

**Report 125**  
**PROJECT ON BUSINESS AND POLITICS IN THE**  
**MUSLIM WORLD**

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This week report dwells much on Yahoo/AP/Reuters News, New York Times and World Politics review. 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

- White House summons US general to explain himself
- US Congress backs new sanctions against Tehran
- World leaders in Canada to tackle Iran and North Korea
- US growth estimate revised down to 2.7%
- Drilling Ban Blocked; U.S. Will Issue New Order
- Poll Finds Deep Concern About Energy and Economy
- Guilty Plea in Times Square Bomb Plot
- Court Affirms Ban on Aiding Groups Tied to Terror
- Rich nations shy away from bold aid promises

Western Europe

- David Cameron to hold talks with Barack Obama
- G20: Merkel insists there are no divisions with Obama
- Italians stage general strike against austerity
- Britain Unveils Emergency Budget
- Greece rules out debt restructuring
- BP shares down sharply in London
- Report: UK to impose temporary cap on migrants

Southeast Europe

- EP committee adopts resolutions on Albania, Kosovo

Albania

- Albania's junior government partner wants end to political crisis

Bosnia

Bulgaria

- Bulgaria's energy projects in limbo

Croatia

- Croatia, BiH hold first joint meeting
- Croatian unions collect enough signatures for referendum

Kosovo

- New Kosovo municipality holds elections
- Dissatisfaction with institutions rising in Kosovo

- PACE adopts resolution on Kosovo EULEX, Kosovo institutions sign memorandum on judiciary
- UK committed to supporting Kosovo's independence
- EULEX arrests war crimes suspect in western Kosovo

#### Macedonia

- Macedonia may join Russia's South Stream pipeline
- Montenegro
- Montenegro's DPS, SDP reach power-sharing agreement
- Kosovo-Montenegro border demarcation to be completed this year
- Djurovic says Montenegro ready for EU membership by 2014

#### Romania

- Bulgarian, Romanian sentenced for espionage in Bucharest
- Romanian opposition to postpone new no-confidence vote
- Romanian Constitutional Court rejects pension cuts

#### Serbia

- Serbia, Croatia to sign extradition agreement
- Serbia charges four with war crimes in Croatia
- Serbia to abolish visa regime with Albania
- Spain close to finalising ratification of SAA with Serbia
- Ambassador: US does not expect Serbia to recognise Kosovo

#### Slovenia

- Slovenia puts up another hurdle on Croatia's road to EU
- Slovenian panel approves opening chapter with Croatia

#### Oceania

- Australia gets its 1st female PM
- Australian new PM reassures Obama on Afghanistan
- New Australian PM pledges to end mine tax row

## 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 its way.

#### Economic Issue

American economy grew slowly in first 3 months 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.

### **Report Detail**

US/Canada

WASHINGTON – The top U.S. commander in Afghanistan has been summoned to Washington to explain derogatory comments about President Barack Obama and his colleagues, administration officials said Tuesday. Gen. Stanley McChrystal, who publicly apologized Tuesday for using "poor judgment" in an interview in Rolling Stone magazine, has been ordered to attend the monthly White House meeting on Afghanistan and Pakistan in person Wednesday rather than over a secure video teleconference, according to officials who spoke on condition of anonymity because they were not authorized to speak publicly. He'll be expected to explain his comments to Obama and top Pentagon officials, these officials said. Obama has the authority to fire McChrystal. His predecessor, Gen. David McKiernan, was sacked on grounds that the military needed "new thinking and new approaches" in Afghanistan. Chairman of the Joint Chiefs of Staff Adm. Mike Mullen has told McChrystal of his "deep disappointment" over the article, a spokesman said. The article in this week's Rolling Stone depicts McChrystal as a lone wolf on the outs with many important figures in the Obama administration and unable to persuade even some of his own soldiers that his strategy can win the war.

The interview describes McChrystal, 55, as "disappointed" in his first Oval Office meeting with Obama. The article says that although McChrystal voted for Obama, the two failed to connect from the start. Obama appointed McChrystal to lead the Afghan effort in May 2009. Last fall, though, Obama called McChrystal on the carpet for speaking too bluntly about his desire for more troops. "I found that time painful," McChrystal said in the article, on newsstands Friday. "I was selling an unsellable position." Obama agreed to dispatch an additional 30,000 U.S. troops to Afghanistan only after months of study that many in the military found frustrating. And the White House's troop commitment was coupled with a pledge to begin bringing them home in July 2011, in what counterinsurgency strategists advising McChrystal regarded as an arbitrary deadline.

