

**Report 124**  
**PROJECT ON BUSINESS AND POLITICS IN THE**  
**MUSLIM WORLD**

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This is the summary of the whole Euro-America zone (zone 3) taking into account the political, economic, socio-cultural and geo-strategic issues around North America/Canada, Western Europe, Latin America/Southern Europe, Southeast Europe, Oceania, Russia and its Neighbour and East/Central Europe.

**Report Summary**

**US/Canada**

Political Issue

President Obama repeated visit to the Gulf of Mexico has more to do with a president wanting to show the people that he cares and doing all at his disposal to seal the oil spill problem with a solution. His latest visit was stepped up to reassure American consumers that seafood from the Gulf of Mexico is safe and promoting tourism in the region and his administration is accelerating effort for cleanup.

Economic Issue

In a show of being in-charge, President Obama was able to broker an understanding with BP executive. An understanding upon which BP compensates all those affected by the oil spill. The oil giant is expected to create a \$20 billion fund to pay damage claims to thousands of fishermen and others along the Gulf Coast. The fund will be administered by Kenneth R. Feinberg, the lawyer and mediator who ran the fund for victims of the Sept. 11 attacks.

Social/Humanitarian Issue

Food, Environment and Energy Issue

The oil spill at the Gulf of Mexico has forced President Obama to reiterate his plea for alternative energy and less dependence on oil. He directed his message to the American nations urging them to see the exigency of his, and also asked the Congress to act quickly to overcome a lack of political courage and candor.

Geostrategic Issues

American strategic policy makers will have to intensify their thinking process over the Afghan war. Obama's administration has set a date for 2011, but reports coming

from the war torn country indicate much difference has not been made even after troop surge. While some will want the U.S to remain in Afghanistan other fear the war will continue to siphon American tax payers and whether or not the set date of 2011 is feasible. The report that Afghanistan harbors trillion worth of mineral wealth is tentatively seen as another dilemma which for some Afghan critics might lure the Americans to rethink of staying than planned.

## **Western Europe**

### Political Issue

Political storm is all over the German coalition government as coalition partners are divided, resignation of top officers, the lose of a crucial regional election and the lack of foresight on how to react to recent financial crisis that gripped Europe. These issues are snowballing and the wind is replete with view that Germans are likely to go for another election less than a year after Merkel won re-election. German ARD television poll affirms the level of discontentment against Merkel's government. According to the poll, 86 percent of Germans are dissatisfied, which was a record low for her administration.

What lesson is expected from the divisionist and separatist politics portrayed in recent Belgian election. Dividing the country between the French and Dutch speakers will not only be detrimental for the country but will also give a bad impression of Belgium to the rest of Europe. If the country eventually get separated it will be a new dawn in European modern history and time will tell how implicative it will be for the country and rest of Europe.

### Economic Issue

Europe was taken unknown by the recent financial crisis and that informed why there was slow pace before the problem was fixed. Fixing the problem forced Europe to adopt austerity measures. The EU leaders have further agreed to lay down regulation that will help strengthen budget discipline and economic policy coordination among the 27 member states to avoid the repetition of financial crisis.

The Greek economy was at the heart of the financial crisis, putting the Eurozone into an uncertain mood for months before IMF/EU bailout. In order to avoid similar problem, Greek Prime Minister George Papandreou said that a 440 billion-euro EU stabilisation fund should be made permanent in order to strengthen the regional economy.

During the last week, a group of experts from the IMF, the European Commission (EC) and the European Central Bank (ECB) responsible for the bailout were in Athens to assess the bailout package. The review went well with satisfactory remark on Greece's economic progress.

## Social/Humanitarian Issue

Banning the burqa, veil worn by minute number of European Muslim women has been one of the major headlines. Belgium, Spain, France, The Netherlands, and Denmark are all working towards enacting what they call the religious freedom bill which will ban the veil and hinder Muslim women from expressing their religious freedom even in a democratic society.

Meanwhile in France, police banned a party organised by a group who intended to serve pork and alcohol on the street where Muslims offer their Friday prayer. The police said it was tailored to offend and cause trouble, though a counterparty organised by Muslim groups was also banned.

Western criticism of Iran is not limited to its nuclear programme but also included its human right record. According to the U.N. Human Rights Council's report Iran has a sluggish progress of human rights protection and that has become more accentuated after the troubled June 12, 2009 election.

