

Report 125
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

Gen. Stanley McChrystal's comment during an interview in Rolling Stone magazine has caused him his job. McChrystal's comments sounded insulting to President Barack Obama and key administrative officials, who according to McChrystal are less informed of the reality in Afghanistan and lacking serious plans to see Americans through the war. McChrystal though later apologized for the inconvenience his comment had caused. .

The Senate and House of Representatives agreed unanimously to emasculate Iran through a new round of sanctions that will punish severely any company either within the US or overseas trading with Iran. It is a choice game the Congress believes it has set. The effectiveness of the sanction and law will be determined by time, as Iran is credited for bypassing previous hurdles set on it way.

Economic Issue

American economy grew slowly in first 3months of 2010 than previously projected. The economy was expected to grow by 3% but statistic shows a growth of 2.7%. The data might dampen the hope of many Americans, thinking the moment is ripe for them to reap the dividends of the financial bailout.

The rich and most industrialised nations gathered at the Toronto G8 summit, showing their willingness to find ways in resolving the global financial traumas. But they were not over optimistic to make unrealistic pledge (to poor countries) as many of these rich countries are still struggling with economic problems.

Social/Humanitarian Issue

Faisal Shahzad, the suspected Pakistani for the failed Times Square bombing pleaded guilty, but justified his action on the premise that U.S foreign policy towards the Muslim world is harsh and not until the Muslim world is revered similar attack U.S will persist. When asked by the judge that his action might affect innocent people and children, he replied, U.S drones in Afghanistan and Pakistan never care about the innocent and children.

Food, Environment and Energy Issue

The Gulf of Mexico oil spill has brought the executive and judiciary eyeball to eyeball. In view of the pollution and the inconveniences caused by the spill, President Obama ordered six month suspension of oil drill, but a federal judge in New Orleans unblocked the moratorium on economic and businesses ground. The White House swiftly vowed to appeal the ruling.

Meanwhile, Obama is urging the nation to start relocating their huge reliance on oil for alternative energy. Although many Americans would agree with the president, yet a sizeable majority are unwilling to pay higher gasoline prices to help develop new fuel sources.

Geostrategic Issues

Western Europe

Political Issue

Economic Issue

Austerity measures appear to be the order of the day in Europe, measures needed by the government to regulate the economy, but such regulation is not falling into the likings of many Europeans. Like other Europeans, Italians under the auspices of trade union staged a general protest against Silvio Berlusconi's centre-right measures geared at cutting funds for local government and freezing of public sector pay.

Similarly, the coalition British government released its budget tagged as the most severe budget that cuts spending and increases tax since the early days of Margaret Thatcher's era. The budget is expected to irk the British public, particularly the powerful public-sector unions and their allies in the Labour Party.

At first it was the global economic recession, and then comes the European financial crisis. The aftermath of both crises still haunt world economies and managing the global finances became the top issue at the G8/G20 summits in Canada. Meanwhile, other issues troubling the rich countries is whether to pursue austerity measures to cut deficits, or continue public spending to stimulate economic growth. During the summit, leaders of the two sides of the Atlantic asserted to face global economic issues with integrative instrument.

It had to take series of negotiations before the IMF-EU could finally agree to bail the Greek economy from its woes. The bailout demands serious austerity measures which many Greeks have resented. Regardless of the discontentment, Finance Minister George Papaconstantinou said in an interview that the government is far from thinking about default and debt restructuring, which if undertaken will be disastrous to the country's economy.

President Obama is demanding \$20 billion from BP as compensation for oil spill in the Gulf of Mexico, and the company itself as to fix the mess of the leak with \$2.35 billion which might further rise. Premised on this, BP shares were reported fallen sharply in London, dipping as low as 303.6 pence (\$4.52).

Social/Humanitarian Issue

At first it was learning of English that was prerequisite for immigration, now the UK Home office is tightening its immigration door by reducing the number of non-EU immigrants coming into the country. Both measures will make immigration to the UK more restrictive, bringing back the reminiscence of 1990s tough immigration rules.