The US Congress has overwhelmingly approved new sanctions against foreign companies that trade with Iran, over its nuclear programme. Those firms that supply Iran's Revolutionary Guards or contribute to the country's energy industry are targeted by the bill. The sanctions are designed to put pressure on Tehran which denies seeking to acquire nuclear weapons. The bill now goes back to President Barack Obama to be signed into law. The Senate and House of Representatives acted in quick succession on

Thursday to agree to the new penalties. The Senate vote was 99-0 and the House vote was 408-8. Iran says its nuclear industry is for peaceful purposes. 'No both ways'

"We must stop Iran from developing a nuclear weapon, a weapon that would surely threaten the national security of the United States and of Israel," said Democratic Senate Majority Leader Harry Reid. Republican Senator John McCain said: "We will be posing a choice to companies around the world: Do you want to do business with Iran? Or do you want to business with the United States? "We don't think that is much of a choice, but we will force companies to make it. They can't have it both ways." Earlier this month, the UN Security Council voted to impose a fourth round of sanctions on Tehran for failing to halt its nuclear enrichment programme. They include tighter finance curbs and an expanded arms embargo, but not the crippling sanctions the US had wanted. Three earlier rounds of UN sanctions have blocked trade of "sensitive nuclear material", frozen the financial assets of those involved in Iran's nuclear activities, banned all of Iran's arms exports and encouraged scrutiny of the dealings of Iranian banks.

World leaders are due to focus on the nuclear disputes with Iran and North Korea on the second day of the G8 summit in Canada, officials say. Western leaders are expected to push for a tough stance on Iran, following a fresh round of UN sanctions. Canada is also hosting a summit of the G20 group of industrial and developing powers, which is to discuss the global economy and financial reform. Efforts to bridge differences over budget policy dominated Friday's talks. 'No contradictions' The twin summits, being held in and near Toronto, have come at a time when largest economies are divided over whether to cut deficits or stimulate economic growth. US President Barack Obama is worried that a series of austerity measures announced by European countries may delay global recovery. The argument over the right way to support the global recovery here at the G20 summit in Toronto is the mirror image of the debate at the London Summit last year. But on Friday, after an initial meeting of the G8 - US, Canada, Germany, UK, France, Italy, Russia, Japan - Germany Chancellor Angela Merkel said there was much common ground. "I have made it clear that we need sustainable growth and that growth and intelligent austerity measures don't have to be contradictions," Mrs Merkel told journalists. A senior US official told reporters Saturday's G8 session was "going to focus on peace and security - Iran and North Korea will be discussed". The unnamed official said Mr Obama would also meet the leaders of South Korea on Saturday and of China and Japan on Sunday, to discuss regional security following the sinking of a South Korean warship in March. An international inquiry blamed North Korea for the incident, in which 46 sailors died. Pyongyang denies involvement. On Iran, the UN Security Council earlier this month approved a fourth round of sanctions on Tehran for failing to halt nuclear enrichment. The measures include tighter finance curbs and an expanded arms embargo, but not the crippling sanctions the US had wanted. Later the EU imposed additional sanctions on Iran - a move that was criticised by Russia.

The US economy grew at an annual rate of 2.7% in the first three months of 2010, slower than previously estimated. The Commerce Department had previously estimated growth at 3% versus the same period in 2009. The new figure is disappointing as it is only the third quarter since the US economy stopped contracting, and in past recoveries growth has been faster. Markets took the news in their stride, with the dollar little-

changed, and New York shares opening slightly up. Business investment and consumer spending - important components of GDP - were both revised down. However, inventory adjustments were revised up. Following a recession, companies typically spend money rebuilding their stock of goods for sale - a transitory process that boosts GDP growth in the early stage of a recovery.

WASHINGTON — A federal judge in New Orleans on Tuesday blocked a six-month moratorium on deep-water drilling projects that the Obama administration imposed after the massive oil spill in the Gulf of Mexico. The White House swiftly vowed to appeal the ruling. In a 22-page opinion, the judge, Martin L. C. Feldman of United States District Court, issued a preliminary injunction against the enforcement of a late May order halting all offshore exploratory drilling in more than 500 feet of water. Citing potential economic harm to businesses and workers, Judge Feldman wrote that the Obama administration had failed to justify the need for such “a blanket, generic, indeed punitive, moratorium” on deep-water oil and gas drilling. “The blanket moratorium, with no parameters, seems to assume that because one rig failed and although no one yet fully knows why, all companies and rigs drilling new wells over 500 feet also universally present an imminent danger,” wrote Judge Feldman, a 1983 appointee of President Ronald Reagan. The administration’s order halted 33 exploratory drilling projects and suspended new permits, but did not affect platforms that were already in production. In a statement on Tuesday evening, Interior Secretary Ken Salazar said that within days he would issue a new order imposing a moratorium on deep-water drilling that would contain additional information showing why it was necessary. Robert Gibbs, the White House press secretary, said the administration “will immediately appeal” the judge’s ruling to a federal appeals court in New Orleans. He said it made sense to suspend exploratory deep-water drilling until the completion of the investigation into the April 20 explosion at the Deepwater Horizon rig leased by BP and the still-flowing leak from the underwater well.

President Obama “strongly believes,” Mr. Gibbs said, “that continuing to drill at these depths without knowing what happened does not make any sense” and would jeopardize “the safety of those on the rigs and safety of the environment in the gulf.” The immediate impact of the ruling was not clear. A White House official said the administration would likely seek a stay pending its appeal. And the decision left room for the government to assemble a stronger record in support of suspending such operations.