## Food, Environment and Energy Issue

### Geostrategic Issues

The Israeli government has started facing the heat and repercussion for allegedly forging foreign passports. Ireland has followed the track of Britain and Australia, it expelled Israeli diplomat accused of complicity in the passport forge used in the assassination of Hamas leader in Dubai. Expelling the diplomats linked to the Israeli secret agent and capturing a member of the assassins in Poland is an indication that nations regardless of their relation with Israel will not condone misused of their symbol of sovereignty for criminal action.

The EU has added more heat to the recent sanctions placed on Iran by the UNSC. The unilateral sanction includes the prohibition of new investment, trade insurance, financial transactions, technical assistance and transfers of technologies. The sanction also affects Iran's shipping and air cargo companies, new visa bans and asset freezes imposed on Iran's Revolutionary Guard.

## **Southeast Europe**

### Political Issue

Instead of boycotting the parliament and derailing the country's political process, the Council of Europe has urged the Albanian opposition to take its case of election irregularities to court. The opposition party refused accepting the legitimacy of last June election on the premise of wrongdoing which the ruling government is not ready to accept. Meanwhile, the European Parliament (EP) has expressed disappointment over the long stalemate, which the EP could not resolve.

Albania is among those western Balkan countries struggling to be inducted in the Schengen visa liberalization scheme. As part of the prerequisites for induction, Albania has to ensure the repatriation of its citizens from Europe. This condition has forced Tirana to establish a special structure to deal with repatriated citizens.

The EU vision of western Balkan has always been to intensify reforms and accelerate integration of the region with the bloc. Hence any country found wanting comes under the radar of the EU criticism. Bosnia is criticized by the European Parliament for limited progress. The western Balkan country has been endangered by ethnic and divisive politics

Since independence in 1990, Croatia has four times successfully amended its constitution. The new amendments in the constitution were more to do with EU accession and necessary reforms for Croatia-EU integration, although non-EU amendments were also made.

Regardless of the awaited ICJ ruling on the legality of Kosovo independence, the International Steering Group (ISG) under the International Civilian Office head Pieter Feith believes Kosovo independence is irrevocable.

European parliament members are urging the EU to start accession talks with Skopje, due to the improvement in its reforms, though Macedonia is still entangled in name dispute with Greece, an issue that has been troublesome for both countries.

Effort by the Romanian government to regulate the economy by reducing deficit, slashing salaries, pensions and hiking taxes has thrown the government into hot water. Many Romanians are against the austerity measures and the cabinet now faces vote of no confidence from the opposition Social Democratic Party (PSD) which it survived, yet the opposition is ready to further pursue the case in the court.

## Economic Issue

The recent European financial crisis is forcing economies of the region to adopt prudent economic management. Governments are reducing federal deficit and certain degree of tax hike. The Macedonian government has taken similar direction geared at cutting salaries of some government officials, including Prime Minister Nikola Gruevski.

Croatian labour unions are gathering signatures for a referendum for amending labour law. Laborers are wrestling with government over whether or not the union should continue with collective bargaining or individual agreement with employers.

Similarly in Serbia, Alliance of Independent Unions of Serbia President Ljubisav Orbovic warned that the workforce situation has become critical. He said that at least 1 million citizens are subsisting below the poverty line

## Social/Humanitarian Issue

Albanian government has declared two groups, Islamic Jihad and al-Qaeda, illegal in Albania. During a meeting, the cabinet also announced a list of 62 businessmen and nine commercial companies believed to be connected with al-Qaeda and the Taleban, groups that the UN considers sponsors of terrorism.

High Representative Valentin Inzko urged Bosnian lawmakers to adopt a law on population census. He called for a compromise so that the headcount could be conducted next year.

The FIFA World Cup is one of the avenues where countries display the other side of their diplomatic skill. Every football team will need a tactical skill to survive and that exactly was what Slovenia has done winning against Algeria in the on-going FIFA World Cup.

EULEX officials want Belgrade to take the next step in collecting information regarding the Raska mass grave, believed to contain the bodies of 250 Albanians.

The family of the fugitive Serb commander Ratko Mladic wants the government to declare Mladic dead through the help of a lawyer representing the family. The family believes they have been inundated enough for years and since Mladic's whereabouts is unknown it is better to declare him dead. Despite the request from Mladic's family, Serbian government insist to continue with the search of the at large commander.