Food, Environment and Energy Issue

Geostrategic Issues

There are lot on the table to be discussed between the British and American leaders. The G8/G20 summits in Canada provided the opportunity for both leaders to streamline the issues ranging from BP oil spill, Afghanistan and the global economy. The summit is also expected to discuss global security concern with particular reference to Iran and North Korea.

Southeast Europe

Political Issue

Albanian junior ruling coalition partner, Socialist Movement for Integration (SMI) has reiterated its calls for a solution to the longstanding political crisis in the country. A protracted crisis that the European parliament was disappointed about after several steps towards reconciliation failed.

Kosovo Serb-dominated municipality of Partesh/Partes went to the polls on Sunday to elect local leaders. Although turnout topped 65% but none of the contestants were able to secure 50% vote therefore a mayoral run-off will be required.

The UNDP "Early Warning Report" outlined serious worry and dissatisfaction among Kosovars for the growing failure of government institutions. Government work, unemployment, poverty and the judiciary are all worrisome issues, while KFOR and the Kosovo Police and EULEX received public appreciations. The report came amid the

resolution of the Parliamentary Assembly of the Council of Europe (PACE) urging Pristina authorities, EULEX and UNMIK to demonstrate more commitment to strengthening the rule of law, required for Kosovo to meet EU standards.

Montenegrin state-level coalition partners, the Democratic Party of Socialists (DPS) and the Social Democratic Party (SDP) reached an agreement to form a coalition within Podgorica's local government. According to the deal reached the mayoral seat will be reserved for the DPS while the president of the city assembly will come from the ranks of the SDP.

Having failed to win a vote of no confidence, Romanian two largest opposition parties, the Social Democratic Party and the National Liberal Party now decided to postpone a new motion of no confidence against the government until the autumn. The last vote though failed was tailored to challenge government for its austerity measures. Opposition opted for court and the court ruled that the government's decision to cut pensions by 15% as of mid-year is unconstitutional, as is the decision to end the practice of offering higher pensions for certain professions, including law enforcement and judicial posts. However, the court allowed the 25% cut in salaries of civil servants.

Economic Issue

Croat labour unions have garnered enough signatures for referendum that will decide whether the country should continue with collective union bargaining or start an individual system where every employee will have to bargain with employer one on one.

Social/Humanitarian Issue

Apprehending and prosecuting war and organised crimes are part of the menace facing the region. Serbia and Croatia had scuffled over war crimes, with an eye for ICJ's ruling. Upon political reconciliation they retracted their ICJ petitions in order to settle the case out of the court. Now both countries have agreed to ink a pact for the extradition of those who are apprehended on charges of corruption and organised crime.

Food, Environment and Energy Issue

Energy issue engulfs Bulgarian political landscape. The government is accused of lacking continuity of energy policy. The previous socialist government had signed energy agreements with Russia but that has not become a reality owing to fund and environmental concerns. Critics however argue that the current government finds itself in muddy situation either to settle with energy Russia or support U.S missile shield.

Getting cheap energy and becoming part of the energy hubs and transits is one of the desires of many economies. The Russian South Stream gas pipeline project has been controversial, yet many countries will want to be part of it. Macedonian authority expressed gratitude after Russia agreed to include Skopje in the project. The inclusion is an avenue for cheap energy and ability to enjoy stable energy.

Geostrategic Issues

Croatia is reported making rapid headway towards EU membership, yet her trouble with Slovenia over border dispute remains unsettled. Slovenia is yet again blocking Croatia, demanding the latter to open its financial market as part of prerequisites for EU integration. Zagreb Central Bank blocked Ljubljanska Banka (NLB) and demands that it settles all outstanding debts to Croatian citizens. Nonetheless, Slovenia has accepted that Croatia opens the judiciary chapter with the EU.

Serbia's long trek towards EU membership is showing sign of progress. The Spanish parliament has approved the Stabilisation and Association Agreement (SAA) with Serbia. This is a big development for Serbia, and will require Brussels to close up the process.