Overwhelmingly, Americans think the nation needs a fundamental overhaul of its energy policies, and most expect alternative forms to replace oil as a major source within 25 years. Yet a majority are unwilling to pay higher gasoline prices to help develop new fuel sources. “When I retired, we sold our house in Birmingham and moved here because it’s a nice pristine, clean place. And now it’s not. ... Already 300 sea turtles have been found dead. And 700 pelicans. It’s just going to get worse.” Lewis Cullen, 78, Orange Beach, Ala. Those are among the findings of the latest nationwide New York Times/CBS News poll. The poll, which examines the public’s reaction to the oil leak in the Gulf of Mexico, highlights some of the complex political challenges the Obama administration faces. For instance, despite intense news coverage and widespread public concern about the economic and ecological damage from the gulf disaster, most Americans remain far

more concerned about jobs and the nation's overall economy. And in that regard, President Obama does not fare well: 54 percent of the public say he does not have a clear plan for creating jobs, while only 34 percent say he does, an ominous sign heading into this fall's midterm elections. Respondents were nearly evenly split on the president's handling of the economy — 45 percent approve, 48 percent disapprove. His job approval rating remains just below 50 percent. And by a nearly 2-to-1 margin, Americans think the country is on the wrong track. They are also impatient with Mr. Obama's response to the oil disaster in the gulf, by a large margin, and attribute the spill to risks taken by BP and its partners in the failed well, according to the poll, which was conducted by telephone from June 16 to 20 with 1,259 adults. The survey included an in-depth look at the attitudes of people most directly affected by the oil spill — those living in counties in Alabama, Louisiana and Mississippi that border the Gulf of Mexico. Gulf Coast residents, whose communities are most affected by the leak and whose livelihoods have been linked to oil for generations, are more likely than Americans over all to say they are confident that those who were affected by the spill will be fairly compensated by BP. A majority say the Obama administration has a lot or some control over whether BP will pay for the damages caused by the spill. Last week, the president received a promise from BP executives to create a \$20 billion fund to pay damage claims from the accident. Gulf Coast residents are also more likely than other Americans to support increased drilling off the coastlines of the United States.

The suspect in the failed Times Square bombing pleaded guilty on Monday, an abrupt and expedited end to a terrorism case that extended to Pakistan and an Islamic militant group there. The defendant, Faisal Shahzad, 30, listened as each of 10 counts was read to him in Federal District Court in Manhattan, and indicated he understood the charges and penalties he faced. Mr. Shahzad recounted how and why he conceived the plot, traveling to Pakistan last year, joining the Taliban and receiving training in how to construct a bomb. And despite his admission of guilt and his extended cooperation with the authorities since his arrest, Mr. Shahzad was unapologetic, characterizing himself as "part of the answer to the U.S. terrorizing the Muslim nations and the Muslim people." "I want to plead guilty, and I'm going to plead guilty 100 times over," he said, "because until the hour the U.S. pulls its forces from Iraq and Afghanistan, and stops the drone strikes in Somalia and Yemen and in Pakistan, and stops the occupation of Muslim lands, and stops killing the Muslims, and stops reporting the Muslims to its government, we will be attacking U.S., and I plead guilty to that."

The plea and Mr. Shahzad's comments came four days after a federal grand jury returned an indictment that offered new details about the government's accusations that Tehrik-i-Taliban, the umbrella organization for the Pakistani Taliban, had assisted Mr. Shahzad in his plot. In court, he admitted receiving the training, saying he had gone to find the Taliban and learned how to build a bomb that he planned to detonate as part of his plan. "With them, I did the training to wage an attack inside the United States of America," Mr. Shahzad said. "Any kind of attack?" Judge Miriam Goldman Cedarbaum of Federal District Court asked. "It would have been any kind of attack," Mr. Shahzad said, "but I was given bomb training, and that's what I learned there."

Wearing a white head covering, Mr. Shahzad stood for more than half an hour answering the judge's questions about his motivations, his background and even his family. "I had a

wife and two beautiful kids,” he said, adding that they had returned to Pakistan to be with his parents. And it was seemingly with equanimity that Mr. Shahzad spoke of his plan to detonate a car bomb in New York City. “I chose the center of Times Square,” he explained. “Were there a lot of people in the street?” Judge Cedarbaum asked.

“Yes,” Mr. Shahzad replied. “Obviously the time, it was evening, and obviously it was a Saturday, so that’s the time I chose.” “You wanted to injure a lot of people?” the judge asked. Mr. Shahzad said that he had, that he wanted “to injure people or kill people.”

But he said “one has to understand where I’m coming from.” He said that he considered himself “a Muslim soldier,” and that United States and NATO forces had attacked Muslim lands. Judge Cedarbaum interjected: “But not the people who were walking in Times Square that night. Did you look around to see who they were?” Mr. Shahzad replied, “Well, the people select the government; we consider them all the same.”

“Including the children?” the judge asked. “Well, the drone hits in Afghanistan and Iraq,” Mr. Shahzad replied, “they don’t see children; they don’t see anybody. They kill women, children. They kill everybody. It’s a war. And in war, they kill people. They’re killing all Muslims.”