## Food, Environment and Energy Issue

Regional and foreign observers have been closely monitoring the stance of the Bulgarian government, whether the latter will maintain an undivided ties with U.S or take an economic and energy friendship with Russia. The proposed Burgas-Alexandroupolis pipeline has been the cause of the unclear stance. For clarity Prime Minister Boyko Borisov holds that the government will wait for an environmental impact assessment before making a final decision on its participation in the Burgas-Alexandroupolis pipeline

## Geostrategic Issues

Serbia strengthens her ties with rich European countries by opening its border to citizens of EU countries and Switzerland, Norway and Iceland. Citizens of the latter countries can travel to Serbia with ID cards, rather than international passports. Aside from that, Serbia is getting a positive signal from the EU, the bloc's foreign ministers kick off ratifying the bloc's Stabilisation and Association Agreement (SAA) with Serbia, two years after it was signed. The bloc also had a meeting with Montenegrin authority on its SAA.

Political enmity between Serbia and Kosovo is far from being resolved as Kosovar government has planned not to invite Serbian president to a regional mini-

summit to be held in Kosovo. It is more likely that Serbia would reject the invitation even if invited as Belgrade does not recognize Pristina as an independent state.

Report has it that Romanian deputy Foreign Minister Bogdan Aurescu announced that Bucharest and Washington have begun talks on deploying elements of the proposed US missile shield in Romania. The announcement is likely to raise many similar questions and objections, seen when the U.S. wanted to install missile system in Poland and Czech Republic.

## **Oceania**

Political Issue

Economic Issue

Social/Humanitarian Issue

Food, Environment and Energy Issue

Geostrategic Issues

## **Latin America**

Political Issue

PSDB party candidate Mr. Serra and Ms. Rousseff of the Workers' Party (PT) have been nominated formally to run for the forthcoming Brazilian election. The former hopes to improve human rights, oppose Brazil relations with autocratic governments and follow a more friendly U.S. policy. The latter hopes to focus on tax cuts and to increase tax payers in the country and not to discontinue with President Lula's policies, which has earned Lula good popularity.

Chavez believes Venezuela is democratic and no country is more democratic than it. Rejecting criticism against his government, Chavez holds that foreign support and meddling are behind the political condemnation he faces.

Economic Issue

Argentine economy is picking up than expected. Previous forecast of the economy puts growth at around 4.1 percent, but the economy is witnessing a 5.2 percent growth.

Brazil's economic clout in the region and across the globe is on rise, yet the central bank of Brazil warns that Brazil must equip itself with improved economic institutions in order to avoid the kind of financial crisis seen in Europe. Meanwhile, President Lula believes the forthcoming election result will not halt the country's economy path as predicted.

Taking less confrontational attitude towards Iran might cause Brazil financial and economic damage. The U.S. Congress is debating whether or not to continue with ethanol trade with Brazil, if the latter insist on trading its ethanol with Iran regardless of the UNSC's sanctions. Being a large ethanol producer, it is interested in expanding its market than closing it against a particular country like Iran.

As drug related money and other source of laundering get heightened, Mexican government has launched a new policy regarding money transactions through banks and limiting the amount of transaction in dollars. Washington increases its plaint of drug trafficking into the United States to the Mexican authority, which dividend ends up in U.S banks and ultimately used for procuring weapons used in the Mexican drug war.

Venezuelan economy remains at a stooping direction due to nationalization and lack of good performance by the major (oil) sector of the economy. Even though Caracas is now ranked as the 2<sup>nd</sup> largest reservoir of oil after Saudi Arabia, yet the nation's oil company is reported to have shown low performance this year as compared to the previous year.

#### Social/Humanitarian Issue

Drug related violence undoubtedly perturbs the Mexican government. 15 federal security officers were recently ambushed at two different places. It is the largest attack on federal security officers since president Calderon took office. Meanwhile, Mexican President Felipe Calderon accused US government of doing less to control its drug addicts, if they are controlled, then Mexican drug cartel market will be fractured and drug war in Mexico will be abated.

The Inter-American Commission on Human Rights (IACHR) reports that human rights record in Venezuela is worsening due to the high rate of political crackdown on opposition candidates and ban on opposition media. President Hugo Chavez injected a new rule into his 21<sup>st</sup> century socialism; Chavez sees alcohol as anti socialist value, hence Venezuelans should abstain from it.