Ukraine is not a NATO member and more recently has removed NATO membership from its agenda. But a Romanian court sentenced a Romanian and a Bulgarian to 12.5 years in prison each for passing classified information to Ukraine. The court ruled that such documents might have threatened the security of Romania, the culprits agreed to the charges due to financial incentives.

Regional cooperation is unfolding in the region as nations makes themselves ready for EU membership. War acrimony between Croatia and Bosnia has long hindered both countries relations, but recent meeting involving both countries was based on mutual respect for territorial integrity and sovereignty. The leaders promised to boost bilateral and regional communication in order to speed up their respective EU integration bids.

Meanwhile, Belgrade is close to removing its visa regime with Albania.

Oceania

Political Issue

Despite his two and half (2 ½) years success and ending a dozen years of conservative rule, ex-PM Kevin Rudd had to be relieved of his post, so that Julia Gillard becomes the next and first Australian female prime minister. Rudd has had a good rating but his campaign for taxing the profits of big mining companies, whose boom helped shelter the economy from the global downturn and the climb-down on greenhouse gas emissions turned the public against him. Election is less than a year and Rudd remaining as PM could hurt the labour party in favour of the conservative. Julia Gillard is not expected to shift Australian-US foreign policy, and she aspires to amend policies that shattered the popularity of Rudd.

Economic Issue

Social/Humanitarian Issue

Food, Environment and Energy Issue

Geostrategic Issues

Latin America

Political Issue

Ex Foreign minister Taiana's resignation could be a shock for many outsiders but better known within the political circle, as a clash was reported between him and President Fernandez de Kirchner. Taiana will be succeeded by Timerman, a staunch supporter of Kirchner family and the Argentinean ambassador to US. Timerman's top priorities are to strengthen relations with neighbouring countries, most particularly with Brazil and having bigger support for MERCOSUR. He also said the national interests would be respected at every aspect as in the case of Falkland Island or Malvinas Island.

President Lula da Silva lambasted the economic indiscipline of the developed European countries as non-model for the rest of the world. He was particular on the manner and slow pace with which the problem was handled. Meanwhile, presidential aspirants for the forthcoming Brazilian elections have started campaigning and introducing themselves to foreign leader.

In a detail report published by the Economist magazine, formidable economic policies of Brazil is said to be responsible for Brazil's independent global policy. Traditionally, Brazil is a supporter of United States, but the growing economic clout of Brazil could not be disconnected from its recent policy on Iranian nuclear issue.

Ex-Colombian President Uribe attempted constitution amendment for a third term but refused by the parliament. Hence Uribe could not participate in recent elections won by Juan Manuel Santos, an ex defense minister. Santos defeated Bogota's Mayor Antanas Mockus with 69 percent. President-elect Juan Manuel has planned not to discontinue with Uribe's policy of combating terrorist, drug production and trafficking.

Despite the mistrust with the Uribe's government, Ecuadorian President Rafael Correa and Hugo Chavez welcomed the newly elected Colombian president. Both remarked that they will respect the outcome of the presidential elections in Colombia. President-elect Juan Manuel Santos is allegedly feared by Ecuador and Venezuela of attacking the two countries if elected. Meanwhile, United States has congratulated Santos for his election's victory.

Mexicans are due to go to the poll to elect new governors, but drug cartels and drug-related violence in the country is daunting the political landscape. The influence of drug lords on politics is no news, as 12 governors are reported receiving the support of the lords. Meanwhile, Roman Catholic Church of Mexico is requesting tougher government involvement in the forthcoming election in order to safeguard against drug lord election intimidations.

President Chavez has reshuffled his cabinets as way of preparing for next September elections. The reshuffling has been criticized as usual Chavez's conduct, who reshuffles yearly.

Economic Issue

President Lula da Silva defended his policy of 7.7 percent increase in pension. According to him, the policy should neither affect public account nor burden on government, instead a mechanism for supporting eight million retired Brazilians. Similarly, the president kick start Family Farming Harvest Plan 2010/2011 expected to create opportunity and livelihood for many families. The plan should cut interest rates on the family farming from 5.5 percent to 4.5 percent annually.