WASHINGTON — In a case pitting free speech against national security, the Supreme Court on Monday upheld a federal law that makes it a crime to provide “material support” to foreign terrorist organizations, even if the help takes the form of training for peacefully resolving conflicts. Chief Justice John G. Roberts Jr., writing for the majority in the 6-to-3 decision, said the law’s prohibition of providing some types of intangible assistance to groups the State Department says engage in terrorism did not violate the First Amendment. The decision was the court’s first ruling on the free speech and associations rights of Americans in the context of terrorism since the Sept. 11 attacks. The law has been an important tool for prosecutors: Since 2001, the government says, it has charged about 150 defendants for violating the material-support provision, obtaining about 75 convictions. The court’s majority said deference to the other branches was called for, given the threat posed by terrorism. “At bottom,” Chief Justice Roberts wrote, “plaintiffs simply disagree with the considered judgment of Congress and the executive that providing material support to a designated foreign terrorist organization — even seemingly benign support — bolsters the terrorist activities of that organization.” Justices John Paul Stevens, Antonin Scalia, Clarence Thomas, Anthony M. Kennedy and Samuel A. Alito Jr. joined the majority decision.

The material-support law bars not only contributions of cash, weapons and other tangible aid but also “training,” “personnel” “service” and “expert advice or assistance.” Justice Stephen G. Breyer took the unusual step of summarizing his dissent from the bench. He said the majority had drawn a false analogy between the two kinds of assistance. “Money given for a charitable purpose might free up other money used to buy arms,” Justice Breyer said from the bench. But the same cannot be said, he continued, “where teaching human rights law is involved.” The decision was a victory for Solicitor General Elena Kagan, who argued the case in February and whose confirmation hearings for a seat on the court are scheduled to start next week. But Chief Justice Roberts said the government had advanced a position that was too extreme and did not take adequate account of the free-speech interests at stake. “The government is wrong,” the chief justice wrote, “that the only thing actually at issue in this litigation is conduct” and not speech

protected by the First Amendment. But he went on to say that the government's interest in combating terrorism was enough to overcome that protection. In his written dissent, which was joined by Justices Ruth Bader Ginsburg and Sonia Sotomayor, Justice Breyer said the majority had been too credulous in accepting the government's argument that national security concerns required restrictions on the challengers' speech and had "failed to insist upon specific evidence, rather than general assertion."

HUNTSVILLE, Ontario (Reuters) – Rich countries shied away from making bold aid pledges at a Group of Eight meeting on Friday, mindful of their own tight budgets and past broken promises. The wealthy nations pledged \$5 billion over five years to reduce deaths among mothers and their newborns in Africa. But they have already failed to live up to an ambitious promise from five years ago to double aid by up to \$50 billion by 2010. The donors delivered only two-thirds -- or an estimated \$18 billion -- of the money they agreed on at a 2005 summit in Gleneagles, Scotland. Canadian Prime Minister Stephen Harper said he was confident the G8 would meet the more modest goal. The host promised to contribute \$1.1 billion to the total. "Because of the tight budgetary situations we are seeing in many countries ... my observation is that leaders have actually been very very cautious in terms of the pledges that have been made," he told a news conference. "I don't think you will again see leaders go out and make pledges that they don't intend to keep or that they haven't really thought about thoroughly," he added. G8 and development officials said the G8 summit in Huntsville, north of Toronto, would omit any reference to the unfulfilled Gleneagles pledges when it issues its final communique on Saturday. While the group collectively broke its aid promises, the United States, Britain and Canada delivered what they promised in Gleneagles. Italy delivered none of its funding, while Germany, France and Japan gave less than promised, said anti-poverty group ONE, which tracks the aid.

## Western Europe

UK Prime Minister David Cameron is to hold face-to-face talks with US President Barack Obama, with the BP oil spill, Afghanistan and the global economy set to dominate. The talks will take place in Canada on the fringes of the G8 and G20 summits. Mr Cameron has told journalists there that he wants to see UK troops out of Afghanistan within five years. The men may also discuss UK spending, amid Mr Obama's concerns that cuts in Europe may delay the global recovery. President Obama has warned G20 leaders not to withdraw economic stimulus packages too early. But on Friday Mr Cameron said there was "no difference" between the US and UK on plans for quick government spending cuts. Mr Cameron said the US accepted that those with the biggest deficits had to "accelerate the process of dealing with them". And Germany's Chancellor Angela Merkel has insisted that Europe's leaders are making good progress in talks with the US about how to bolster fragile economic growth. Meanwhile Mr Cameron and Russian President Dmitri Medvedev have signalled a thaw in relations between their two countries after meeting on the fringes of the G8 summit. The prime minister said the two countries shared "lots of common ground" on economic issues, while President Medvedev said he looked forward to a "more productive and more intense" bilateral relationship.

On his mind... is the fact that June has been the bloodiest month for Nato forces in Afghanistan since the mission began in 2001, with the coalition death toll standing at 80. On the bilateral talks with the US, BBC North America editor Mark Mardell said President Obama had spoken "warmly" of Mr Cameron when he became prime minister, but added that there were "serious issues" between the two leaders. Aside from some differences in their approaches to the economic recovery, there is the recent issue of the BP oil spill in the Gulf of Mexico. Mr Obama's blunt criticism of BP over the spill prompted accusations of "anti-British" language, which were rejected by the US president. On Friday Mr Cameron promised to use "quiet diplomacy" to seek "clarity and finality" for BP over the ultimate size of its liabilities for environmental and economic damage. "While Mr Cameron doesn't want to see the firm further battered, Mr Obama has promised to ensure it pays every last dime owed to people on the Gulf coast," said our correspondent.

