion piece published on USA Today website, she said: "I will not benefit financially from speaking at this event. My only goal is to support the grassroots activists who are fighting for responsible, limited government - and our constitution. "In that spirit, any compensation for my appearance will go right back to the cause." She said she was speaking at the conference "to keep faith" with people who had put their faith in her. "This movement is truly a grassroots, organic effort. It's not a top-down organisation; it's a ground-up call to action that already has both political parties rethinking the way they do business."

IQALUIT, Nunavut – A crisis in Europe over budget belt-tightening has upended global markets and seized the attention of financial leaders meeting in the Canadian Arctic. Finance ministers and central bankers from the Group of Seven major industrial countries also planned to try on Saturday to settle differences on banking industry changes. There are that go-it-alone action such as President Barack Obama's plan to break up big banks will further hamper the fledging economic recovery. Canadian Finance Minister Jim Flaherty hoped his choice of the remote town of Iqaluit, population 7,000, where temperatures can dip to 40 degrees below zero in February, would make officials focus on the task ahead.

The United States was represented by Treasury Secretary Timothy Geithner and Federal Reserve Chairman Ben Bernanke. The G-7 consists of the United States,

Japan, Germany, Britain, France, Italy and Canada. The agenda Saturday included on developments in the global economy, banking reform and proposals for more debt relief to Haiti, recovering from a devastating earthquake. Developments in Europe provided a sobering reminder that G-7 policymakers still face major hurdles in repairing a broken global economy. The Portuguese parliament's defeat of a government austerity plan triggered renewed concerns that it and other countries such as Greece and Spain were having trouble tightening budget controls to manage their budget deficits. That could threaten the economic recovery in Europe. Stocks fell in Asia and Europe, while the Dow Jones industrial average clawed back to a small gain after suffering the largest single-day drop in seven months, on worries about the global economy. "I think we have to be very mindful of the failure or potential failure of domestic economies," Flaherty told reporters.

### Western Europe

The French government has refused to grant citizenship to a foreign national on the grounds that he forced his wife to wear the full Islamic veil. The man, whose current nationality was not given, needed citizenship to settle in the country with his French wife. But Immigration Minister Eric Besson said this was being refused because he was depriving his wife of the liberty to come and go with her face uncovered. Last week, a parliamentary committee proposed a partial ban on full veils. It also recommended that anyone showing visible signs of "radical religious practice" be refused residence permits and citizenship.

In a statement, Mr Besson said he had signed a decree on Tuesday rejecting a man's citizenship application after it emerged that he had ordered his wife to cover herself with a head-to-toe veil. "It became apparent during the regulation investigation and the prior interview that this person was compelling his wife to wear the all-covering veil, depriving her of the freedom to come and go with her face uncovered, and rejected the principles of secularism and equality between men and women," he said. Later, the minister stressed that French law required anyone seeking naturalisation to demonstrate their desire for integration.

LONDON – Prime Minister Gordon Brown on Friday condemned the record-breaking rise in anti-Semitic incidents last year, urging Britons to be alert to the threat of anti-Jewish hate. Brown said the spike in anti-Semitic street attacks, arson, and graffiti — most recorded during or in the months after the Gaza conflict — were "deeply troubling." "Anti-Semitism is one of the most ancient of hatreds — and yet it constantly adapts to modern times, requiring ever greater vigilance from all of us who are determined to stand up for tolerance and for the truth," Brown said in a statement released through the Community Security Trust, which tracks anti-Semitic incidents in the U.K. Although many were nonviolent, the trust recorded three potentially life-threatening attacks, including an attempt to burn down the home of a rabbi while it was occupied and an attempt to hit a Jewish man with a car as he left a synagogue. The trust said in a report released Friday that it had identified 924 anti-Jewish incidents in 2009, the highest number since it began tracking them in 1984. While the trust had already warned that 2009 was its worst year on record, Friday's total shows by just how much. The figure is more than 50 percent higher than the previous record, set in 2006, when Israel invaded Lebanon.