#### Food, Environment and Energy Issue

Owing to its growing economy and energy demand, Brazilian leaderships are more intrested in energy partnership with neighbours. Brazil and Peru have reached agreement which will allow Peru to provide hydroelectric power to Brazil.

Latin America is endowed with huge and yet untapped natural resources. Chile has been tapped as the world largest reservoir of lithium and exporting 50 percent of total world's lithium. U. S is the largest importer of Chile and Bolivia's lithium. The substance is globally needed, being used in cell phones and laptop batteries.

The unpredicted oil spill caused by the British Petroleum drill in the Gulf of Mexico is increasingly becoming a burden for the oil company. The American government is demanding compensation for the damage caused, while the Mexican government wants \$20 million in order to monitor the spill from encroaching into the Mexican shores. Mexican environmental secretary said the funds will be utilized to train personnel and to equip environmental study centers.

## Geostrategic Issues

Despite opposing the new UNSC's sanctions on Iran, the Brazilian leader holds that sanction is not the right tool to solve the Iranian nuclear impasse, even though the world missed a golden opportunity to sit Iran around negotiating table. Brazil is not expected to sever relations with U.S as the latter believes Brazil and Turkey are challenging U.S and the rest of the international community over Iran issue. President Chavez never fell short to condemn the UNSC's sanction on Iran.

## **Russia and its Neighbours**

### Political Issue

One of the Western criticisms of Russia is its democracy seen as not democratic enough. Russian Putin fired back last week questioning why Western form of democracy should be adopted by all. According to him there is no universal form of democracy even among those who refers to themselves as advance democracies. On a separate note, the European Parliament welcomed the "constructive" nature of first EU-Russia summit since the Lisbon Treaty was approved.

The outcome of the Polish election will mean a lot and redirect the bearing of the country after the death of many of the country's leaders in plane crash. Polls suggest a tight outcome between the late president's identical twin brother, Jaroslaw Kaczynski (skeptical of the benefits of adopting the Euro) and Bronislaw Komorowski, the pro-business parliament speaker with a market-friendly policy.

The outcome of the Slovakia election shows that despite the success of the ruling centre-left SMER-SD party, the current coalition parties will not likely be part of the team as they failed to garner sufficient votes. Hence, a centre-right government is more likely expected.

Recent Ukraine's President Viktor Yanukovich pronouncement to oppose NATO membership has received the support of the Indonesian government. Ukrainians are believed to be longing for the EU but not NATO, although the recent opposition could be a reflection of the new Russia-Ukraine relations.

Membership of Eurozone comes with many benefits and responsibility, thus Estonia will have to face such benefit and responsibility as the EU approved Estonia-Eurozone membership as the 17<sup>th</sup> member. The approval came fore upon EU leaders consent that Estonia had met the conditions to join the Euro area.

### Economic Issue

Russian government has not been finding it that easy with the militancy coming from the Chechens; nevertheless, Russian president's visit to the region unveiled the

consequence of insurgence on socio-economic development. The president believes the socio-economic development of the region should not be forgotten.

Amendments to the Russia's 2010 budget have triggered concern for The International Monetary Fund (IMF). The concern could also be linked to the Russians' plan to borrow less from foreign market in 2011.

Joint WTO membership of Russia-Khazakistan-Belarus (RKB) may put additional obstacles for these countries, but the membership will force Russia to readjust its protectionist policy.

Few weeks back, Belarus expressed its willingness to offer Russia gas pipeline passage in exchange for cheap gas. But such friendly atmosphere became sour as Russia gave ultimatum to Belarus to pay off its pay off \$200m gas debt.

Ukraine has borrowed \$2bn from Russia last week to bridge its budget deficit because talks for IMF loan was dragging. Exportation between Ukraine and Turkey is expected to restart after leaders of both countries held private meeting.

Hungarian government has thrown its support for a possible change in European Union regulations on private pension fund systems. The change will help the newly formed government to significantly narrow budget deficit and lower public debt. The government is also geared at central price regulation, a reminiscent system of communist-era price controls.

The request of Poland's finance minister to International Monetary Fund for a renewal of flexible credit line of \$20 billion dollars for his country is a clear indication that economies in the region are still dependent on IMF. Meanwhile, the UAE has outpaced many Arab countries as it becomes Poland's largest trading partner in the Arab world. According to Roman Chalaczkiwicz, Polish Ambassador to the UAE, about three to four years ago, Saudi Arabia occupied that position.