Germany's chancellor has insisted that Europe's leaders are making good progress in talks with the US about how to bolster fragile economic growth. Angela Merkel told journalists at the G8 summit in Canada there was "mutual understanding" with President Barack Obama over deficit reduction plans. The G8 leaders will be joined later by China and other rising economic powers for the G20 summit. Dominating the agenda are the global economic situation and banking reform. The twin summits, being held in and near Toronto, have come at a time when the world's largest economies are divided over whether to pursue austerity measures to cut deficits, or continue public spending to stimulate economic growth. Mr Obama is worried that a series of deep budget cuts announced by European countries may delay global recovery.

But on Friday, after an initial meeting of the G8 - US, Canada, Germany, UK, France, Italy, Russia, Japan - Mrs Merkel said there was much common ground. "I have made it clear that we need sustainable growth and that growth and intelligent austerity measures don't have to be contradictions," Mrs Merkel told journalists. "The discussion was not controversial, there was a lot of mutual understanding," she said. President Obama voiced his concerns about the speed of budget cuts in a letter to G20 leaders last week, while Treasury Secretary Timothy Geithner told the BBC that Europe should focus on growth as well as cutting spending.

Italians are taking part in a general strike organised by the country's largest trade union to protest against government austerity measures. The union, CGIL, called the strike after Silvio Berlusconi's centre-right coalition approved the measures. They include cuts in funding for local government and the freezing of public sector pay. Rallies were held in major Italian cities, though two major unions, CISL and UIL, were not taking part. Tens of thousands of people turned out for the demonstrations in cities including Rome, Milan and Bologna. Private sector and public transport employees affiliated to CGIL were striking for four hours, while others in the public sector were staging a day-long strike. Some disruption to transport links was reported, with some flights cancelled in Rome and underground services affected in Rome and Naples. Like many European countries, Italy is struggling to lower debt and contain budget deficits amid slow growth. The austerity package that the government approved last month is worth 24bn euros (£20bn; \$29bn) and covers the years 2011-2012.

LONDON — Setting the scene for years of potential strife with the powerful public-sector unions and their allies in the Labour Party, Britain's new coalition government on Tuesday unveiled the most severe package of spending cuts and tax increases since the early days of Margaret Thatcher's era. After only six weeks in office, the government of Prime Minister David Cameron took what his coalition of Conservatives and Liberal Democrats acknowledged was a historic gamble: that austerity measures will help balance the government's books without pitching the country into a double-dip recession. The cuts and tax increases, including average budget reductions of 25 percent for almost all government departments over the next five years, will make Britain a leader among European countries, including Ireland, Greece and Spain, competing to show they can slash spending and appease investors worried about surging debt. But the sharp reductions defy conventional economic wisdom, which holds that governments should increase spending to stimulate growth when the private sector is weak. The steps outlined to the House of Commons by George Osborne, the chancellor of the Exchequer, would cut the annual government deficit by nearly \$180 billion over the next five years, shrinking Britain's public sector and instituting tough reductions in public housing benefits, disability allowances and other previously sacrosanct aspects of the country's \$285 billion welfare budget.

Only health and international aid spending would be protected from the 25 percent cuts for government departments by 2015, the steepest fiscal spending reductions since the 1930s. Mr. Osborne also announced a two-year wage freeze for all but the lowest paid among Britain's six million public servants and a three-year freeze on benefits paid to parents for rearing children, in addition to new medical screening for people claiming disability benefits, part of a bid to cut \$16 billion from the annual welfare budget.

Mr. Osborne also announced a raft of tax increases, though he was at pains to say that the government's plan to sharply reduce the country's \$1.4 trillion national debt would rest on making roughly four pounds in spending cuts for every pound in tax increases, a point of considerable political weight in a country that is already among the highest-taxed in Europe. The new taxes include an increase next year to 20 percent from 17.5 percent in the value-added tax on most goods and services, and an increase in the capital gains tax, to a new high of 28 percent, to curb what Mr. Osborne described as rich people in Britain "paying less tax than the people who clean for them." At the same time, changes in income tax will remove nearly 900,000 of Britain's poorest people from the income tax system altogether, and corporate taxes will also be reduced over a five-year period, to 24 percent from 28 percent. "I am not going to hide the hard choices from the British people," Mr. Osborne said in a speech in which he accused the former Labour government of understating the impact of its 13 years of deficit spending. But he said the new coalition government, which should have little difficulty enacting the new measures with its Parliament majority, had striven to make the austerity fair. "Over all, everyone will pay something," he said, but the poor would pay less than the rich. The concerns about the budget stringencies seemed likely to reverberate well beyond Britain, pitching the Cameron government squarely into the political and economic dispute about the best way to navigate world economies out of the worst recession since the 1930s.