The trust attributed the unprecedented increase in anti-Jewish incidents to extreme reactions to the conflict in Gaza. Israeli forces invaded the densely populated

coastal strip in late 2008 in an effort to stem rocket attacks from the Hamas-ruled territory, a three-week assault that claimed hundreds of Palestinian lives and fanned protests worldwide. In Britain, nearly 500 incidents were recorded in the first three months of 2009 alone, many of which referenced to the conflict in the Middle East. In his statement, Brown said there was room in Britain for a debate over Israel's role in the region, but warned that "no strength of feeling can ever justify violent extremism or attacks." "We will stand firm against all those who would use anti-Israeli feeling

The leader of Plaid Cymru's MPs has said he has a memo showing Tony Blair and George Bush struck a secret deal to invade Iraq a year before the 2003 war. Elfyn Llwyd told the BBC's Straight Talk he had written to Iraq Inquiry chair Sir John Chilcot to say he would be prepared to hand the document over. He said the memo, which is marked "Top Secret and Confidential" contradicted statements made by Mr Blair. Mr Blair previously told the inquiry he made no "covert" deal with Mr Bush. Mr Llwyd, who in 2004 launched a campaign to impeach the then prime minister for misleading Parliament over the war, said he could not be specific about what was in the memo, which he "believed" was American in origin. "I've not shown it to anybody to try, because I, frankly, I didn't want to be in any position where I was accused of undermining anything that was going on at the time," he told interviewer Andrew Neil. 'Smoking gun' He said the contents of the memo were "in direct contradiction of many, many statements by the ex-prime minister in the House of Commons, including several questions he answered to me". Asked if he believed it could be the "smoking gun" that anti-war campaigners have been looking for, he said: "It could be". He said the memo had "become somewhat historical" but it was relevant to the Chilcot inquiry, which was why he had written to the Iraq inquiry chairman.

Mr Llwyd added he was ready to disclose "everything he knew" to Sir John and his committee. He told interviewer Andrew Neil that whether the inquiry quizzed him in public or private was "up to them" and he was now waiting for a reply from Sir John. Witnesses to the Chilcot inquiry have suggested Mr Blair told Mr Bush at their April 2002 meeting at the ranch in Crawford, Texas, that the UK would join the Americans in a war with Iraq. But when he appeared before the committee last week, Mr Blair said there had never been any secret about what the two men discussed in private - that Saddam Hussein had to be dealt with and "the method of doing that is open". He told the panel: "What I was saying - I was not saying this privately incidentally, I was saying it in public - was 'we are going to be with you in confronting and dealing with this threat'. "The one thing I was not doing was dissembling in that position. How we proceed in this is a matter that was open. The position was not a covert position, it was an open position." Pressed on what he thought Mr Bush took from the meeting, he went further, saying: "I think what he took from that was exactly what he should have taken, which was if it came to military action because there was no way of dealing with this diplomatically, we would be with him."

Campaigners have attacked a deal struck by UK defence contractor BAE Systems to end inquiries into its affairs. The firm is to admit two criminal charges and pay fines of £286m (\$447m) to settle US and UK investigations. The Campaign Against the Arms Trade said it was "outraged and angry" that claims of corruption, which BAE has not admitted, would not be aired in court. Liberal Democrat MP Norman Lamb said more should have been done to probe the "very serious" allegations. 'Wilfully misleading' The move follows corruption investigations into

deals that BAE Systems secured from Saudi Arabia, Tanzania, the Czech Republic, South Africa and Hungary. Under the agreement, announced on Friday, BAE will hand over more than £250m to the US, which had accused it of "wilfully misleading" US investigators over payments made as the firm tried to win contracts. The defence group will pay about £30m in the UK - a record criminal corporate fine - for separate wrongdoings.

US and UK authorities have been investigating the case for about eight years and it is believed to be the first time the two countries have co-ordinated such a corporate corruption "plea bargain". However, Mr Lamb, who has campaigned for BAE to face charges, said he was concerned that "allegations of corruption involving contracts in a number of countries" would not be subject to the full judicial process. He added: "Ultimately the charges that we see admitted are administrative charges, not charges of corruption." The Campaign Against the Arms Trade dismissed the £30m UK fine as a "tiny price" for BAE in the wake of an abortive investigation by the Serious Fraud Office (SFO) into the company's contracts in Saudi Arabia.

Spokeswoman Kaye Stearman said: "After the government stopped the SFO's inquiry into the company's Saudi deals, it was even more important the truth about its dealings in central and eastern Europe and Africa was made public.

The UK charge relates to BAE's dealings in Tanzania and Ms Stearman added: "CAAT is outraged and angry that the allegations about BAE will not be aired in a criminal court and that the Serious Fraud Office has accepted a plea bargain relating only to the smallest deal." Nicholas Hildyard, of social justice campaign group The Corner House, called for the UK to reopen all its investigations into the company.