The economic tentacle of China is getting its grip even in the Baltic States of Lithuania. There has been an increasing trade cooperation between China and Lithuania for which a senior official of the Communist Party of China (CPC) said Lithuania is "China's important trading partner in the Baltic Sea region,"

Lithuania's coalition government recently announced a new round of austerity measures to cut the budget deficit to 3 percent of gross domestic product (GDP) by 2012. The additional steps include extending a two-year freeze in public administration wages beyond end-2010, gradually raising the pension age, and slashing parental leave benefits.

Dependency on IMF's loan was articulated by Latvian President Valdis Zatlers who cautioned against excessive optimism and holds that despite the signs of recovering from deep recession; his country is still in need of international financial assistance.

The Kyrgyz's political crisis is making China lose grip on Kyrgyz's market and also affecting China-Kyrgyzstan trade ties. Experts are of the view that as Moscow

dominate the scene in that country, this is more likely to diminish Beijing's economic clout.

### Social/Humanitarian Issue

A recent study has shown that from 1941 to 1944, tens of thousands of Jews were killed in certain parts of southern and western Russia under Nazi occupation and how the holocaust produced low GDP.

Russian state-owned hi-tech corporation Rostekhnologii (Russian Technology) is organizing Eurosatory 2010, wherein over 30 Russian defense industry will be exhibiting.

The big question for Poland to answer is whether or not it will extradite a person apprehended for fraudulently using German passport for the assassination of Hamas leader in Dubai. The German authority wants the man extradited.

### Food, Environment and Energy Issue

Understanding the Russian energy clout, France and Germany, Europe's powers have been trying to play a safer and cordial game with Moscow. The recent visit of Russian leader to Paris spotlighted the economic concern between the two countries and Paris has shown and signed to be part of the South Stream gas pipeline project, that will transport Russian gas to the rest of Europe.

Russian parliament welcomed the signing of an agreement that will establish an early-warning mechanism on energy security between the EU and Russia. EU-Russia energy co-operation must be based on the principles of the Energy Charter.

The French are handing over night vision technology to Russia; as the city of Vologda in central European Russia will start assemble the Thales-developed thermal imaging cameras. The local production of the camera will reduce production cost and is hoped to be affordable for civilian purposes in the future.

### Geostrategic Issues

Russian parliament endorsed the visa-free travel regime between the EU and Russia and believes the negotiation should be based on a step-by-step approach.

Meanwhile Russia and China will be relieved from the British yearly £2.9bn bilateral aid. Britain is reviewing its policy and believes the aid should go to most needy and poorest countries.

As ethnic tension mounts in Kyrgyzstan, Kyrgyz public are requesting external intervention particularly from Russia, although the government is not totally consenting to such proposal. Yet the Collective Security Treaty Organisation (CSTO...Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan) are contemplating offering emergency aid. Meanwhile, Russian President Dmitry Medvedev warns that ethnic

clashes in Kyrgyzstan could lead to Taliban-style forces taking advantage of the unrest to seize power.

The signing of 'wide range' of nuke documents between Russia and Kazakhstan will move the two countries to a new level of relations and more importantly that will further cement the new custom agreement between them.

Statement of Russian president that U.S should quit its Kyrgyzstan's base once NATO-led operations end in nearby Afghanistan indicates a futurist thinking. It also shows the concern of Moscow about U.S presence in what is traditionally seen as Russia's sphere.

Russia might tough have supported the new UNSC round of sanctions on Iran, seen as diplomatic success by the Western powers. Yet Russian President Medvedev cautious against unilateral sanctions by the United States and the EU, which according him will worsen situation.

Azerbaijan received a strong diplomatic support from the Czech Republic, the latter supports a stable and the inviolability of Azerbaijan's territorial integrity and also supports the settlement of the conflict under international law.

The Czech Republic's nascent three-party centre-right government has agreed to expand the controversial Temelin nuclear power plant and upgrade the atomic plant in Dukovany.

Belarusian government has refused the request of Kyrgyz's government to extradite deposed President Kurmanbek Bakiyev. The refusal is linked to political issues. The interim Kyrgyz's government led by Roza Otunbayeva wants Bakiyev over the charges of murder and abuse of power