ATHENS, Greece -- Restructuring Greece's debt would be disastrous to the country's economy, Finance Minister George Papaconstantinou said in an interview with

the weekly Proto Thema, published on Sunday (June 20th). "We fought to avoid the danger of a default and debt restructuring, and we made it, thanks to the EU-IMF support mechanism," Papaconstantinou added. He also ruled out abolishing the Euro in the country. Papaconstantinou's statement followed his Russian counterpart Alexei Kudrin's speech at an economic forum in St Petersburg in which he said that he expects a restructuring of the Greek debt.

LONDON – BP shares fell sharply in London Friday following the company's announcement that the cost of responding to the Gulf of Mexico oil leak has risen to \$2.35 billion. The share price dipped as low as 303.6 pence (\$4.52) during morning trading, a 6.3 percent drop. That took the shares well below half of the 655 pence price on April 20, the day an explosion killed 11 workers on the Deepwater Horizon drilling rig. Analysts at Collins Stewart continued to recommend BP shares as a "buy" in a research note released Friday. The company earlier this month had lowered its target price for BP to 450 pence, noting that the investment was "not one for the faint-hearted." BP said a containment cap was continuing to collect some of the oil and gas flowing from the seabed, following a 10-hour interruption on Wednesday. Even with the interruption, BP said the containment system collected or burned 16,830 barrels of oil. U.S. government experts estimate that the leak is spewing between 35,000 barrels to 60,000 barrels of oil into the gulf every day. Last week, BP bowed to President Barack Obama's demand that it set up a \$20 billion escrow fund to cover damages and to suspend dividend payments.

LONDON – A newspaper is reporting that Britain's new government intends to impose a temporary limit on the number of foreign workers from outside the European Union it allows into the country. The Times said Home Secretary Theresa May will announce a maximum of 24,100 workers from outside the EU will receive permission to enter Britain between now and April 2011, when new immigration rules go into effect. The Home Office had no comment on Saturday's report, which said 54,500 economic migrants from outside the EU came to Britain last year. Earlier this week, immigration minister Damian Green said the government planned to reduce migration levels back to 1990s levels — "to tens of thousands rather than hundreds of thousands."

## Southeast Europe

BRUSSELS, Belgium -- The European Parliament's Foreign Policy Committee adopted a pair of resolutions on Albania and Kosovo and their integration processes Wednesday (June 23rd). The one on Albania was adopted almost unanimously. It welcomed the country's progress but urged more efforts to curb corruption, which continues to be a "prevailing problem". It also calls for a solution to the ongoing political stalemate in Tirana. Prime Minister Sali Berisha described it as a "historic" document in the country's EU visa liberalisation process.

The other resolution calls on EU member states that have not recognised Kosovo's independence to do so. It also urges local authorities and EULEX to demonstrate specific results in combating corruption and organised crime, including in high-level cases. The motion also supports the inclusion of Kosovo in the EU's visa liberalisation process.

TIRANA, Albania -- Junior ruling coalition partner Socialist Movement for Integration (SMI) has reiterated its calls for a solution to the longstanding political crisis in the country. SMI General-Secretary Luan Rama said on Sunday (June 20th) there is a lack both of responsibility and actual results in efforts to overcome the crisis. "A compromise is needed to speed up the process of ... EU integration," said Rama. The stalemate between the ruling Democratic Party and opposition Socialist Party stems from the general elections held a year ago. Work on EU-related reforms has stalled for months.

Bulgarian Prime Minister Boyko Borisov said on Friday (June 18th) that he supports the construction of the Belene nuclear power plant, but that its price must be slashed to make it feasible. Bulgaria revived the project back in 2005. According to initial estimates, the overall cost of putting in place the country's second 2,000-megawatt nuclear plant, 100km to the east of its existing one in Kozloduy, would total about 4 billion euros. That would be a "good" price, Borisov said in an interview with Sofia-based Nova TV on Friday morning. But, when each of the project components is multiplied by the appropriate escalation indices, it would ultimately grow by up to 8 billion euros, he noted. "The cost must be reduced," he stressed, voicing confidence that the Belene plant could be completed at a lower price and in a way that will make it commercially viable. He has repeatedly stressed that given the financial problems facing the country, his government cannot afford to pay nearly 13 billion euros for the plant. Bulgaria and Russia signed an agreement on the project during then-President Vladimir Putin's visit to Sofia in January 2008. Shortly after, Bulgaria's former Socialist-led government chose Russian company Atomstroyexport to build the plant. Its construction came to a standstill after the strategic investor, Germany's RWE, pulled out of it in October 2009. Borisov said on Friday that he has told the Russians that the project would be implemented, but only after issues such as its final cost and viability have been clarified. "I assume that the Russians understand our concerns," said Borisov. During an interview with bTV, President Georgi Parvanov suggested that the construction of Belene be put to a referendum. He says the project will not exceed 8 billion euros. Parvanov also defended the deals on the South Stream natural gas pipeline and the Burgas-Alexandropoulis oil pipeline projects that were signed along with Belene during Putin's visit in early 2008. While he described them as a "grand slam" for Bulgaria at the time, critics have repeatedly accused him and the former Socialist-led cabinet of having increased the country's energy dependence on Russia. In a June 11th statement, Borisov indicated that Bulgaria would withdraw from the Burgas-Alexandropoulis project with Greece and Russia, largely due to environmental concerns, particularly after the oil spill disaster in the Gulf of Mexico.