Iran's foreign minister has said it is closing in on a deal with world powers over its nuclear programme. In Germany, Manouchehr Mottaki said a deal to send enriched uranium overseas in exchange for nuclear fuel could be reached in a "not too distant future". China, opposed to imposing new sanctions against Tehran, said talks with the international community had reached a "crucial stage". There was no reaction to Mr Mottaki's comments from Western delegates. The US and its allies fear Iran is attempting to develop nuclear weapons. Iran insists its nuclear programme is peaceful in purpose. The BBC Tehran correspondent Jon Leyne, reporting from London, says the strong suspicion is that the Iranian remarks are just another attempt to fend off new sanctions being proposed by the United States. Mr Mottaki made his comments after deciding to join the Munich conference - a major international gathering of security officials - at the last minute. He told a late-night audience that "conducive ground" on a nuclear fuel deal had been reached. "Under the present conditions that we have reached, I think that we are approaching a final agreement that can be accepted by all parties," he said. "[The] Islamic republic of Iran has shown it is serious about doing this, and we have shown it at the highest level," he said. But Mr Mottaki did not mention the key issue of timing and insisted that the quantity of fuel involved should be up to Iran. In January, diplomats said Iran had informed the International Atomic Energy Agency (IAEA) that it did not accept the terms of a deal agreed in October by Iran, the IAEA and the so-called P5+1 - the US, Russia, China, UK and France plus Germany. In response, the US, Britain and France have been pressing for more sanctions and earlier this week circulated a discussion paper on further possible measures against the country.

MUNICH – Iran's claims to be close to an agreement on its nuclear program have yet to be backed up by any concrete actions, Western officials said Saturday at a

gathering of the world's top defense officials. U.S. and European officials rejected statements from Iranian Foreign Minister Manouchehr Mottaki late Friday that Tehran was "approaching a final agreement." Mottaki assured delegates that Iran was "serious" about making progress, pointing out that Iranian President Mahmoud Ahmadinejad earlier this week suggested he would at last agree to export a significant amount of uranium for processing. But German Foreign Minister Guido Westerwelle, whose country has joined the five permanent U.N. Security Council members in negotiations with Tehran, dismissed Mottaki's comments as nothing new. He said Iran has been offered a reasonable proposal to defuse the standoff. "If it's not more than we heard yesterday, then have to say unfortunately this is not a new transparency," Westerwelle said. "It does not mean there is a change — that is the situation and we have to face it." On the sidelines of the conference, Mottaki met with IAEA Director General Yukiya Amano behind closed doors, but it was unclear whether he brought anything new to the table on the tentative plan that would have Tehran ship out most of its enriched uranium and wait for it to be returned in the form of fuel for a research reactor. The U.N. is considering a fourth round of sanctions against Iran for failing to rein in its nuclear ambitions.

U.S. national security adviser Ret. Gen. James Jones, spoke of Iran's continued "puzzling defiance" to Western demands that it freeze its uranium enrichment program. He said that negotiators have been seeking to persuade Iran to take a new course. "We have not seen indications that it is willing to do so at this time," he said. Iran now possesses more than enough enriched uranium for at least one nuclear warhead and the U.N. Security Council has demanded the Islamic Republic freeze its enrichment program. The agreement worked out by the International Atomic Energy Agency would delay Tehran's ability to make such a weapon by requiring the country to export 70 percent of its uranium stock and then wait for up to a year for it to be processed and returned as fuel rods for the research reactor. Iran has stopped short of accepting the agreement in its entirety, offering a shorter turnaround time for return of the fuel rods. On Friday, Mottaki indicated that Iran would insist on determining the amount of uranium that would be exchanged.

A key committee of Euro MPs has moved to block the renewal of an agreement which allows US anti-terror officials to access Europeans' bank data. The European Parliament's civil liberties committee recommended that the full parliament reject the interim nine-month deal between the EU and US. MEPs said the deal negotiated by EU governments provided insufficient privacy safeguards. The US can access the Swift money transfer system, based in Brussels. The European Parliament plans to vote on the EU-US data agreement next Thursday. The parliament's press service says that if MEPs block it, they will be making use of a new power under the Lisbon Treaty to veto international agreements. The treaty for the first time gives MEPs real power to shape EU legislation in the area of justice and home affairs. The US started accessing Swift data after the 11 September 2001 terror attacks on New York and Washington. But the fact that the US was secretly accessing such data did not come to light until 2006. The Greens' home affairs expert, Jan Philipp Albrecht MEP, said that in backing the new deal the European Commission and EU governments had "not respected the fundamental criticism about the lack of sufficient protections with regard to privacy and the rule of law". The leader of the Socialist group, Martin Schulz MEP, said: "We want a new and better deal with proper safeguards for people's privacy." Tracking the funding of terror groups globally has been a priority for Washington since the 2001 attacks. Swift handles millions of

transactions daily between banks and other financial institutions worldwide. It holds the data of some 8,000 banks and operates in 200 countries.