International Labour Organization has urged the Venezuelan government to retract from policies that targets private businesses and disturbs the growth of the economy. President Chavez has recently been under pressure and attack for the anti privatization policies.

Social/Humanitarian Issue

An official of United Nations Office on Drugs and Crime (UNODC) has praised Colombian government's role in reducing drug related activities and coca production in Colombia. Meanwhile, Mexican drug lords are not comfortable with the effort of Arizona police in derailing their drug trafficking into the United States.

President Chavez has appreciated the assistance in the fields of health and industry from its allies Cuba and Iran. He said this assistance has been instrumental in Venezuelan growth.

President Chavez has requested Interpol to arrest the owner of private television Globovision for criticizing the government outside the country. United States condemned the Venezuelan moves as violation of human rights.

Food, Environment and Energy Issue

Geostrategic Issues

Brazilian Foreign Minister visited Bulgaria to boost economic relations with Bulgaria. It was first ever visit of such as high official of Brazil to Bulgaria. The latter was supportive of Brazil's permanent seat in the UN Security Council.

Russia and its Neighbours

Political Issue

Controversial Russian political figures are in coalition for a single party. The Other Russia coalition, the National Bolshevik Party, People's Democratic Union and United Civil Front are matching hands to contest for the next parliamentary election.

According to recent Freedom House survey, Russia retains the status of controlling the Internet and limiting political competition among dissidents, and the government is also accused of failing to fight corruption and exercising pressure on business.

Poles are yet to finalise on who should be the next country's president, although exit polls indicate Bronislaw Komorowski, the candidate of Civic Platform has won 40.7% of the vote. However, a final round of voting will be held on July 4 as candidate needs at least 50 percent votes.

The outcome of the Slovak election failed to favour the Socialist ruling party and its coalition partners. The election brought Iveta Radicova fore as the first Slovakian female prime minister. Radicova has formed a parliamentary majority through a coalition of four small center-right parties: her SKDU-DS, Freedom and Solidarity (SaS), the Christian Democratic Movement (KDH) and Most-Hid.

The Hungarian political system permits selection of president by the parliament with at least 50 MPs approval. Andras Balogh, Hungarian ambassador to Thailand has been picked as the next president with 50 MPs approval.

The CIS Economic Court (EC) has dismissed Belarus' motion to suspend duties on oil products from Russia. On March 25, the Belarusian Ministry of Justice filed a claim to the CIS Economic Court, over export customs duties on Russian oil products and petrochemical raw materials.

Since 2008 offensive, both countries have been at loggerhead, but the Georgian President Mikheil Saakashvili said last week that his country will be ready for "extensive" dialogue with Russia. The remark came barely days after the Russian president ruled out any progress in Russian-Georgian relations under Saakashvili.

Economic Issue

Russian President Dmitry Medvedev and U.S President Barack Obama have agreed to restart exports of poultry by US companies to Russia as the two leaders found common ground on trade and investment. Washington further throws it support for Russia's entry into the World Trade Organisation, saying that it would deepen Moscow's integration into the global economy.

According to RBC's report Russia's foreign trade surplus from January to May 2010 was 72 billion U.S. dollars, indicating growth in export and import of the country.

President Dmitry Medvedev has not back down from transforming Russia into a global financial hub, an idea that was tapped in 2008 during the St. Petersburg Economic Forum. Being global financial hub is aimed at strengthening the ruble's position as a reserve currency.

Good financial discipline saved the Polish economy from the 2009 financial recession according to a latest report. The economy stood out among EU and OECD

countries. It kept its inflation rate and its debt levels low, limited its borrowing in foreign currencies, and accumulated a large amount of foreign reserves. It did not overreact to the financial crisis and hence prevented the panic.

Meanwhile, the European Commission wants Ireland, the Netherlands, Poland and Austria to change certain aspects of their legislation which are not in compliance with EU rules on value-added tax (VAT).