ZAGREB, Croatia -- The governments of Croatia and Bosnia and Herzegovina (BiH) held their first joint meeting Monday (June 21st) in the coastal city of Split. They concluded that bilateral relations are good and are based on mutual respect of territorial integrity and sovereignty. Afterwards, BiH Prime Minister Nikola Spiric said that both governments are aware they should boost bilateral and regional communication in order to speed up their respective EU integration bids. Croatian counterpart Jadranka Kosor said that Zagreb fully supports BiH's Euro-Atlantic bid. Two bilateral agreements were signed on the sidelines of the session -- on police co-operation against cross border

crimes and on co-operation in the IT and communication sector. The next joint session will be held in Brcko, before the October elections in BiH.

ZAGREB, Croatia -- Trade unions have managed to gather well over the 450,000 signatures required to call a referendum on proposed amendments to the labour law. Ozren Matijasevic, chairman of the trade unions association, told a press conference Thursday (June 24th) that they have collected over 720,000 signatures, with more on the way. He called the moment a historic one for Croatia. The proposed labour law would set a six-month deadline for hammering out a new collective agreement after the existing one expires. After that, the workers' rights would be subject to separate agreements with individual employers. The unions started collecting signatures on June 9th. Prime Minister Jadranka Kosor said on Thursday that the government will respect the views of those who signed the petition, though the referendum -- costing about 23m euros -- would be a significant budget expense.

PRISTINA, Kosovo -- Voters in the newly created Serb-dominated municipality of Partesh/Partes went to the polls on Sunday (June 20th) to elect local leaders. Turnout topped 65%. It appears a mayoral run-off will be required, as no candidate won more than 50% of the vote. According to unofficial results presented by the NGO Democracy in Action, the leader of the Zavicaj association, Nenad Cvetkovic, came close with 47.4% of votes and will head into a runoff against Todor Mirkovic of the United Serbian List, who won 25.5%. US Ambassador Christopher Dell praised the elections, which apparently went off without incident.

PRISTINA, Kosovo -- The level of public dissatisfaction with government institutions is growing, compared to a couple of months ago, with the courts still the leading source of frustration. The UNDP published its "Early Warning Report" on Saturday (June 19th), based on research conducted in April and May. The surveys found that only 29% of the public is satisfied with the government's work, down 7% from January. Unemployment and poverty are seen as the main problems facing Kosovo. According to the report, the public is most satisfied with the performance of KFOR and the Kosovo Police. Satisfaction with EULEX grew compared to January.

STRASBOURG, France -- The Parliamentary Assembly of the Council of Europe (PACE) adopted a resolution on Kosovo Tuesday (June 22nd), urging Pristina authorities, EULEX and UNMIK to demonstrate more commitment to strengthening the rule of law, required for Kosovo to meet EU standards. The resolution also reiterates PACE's neutrality in terms of Kosovo's status. The document's author, Bjorn von Sydow, said it takes into account the situation in Kosovo and noted that "courts do not function; the judges are too old; there are allegations of corruption, and EULEX can only investigate a fraction of those allegations." He added that the market economy must be based on open businesses, not on secret, corrupted businesses. Von Sydow also said that the resolution focuses on improving living standards for all citizens. He added that Kosovo can apply for membership to the Council of Europe but must first demonstrate sufficient progress. The resolution also calls on authorities in Pristina and Belgrade to find a "constructive

and pragmatic attitude" in order to resolve practical problems affecting Kosovo Serbs and other minority communities in or from Kosovo.

PRISTINA, Kosovo -- Representatives of EULEX and the Kosovo Chamber of Advocates signed a memorandum of understanding Thursday (June 24th) aimed at boosting the quality of the judiciary, especially in handling criminal cases and trials. The president of the Assembly of EULEX Judges, Maria Giuliana Civinini, says there is a need for co-operation among judges, prosecutors and lawyers.

In other news, the District Court of Mitrovica is expected to resume work by mid-July. Four judges -- two Albanians and two Serbs -- will hear cases with their EULEX colleagues for the first time since March 2008. The court closed after Serbs clashed with international security forces over Kosovo's declaration of independence from Serbia, looting court files

PRISTINA, Kosovo -- The United Kingdom supports the independence and territorial integrity of Kosovo and opposes its partition, British Minister of State for Europe David Lidington said on Thursday (June 24th) in Pristina. "We expect the opinion of the International Court of Justice (ICJ) to give us the possibility to move ahead," he said. Lidington added that Kosovo and Serbia can discuss technical issues but not independence, which he says is a done deal. In Pristina, he met with President Fatmir Sejdiu, Prime Minister Hashim Thaci and Foreign Minister Skender Hyseni. In other news Thursday, European Parliament Rapporteur for Kosovo Ulrike Lunacek said that Kosovo and Serbia should approach EU accession as two independent states. "I think that the future of Kosovo and Serbia lies within the EU," Lunacek told Radio Free Europe. She also urged the Kosovo government and EULEX to fight corruption at all levels.