PARIS – French President Nicolas Sarkozy and German Chancellor Angela Merkel brushed off President Barack Obama's decision not to attend an annual summit with European leaders while stressing Thursday the importance of Russia as a European partner. A U.S. State Department deputy briefing reporters made the announcement Monday that Obama would miss the EU-U.S. summit in May that will take place in Spain, which now holds the rotating EU presidency. Since then, European media have been awash with commentary wondering what the White House's snub means for Europe as it struggles to find a united voice in foreign affairs following the creation of the new posts of EU president and foreign minister.

"With the United States, I don't understand the debate," Sarkozy told a news conference with Merkel after a joint meeting of the entire French and German governments in Paris. "Where is the drama? Is that our only problem in the world today?" he continued. Spanish Prime Minister Jose Luis Rodriguez Zapatero also expressed understanding Thursday for Obama's decision, telling a meeting of the Atlantic Council in Washington that European leaders "do not think he has lost interest in the EU." Obama already had miffed Merkel by skipping the ceremonies marking the 20th anniversary of the fall of the Berlin Wall in November, and she was more taciturn. She said that along with Sarkozy and other EU leaders, she would discuss the issue at an informal summit in Brussels next week. Sarkozy indicated that Obama might choose to meet with European leaders in the fall when the U.S. president would be expected to attend the annual NATO leaders summit which this year is in Portugal — a combined solution the French leader said was a "rather good idea." "If the summit is in November instead of May, it truly doesn't matter. My feeling is that there are too many summits. There are too many trips. There is too much time lost," Sarkozy said. Zapatero, who spoke briefly with Obama earlier Thursday echoed that idea, indicating the timing of the next summit would be based on "content" and not a specific date. "We will be holding an EU-U.S. summit when the agenda so allows," Zapatero said. "By that I do not mean dates, I mean the content." The U.S. leader traveled to Europe half a dozen times last year and met European leaders at other international venues, including at the United Nations.

Sarkozy and Merkel stressed the importance of their relationship with Russia. Both Russian President Dmitry Medvedev and Prime Minister Vladimir Putin are scheduled to visit France in coming months. The French leader said that he wanted France and Germany to be in total harmony regarding relations with Russia, while Merkel said Russia's relationship with Europe was a "central question." "We have to end the Cold War," she said.

Greek Prime Minister George Papandreou has announced tough austerity measures aimed at cutting his country's soaring public debt. Mr Papandreou said a public sector pay freeze and fuel duty increases were essential because the economic crisis was propelling Greece towards a cliff. He said the EU was pressuring him to curb the budget deficit, which is four times higher than the 3% permitted. The European Commission will meet later on Wednesday to consider his measures. Earlier, one of the principal architects of the euro warned against any financial rescue of Greece, saying it could destabilise the currency.

The German economist Otmar Issing told the BBC that after years of violating rules and cheating on its statistics, Greece had to reform its own economy without a

bailout from Brussels. "These reforms which are needed will be blood and tears... but without that, Greece will never overcome the difficulties," he said. In a televised address on Tuesday, Mr Papandreou urged the public and his political rivals to support his austerity programme. "This is an effort to stop the country's course towards the cliff," he said. "Our country is at the centre of a speculative attack. It is being treated as the weak link of the Eurozone. "We must act in an imminent and efficient manner and it is for that reason that I called on the political parties to support this national effort," he added. The prime minister said tough measures were needed in the face of such an "unprecedented crisis", including a 10% cut in wages and spending in the public sector, a higher retirement age and an increase in fuel prices. He also pledged to go after tax evaders and said those who could afford to pay more would be forced to do so.

Greece will face the most stringent monitoring of any European Union country as it attempts to balance its finances over the next few years. The news came as the European Commission confirmed its support of Greece's plans to reduce its deficit. EU economic commissioner Joaquín Almunia also launched an infringement procedure to ensure Greek authorities report reliable budgetary statistics. Greece's deficit is more than four times higher than eurozone rules allow. Mr Almunia welcomed the additional fiscal measures taken by Greece. He said: "We consider that the programme is ambitious, and that the programme in terms of targets is achievable. "We are endorsing the Greek programme. But at the same time we know that the implementation of the programme is not easy. It is difficult. This deserves support." However, Mr Almunia acknowledged that tackling the debt was difficult politically and complex technically. He said that EU officials would monitor carefully the efforts of the Greek programme and would demand extra action if it was not on track to meet the deficit goals. EU economic ministers will next meet on 16 February. Provided they accept the commission's recommendations, new deadlines will be set for Greece to review progress with officials. It will have to submit a first report on 16 March, with a second deadline on 16 May. Nigel Cassidy, the BBC's Europe business reporter, said the reliability of Greece's budgetary statistics was a long-standing issue. "This was the problem before. Everybody here in Brussels knew Greece was not being very honest with its economic figures but nobody did anything about it," he said.