Due to recent financial problem encountered in the Eurozone, Czech President Vaclav Klaus, a pronounced Euro-sceptic reiterated his view that the zone has no future.

Ukrainian government reported a GDP growth and sees a full-year GDP growth at around 3.7 and 4.5 percent. According to a separate report, the growth accelerated to 6.1 percent in the first five months of 2010 from 4.8 percent in the first quarter.

The new Hungarian government will not be distancing itself from the prevailing austerity measures elsewhere in Europe. The government plans to cut budget deficit, raise taxes but no plans to introduce new taxes and might be borrowing from IMF/EU to keep the economy stable.

Despite the energy face-off, Belarusian President Alexander Lukashenko urges Russia to make both countries keep security and strategic relations prioritized.

Social/Humanitarian Issue

Russia and the United States will collaborate on humanitarian effort for the affected people in recent Kyrgyz's violence. The violence erupted after the president was ousted, leaving about 2,000 people dead and 400,000 ethnic Uzbeks homeless.

German politicians are calling for the reintroduction of border controls in the areas adjacent to Poland and the Czech Republic due to a growing number of car thefts.

Food, Environment and Energy Issue

Russian and Canadian authorities are now in partnership of satellite monitoring project. The satellite system will monitor climatic changes and survey energy resources in the Arctic region. It will monitor the weather and environment of the North Pole, pinpoint hydrocarbon deposits on the Arctic shelf, provide telecommunications over the hard-to-access areas and ensure safe air traffic and commercial shipping in the region.

The new Russia-Belarus energy brawl has started causing concern for many European countries. Russia has vowed not to transport gas not until Belarus pay-off its outstanding debts, thus with Russia blockage, Belarus also threatens not to release gas to Europe, therefore complicating Europe's gas shortage.

Ukrainian Prime Minister Mykola Azarov once again diffused the view that a merger between Russian energy giant Gazprom and Ukraine's state gas firm Naftogaz is

far from being real. Critics have criticized the government of over depending on Russia, even though the merger is hoped by Russia to be an avenue of alleviating Ukraine from energy problem.

Geostrategic Issues

Russia is avoiding being left behind, as most major economies spend money on the development of new arms, hence Russia must not be an exemption. Increasing military development will benefit Russian economy as it is a major arms exporter. Moscow is planning to increase its hardware sale by 12% before the end of the year.

Russia-US relation is yet again strained as U.S officials apprehended and charged ten persons for conspiring to spy for Russia. The Russian foreign minister, Sergey V. Lavrov, questions the timing of the decision by the United States to break up the spy allegation. The espionage allegation nonetheless did not stop the U.S State Department to paint the Caucasian insurgent leader Dokku Umarov a terrorist, a step announced on the eve of President Dmitri A. Medvedev's visit to the White House.

Russia's ire was raised due to UN's failure to consult the UNSC over the appointment of UN panel of Experts to investigate war crime in Sri Lanka. Russia holds that such investigation should be the principal task of Sri Lankan government. Similarly, Moscow resented Council of Europe's invitation of Chechen separatist leader Akhmed Zakayev, to attend a CE meeting. Zakayev has been on Russia' wanted list.

Polish-US missile system partnership has kicked off and training of the Poles for the system is started in Germany. Yet the grievance of Russia over the installation of U.S. Patriot missiles just 100 kilometres from the Russian Kaliningrad remains a concern.

The Czech President Vaclav Klaus is making attempt to mediate between Athens and Skopje over dispute of name. During Czech presidency of the EU, effort was made to resolve the dispute but abortive.

Belarusian authority takes an adamant stance not to extradite former Kyrgyz president Kurmanbek Bakiyev taking refuge in Belarus. Bakiyev has been in Belarus under President Alexander Lukashenko's personal protection since April this year. Kyrgyz's interim government wants Bakiyev for charges of corruption and misuse of office.

NATO has planned using Lithuania Embassy in Georgia as the channel of communication with Georgian authority. This decision was made by member-countries of the alliance.