DAVOS, Switzerland -- Greek Prime Minister George Papandreou said on Friday (January 29th) that the grave financial crisis that has hit his country could happen to any European state. In an interview with the Italian newspaper Il Sole 24 Ore from Davos, where he attended the World Economic Forum, Papandreou reiterated that Athens will not seek the EU's help in dealing with its situation, and will not quit the eurozone. He stressed that Greece has already begun implementing a set of austerity measures aimed at ending the crisis. On Thursday, European Commission President Jose Manuel Barroso urged Greece to meet obligations to its EU partners and bring its double-digit budget deficit within the bloc's 3% of GDP ceiling. EU Commissioner for Monetary Affairs Joaquin Almunia says Greece will not become insolvent. "There is no such thing as insolvency in the eurozone," he said at the Davos forum, reiterating that Athens will not exit the eurozone.

PARIS, France -- IMF Managing Director Dominique Strauss-Kahn said on Thursday (February 4th) that the institution is ready to help Greece if asked. He voiced confidence that the country will be able to deal with its ailing public finances.

"If they ask me to intervene, we will do it," he told French radio RTL. Strauss-Kahn ruled out any risk of bankruptcy for Greece. In reaction, Greek Alternate Foreign Minister Dimitris Droutsas reiterated Thursday that Athens plans to go it alone. "There is no thought at all about the IMF," Droutsas told reporters in New York, where he is visiting the UN. The European Commission backed Greece's austerity plan this week, giving the country until the end of 2012 to slash its huge budget deficit. Athens has promised to lower it from the 12.7% of GDP in 2009 to the EU-set ceiling of 3%.

ATHENS, Greece -- Prime Minister George Papandreou accepted an invitation to meet with Macedonian counterpart Nikola Gruevski, Greek government spokesperson George Petalotis announced Thursday (February 4th). The date will be determined via diplomatic channels and require significant preparation. Gruevski phoned Papandreou on Wednesday to follow up on a written invitation sent the day before. Papandreou said he would meet Gruevski in Macedonia or any mutually acceptable location. Macedonia and Greece has been locked in a longstanding name dispute that has slowed Macedonia's EU bid.

Portugal's opposition-led parliament has passed a bill on regional finance, turning down a mooted government austerity plan. The Socialist government opposed the law, warning it would make it harder to limit Portugal's budget deficit. The move may further unsettle global financial markets, already concerned about the economies of other European countries such as Greece and Spain. World stock markets dipped on Friday amid fears about Europe's debt crisis. Portuguese Finance Minister Fernando Teixeira dos Santos said the passing of the regional finance bill sent a bad signal, and said he would try to stop it being implemented.

But he told the BBC his country's position is manageable. "I think we have good fundamentals," he said. "We have already implemented important structural reforms in social security, in public administration - a lot of important changes; modernising the country, improving competitiveness, improving qualification of human resources." Meanwhile the euro fell further as concerns grew that one or more governments might default on their debts, reported the BBC's economics correspondent Andrew Walker Greece has outlined ambitious plans to reduce its deficit dramatically over the next two years, but doubts remain about whether its government will be able to deliver such swingeing cuts. Figures published by Spain's central bank on Friday showed the country's economy remained in recession in the fourth quarter of 2009, shrinking 0.1% from the previous three months.

## Southeast Europe

Romania has agreed to host missile interceptors as part of a new US defence shield, its president says. President Traian Basescu said the plan was approved by the defence council. It still needs parliamentary approval. The US scrapped a previous missile shield, based in Poland and the Czech Republic, which had infuriated Russia. Instead the new system would provide better defence from "the emerging threat" of Iranian short- and medium-range missiles, a US official said. Mr Basescu said the system would "protect the whole of Romania's territory", but stressed that it "is not directed against Russia". He said Romania will host "ground capabilities to intercept missiles" that would be operational by 2015 if approved by parliament. Smaller system. In the US, state department spokesman PJ Crowley also stressed that the new

system was "not a capability that is directed at Russia". Romania has agreed to host anti-ballistic missile interceptors as part of the administration's "new missile defence plan... to protect US forward-deployed troops and our NATO allies against current and emerging ballistic missile threats from Iran," he said. Mr Obama's decision to abandon the original plan in September was greeted with enthusiasm in Russia, and came amid attempts to "reset" the relationship between Washington and Moscow. The anti-ballistic missile shield favoured by former President George W Bush would be replaced by a reconfigured system designed to shoot down short- and medium-range missiles, Mr Obama announced. He said intelligence suggested Iran was concentrating on shorter-range, not intercontinental, missiles. The Bush administration plans had infuriated Russia, which threatened to train nuclear warheads on Poland the Czech Republic in response. The new system is built around ship- and land-based SM-3 missile interceptors. In October, US Vice-President Joseph Biden visited Poland, Romania and the Czech Republic seeking support for the new system. Poland has already signed up.

BUCHAREST, Romania -- The ruling Liberal Democratic Party (PDL) has not given up the idea of a single-chamber parliament, leader and Prime Minister Emil Boc said Saturday (January 30th). President Traian Basescu floated the idea of a unicameral legislature during his November re-election campaign. Voters backed the idea of one chamber, which would reduce the number of lawmakers from 471 to 300. Also, the National Liberal Party (PNL), the third largest party in the country, announced on Saturday its congress would take place from March 5th to 7th. Leader Crin Antonescu says he'll seek another term. No one else appears to be running. Former PNL leader Calin Popescu Tariceanu refuses to say whether he will compete for the office.

BUCHAREST, Romania -- Prime Minister Emil Boc of the ruling Liberal Democratic Party on Monday (February 1st) briefed the Senate on the government's priorities, including laws on fiscal responsibility and education, as well as completing the Civil Proceedings and Penal Proceedings Code. Boc wants the fiscal responsibility measure approved by the end of March. He said the law on education would transform the current school system from "quantity to competency". Another priority is strengthening the electoral system, particularly the way parliamentary seats are apportioned when no candidate wins more than 50% of the votes.

BUCHAREST, Romania -- An estimated 45,000 public workers plan a two-hour warning strike Tuesday (February 2nd) demanding higher salaries and job security. A larger, general protest has been scheduled for February 12th. The government says that given the global financial crisis, it cannot meet demands. In a bid to cut spending, the Romanian government said it will need to trim the public workforce. Finance Minister Sebastian Vladescu has said more than 100,000 jobs will be axed over the next four years.

PRISTINA, Kosovo -- Voters returned to the polls Sunday (January 31st) for do-over elections in two municipalities, Prizren and Lipjan/Lipljane. The re-vote was organised after elections on November 15th and run-offs on December 13th failed to result in the election of mayors in either place, or in a third municipality, Gjilan/Gnjilane. All three had tight races between the candidates of President Fatmir Sejdiu's Democratic League of Kosovo and Prime Minister Hashim Thaci's

Democratic Party of Kosovo. After a series of complaints, the Election Complaints and Appeals Commission recommended that the Central Electoral Commission schedule new elections in Prizren and Lipjan/Lipljane and order a recount of votes in Gjilan/Gnjilane.

PRISTINA, Kosovo -- KFOR downsized from 14,000 to 10,000 troops effective Sunday (January 31st), the peacekeeping force announced. KFOR -- made up of troops from 32 countries -- will continue to provide security and stability for all Kosovo communities. The downsizing is being implemented in accordance with a NATO decision from July 2009 amid improving security and the strengthening of local institutions. NATO sent 50,000 troops to Kosovo in 1999.

BRUSSELS, Belgium -- NATO Secretary-General Anders Fogh Rasmussen said Monday (February 1st) that the Alliance supports all strategies that strengthen peace and security in Kosovo, including the integration of all communities into society. The strategy for the Serb-dominated north, which was drafted by the International Civilian Office (ICO) in support of Kosovo's government, failed to get formal support from NATO or the EU. Media reports say diplomats in Brussels are reporting that the plan is backed by many EU and NATO members, including the EU states that do not recognise Kosovo. Speaking to journalists in Brussels ahead of an informal meeting of NATO defence ministers in Istanbul this week, Rasmussen said that the Alliance's priorities are Afghanistan, Kosovo and plans for a new strategic concept. Rasmussen announced that a further, gradual reduction of NATO troops in Kosovo could be considered only "if circumstances ... will allow".

PRISTINA, Kosovo -- Serb representatives from northern Kosovo are objecting to the new strategy drafted by the government and the International Civilian Office (ICO) for that part of Kosovo. Representatives of Serbian political parties and the Serbian Orthodox Church met on Thursday (February 4th) in Mitrovica. One participant -- Marko Jaksic -- called on Mitrovica Serbs to block any plan to integrate the Serb-dominated area into greater Kosovo. Serbs in the country have relied on Belgrade-backed parallel structures in the north. Meeting participants also criticised Serbian President Boris Tadic and Foreign Minister Vuk Jeremic for their policies towards the Serb community. Dragan Todorovic of the Serbian Radical Party also called on Belgrade to stop welcoming EULEX. The Kosovo government maintains that most Serbs in the north are interested in the rule of law, democracy and economic development.

PRISTINA, Kosovo -- Events in the Balkans will remain the main challenge facing European stability in 2010, according to a report given by US National Intelligence Director Dennis Blair to the US Senate, according to the newspaper Koha Ditore on Friday (February 5th). The fragile interethnic community in Bosnia and Herzegovina and the issue of Serbs in northern Kosovo require Western, diplomatic and security involvement, Blair said. He also predicted that Pristina would remain dependent on the international community for economic assistance, diplomatic and potentially security support as it further consolidates statehood.

BELGRADE, Serbia -- Swedish Foreign Minister Carl Bildt said on Saturday (January 30th) that Western Balkan countries have made significant progress and are moving fast along their road to EU integration. In an interview with the Belgrade-based daily Vecernje Novosti, Bildt acknowledged some open issues in the region, but

said the situation is nevertheless much better than in the last six months of 2009, when Sweden held the EU's rotating presidency. He also suggested that as early as this spring, Serbia's request for EU membership candidacy might be forwarded by the European Council to the European Commission for review. As for Bosnia and Herzegovina, he urged leaders to amend the country's constitution and prepare for its EU membership bid.

BELGRADE, Serbia -- An interim trade agreement between Serbia and the EU becomes effective Monday (February 1st), according to Vincent Degert, head of the European Commission (EC) delegation to Serbia. The agreement was delayed because of Serbia's unresolved issues with The Hague regarding war crimes. The EC pushed through a compromise late last year, convincing EU members to launch at least the trade agreement. In December, EU foreign ministers agreed to unblock the accord after Hague chief prosecutor Serge Brammertz gave a positive assessment of Belgrade's co-operation. The Serbian government began unilaterally applying the agreement a year ago.

SARAJEVO, Bosnia and Herzegovina (BiH) -- High Representative Valentin Inzko is waiting on the final content of a referendum Republika Srpska's (RS) parliament plans to debate February 9th before commenting on the legislation. Inzko has stressed that the RS cannot make any decisions concerning the state and said the international community is closely monitoring the situation. Inzko reiterated that his decision to extend the mandates of foreign judges and prosecutors in BiH's State Court was not directed against Bosnian Serbs.

SARAJEVO, Bosnia and Herzegovina (BiH) -- Republika Srpska's (RS) opposition Serb Democratic Party (SDS) expelled its former leader, Dragan Kalinic, on Sunday (January 31st) for "undermining the party's unity". Current SDS leader Mladen Bosic did not elaborate. Kalinic, who headed the SDS from 1998 to 2004, denies the charges.

SOFIA, Bulgaria -- Energy Minister Traycho Traykov said Sunday (January 31st) that Bulgaria and Turkey have signed a memorandum of understanding to make an existing gas pipeline connecting the two countries run in both directions while agreeing to build a new gas link between the countries. Traykov told Bulgarian National Radio that current gas supplies coming from Russia to Greece and Turkey can only flow in one direction, affecting Bulgaria's supply. Traykov added that Bulgarian gas supplier Bulgargaz and Turkey's Botas signed an agreement allowing Bulgaria to import natural gas from Turkey via the reversible link.

TIRANA, Albania -- Foreign Minister Ilir Meta said Sunday (January 31st) that defining maritime borders with Greece is a priority for Albania. Last week, the Constitutional Court in Tirana decided that an agreement on the border delineation violates the constitution and must be renegotiated. The opposition Socialist Party (SP) asked the court to for the review. Meta noted Greece's support for Albania's EU integration process.

TIRANA, Albania -- Representatives of the Parliamentary Assembly of the Council of Europe (PACE) will assist President Bamir Topi in organising an all-party roundtable to resolve the ongoing political stalemate. Former Deputy President of PACE and Albanian delegation representative Aleksander Biberaj announced the news Sunday (January 31st). The opposition Socialist Party (SP) continues to boycott

work by parliament until an investigation is conducted into the June 2009 parliamentary elections, which it claims were marred by violations.

TIRANA, Albania -- President Bamir Topi has agreed to assume the role of mediator between the government and the opposition to end the ongoing political crisis, his office announced on Thursday (February 4th). A day earlier, Prime Minister Sali Berisha said he is ready to sit down with opposition Socialist Party (SP) leader Edi Rama if Topi organised the meeting without any preconditions. Opposition parties, led by the SP, have been boycotting the work of parliament since September, insisting on a thorough investigation into the June 2009 general elections.

TIRANA, Albania -- The ruling Democratic Party (DP) will ask for a referendum on a law aimed at removing former communist officials from state institutions. The news follows the striking down by the Constitutional Court of an initial version of the so-called "lustration law". The law has been criticised outside of Albania by both the Helsinki Committee and the Venice Commission along with the Council of Europe's advisory body on constitutional matters. DP lawmaker Mesila Doda announced on Monday (February 1st) that a new bill will soon be introduced in parliament. Following approval there, she said, it will be put to a public referendum and sent to the European Court for Human Rights in Strasbourg for input.

TIRANA, Albania -- Prime Minister Sali Berisha said on Monday (February 1st) that the questionnaire Brussels sent to Albania before it can be granted visa liberalisation has been completed. Experts from Brussels will visit Tirana in the coming weeks to evaluate the process

TIRANA, Albania -- Parliament adopted another three-year ban on motorised boats Thursday (February 4th), to help fight illegal trafficking. Tourist boats and jet skis will be excluded from the ban but will also be subject to a set of rules. The first four years of the moratorium have reduced the amount of illegal drugs crossing the Adriatic to neighbouring Italy, as well as human trafficking. The ban has been continuously criticised by the opposition for hurting local fishermen and tourism

SKOPJE, Macedonia -- Twelve opposition parties led by the Social Democratic Alliance of Macedonia formed a bloc Monday (February 1st) aimed at changing the balance of power. The parties blame the ruling VMRO-DPMNE -- led by Prime Minister Nikola Gruevski -- for the economic and political troubles. The bloc includes no ethnic Albanian parties. It is planning proposals to promote the country's strategic interests, fight crime and corruption and boost democracy.

SKOPJE, Macedonia -- Parliament approved a declaration Thursday (February 4th) in support of a European Parliament (EP) resolution condemning crimes committed in Srebrenica in 1995. According to the document, Macedonia will commemorate July 11th as a day of remembrance for the nearly 8,000 Srebrenica victims. Macedonian lawmakers stressed that full co-operation with The Hague war crimes tribunal is a precondition for the EU integration of Western Balkan countries. The EP passed its resolution just over a year ago.

PODGORICA, Montenegro -- Prime Minister Milo Djukanovic met on Monday (February 1st) with members of an IMF delegation before their visit ended Tuesday. The experts will write a report detailing a possible arrangement with the

financial institution. The document is expected to be adopted by the Executive Board of the IMF within two months. The experts say the persistent problem of low liquidity around the globe could affect Montenegro and its banking sector. They urged Djukanovic to improve the business climate, invest in infrastructure and amend certain laws that obstruct the inflow of foreign investment.

ZAGREB, Croatia -- President-elect Ivo Josipovic and Prime Minister Jadranka Kosor held their first official meeting Monday (February 1st), following Josipovic's victory in the January 10th run-off election. They discussed the EU integration process, the economic crisis and ways to fight corruption while agreeing to meet the day after Josipovic's February 18th inauguration.

## Oceania

An Australian firm has signed a \$60bn (AUS\$69bn; £38bn) deal to supply coal to Chinese power stations. Clive Palmer, chairman of the company, Resourcehouse, said it was Australia's "biggest ever export contract". Under the deal, the firm will build a new mining complex to give China Power International Development (CPI) 30m tonnes of coal a year for 20 years. Analysts say it is further evidence of China's strong demand for resources boosting Australia's economy. Most of China's power stations rely on coal - and demand has risen sharply in recent months after a government stimulus programme re-energised its economy. Knock-on effects. The plan involves building a huge new mining complex in the Australian state of Queensland, and laying 500km (311 miles) of railway line to move the coal to the coast. Resourcehouse's executive director, Phil McNamara, said the "once-in-a-century project" would include open-cast and underground mines, with construction likely to begin later this year. The complex in the Galilee basin, to be called China First, is expected to start coal production in 2013 and will churn out some 40 million tonnes a year. Queensland state premier Anna Bligh anticipates the project will create tens of thousands of jobs and produce multi-million dollar royalty payments for the state government. But the lucrative Sino-Australian deal will almost certainly disappoint some environmental groups, says the BBC's Phil Mercer in Sydney.

They believe Australia's reliance on plentiful reserves of coal, both for domestic electricity generation and for export, should be reduced in favour of renewable sources of energy. Analysts say the deal signals a thaw between the two nations, following a string of incidents in 2009 that strained relations, from the arrest in Shanghai of an Australian mining executive from Rio Tinto to the high-profile visit to Australia of Uighur activist leader Rebiya Kadeer. An attempt by the state-owned resources company, Chinalco, to buy into the Anglo-Australia mining giant, Rio Tinto, also ended in acrimony.