PRISTINA, Kosovo -- EULEX arrested a man for suspected war crimes, on Wednesday (June 23rd), but did not identify him. "EULEX's Police Executive Department, under the supervision of the Special Prosecutor's Office, carried out a house search and arrested a male suspect in connection with war crimes in Gjakova region," the EU mission said in a statement. The operation was part of an investigation into the possible mistreatment of people held in Kosovo Liberation Army facilities in northern Albania during the 1998-1999 conflict

MOSCOW, Russia -- Macedonian President Gjorge Ivanov said after meeting his Russian counterpart Dmitry Medvedev in St Petersburg on Friday (June 18th) that energy giant Gazprom has agreed to include Macedonia in the South Stream gas pipeline project. "This will allow us a chance to get cheap energy sources, which would mean energy stability for the country," Ivanov stated after the meeting that was held on the sidelines of an International Economic Forum. The 900km facility -- scheduled to open in 2015 -- will connect Russia to the Balkans, where the route will then split north and south. The link intentionally bypasses Ukraine, to avoid recurring disputes over gas supplies that have curbed Russian deliveries to Europe in recent years.

SKOPJE, Macedonia -- Police detained 48 people Thursday (June 24th) suspected of illegal trade in archaeological artefacts. Interior Minister Gordana Jankulovska

announced that police raided 60 homes across the country, finding jewellery, coins, and pottery. Police officers and members of the business community are among those detained. The artefacts allegedly were sold in Greece, Italy and Austria.

PODGORICA, Montenegro -- 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 on Saturday (June 19th), the mayoral seat will be reserved for the DPS while the president of the city assembly will come from the ranks of the SDP. During last month's local elections, the DPS-led coalition won 28 seats, the united opposition got 24, and the SDP got five. The mandate of incumbent Podgorica Mayor Miomir Mugosa expires next year.

PODGORICA, Montenegro -- Border demarcation between Kosovo and Montenegro should be completed by the end of the year, Interior Minister Ivan Brajovic and his Kosovo counterpart Bajram Rexhepi said on Monday (June 21st) in Podgorica. "The administrative boundaries of former Yugoslavia have already been transformed into state borders," Brajovic said. The two ministers also said that they have found a provisional solution for Kosovo shepherds who demand the right to use their pastures in Montenegrin territory. They also discussed the Montenegrin minority in Kosovo, who Brajovic says must be included in Kosovo's Constitution.

PODGORICA, Montenegro -- European Integration Minister Gordana Djurovic says Montenegro will be prepared to join the EU by 2014. She announced on Thursday (June 24th) that the government adopted a new four-year communication strategy for EU membership, targetting groups that will be subject to the information strategy during integration preparations. Djurovic noted that both NGOs and the European Commission provided suggestions.

BUCHAREST, Romania -- A court in Bucharest on Friday (June 18th) sentenced a Romanian and a Bulgarian to 12.5 years in prison each for passing classified information to Ukraine. Floricel Achim and Petar Marinov Zikolov were arrested in March 2009 in Bucharest on charges of having delivered confidential Romanian military files to a country that is not a member of NATO. According to the prosecution, between 2002 and 2008, Achim gave Zikolov "documents that might have threatened the security of Romania". Zikolov passed the documents to Ukrainian officials. Achim admitted to the charges saying he did it because he was in a grave financial situation.

BUCHAREST, Romania -- The two largest opposition parties, the Social Democratic Party and the National Liberal Party, decided on Monday (June 21st) to postpone a new motion of no confidence against the government until the autumn. There were initially plans to introduce the new motion immediately after the cabinet survived one on June 15th that was requested under an emergency procedure to pass its fiscal austerity plan. Both party opposition leaderships, however, decided it is too soon to spur more parliamentary debate. Furthermore, the fiscal austerity measures will have affected

the general public more heavily in a few months, which could boost support for the opposition. The cabinet survived the latest vote narrowly.

BUCHAREST, Romania -- The Constitutional Court ruled on Friday (June 25th) 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. The opposition Social Democratic Party (PSD) had challenged the cost-cutting measures in court after the cabinet managed to get them passed by parliament. Friday's decision means that the government's austerity plan must be sent back to parliament for revisions. This could delay disbursement of the next tranche under Romania's agreement with the IMF. Deputy Prime Minister Marko Bela said the government must comply with the ruling and will consider other options to narrow the budget deficit, such as raising taxes. The PSD immediately vowed to challenge those in court as well.

BELGRADE, Serbia -- Justice Minister Snezana Malovic said on Sunday (June 20th) that Serbia and Croatia will sign an extradition agreement later this month, covering those who are apprehended on charges of corruption and organised crime. She added that afterwards, Serbia will request the extradition of Sretko Kalinic, a member of the Zemun Clan crime gang, who was arrested in Croatia earlier this month after being shot by a fellow gang member. In 2007, Kalinic was sentenced in absentia to 30 years in prison for the murder of Serbian Prime Minister Zoran Djindjic.

BELGRADE, Serbia -- War crimes prosecutors pressed charges Thursday (June 24th) against four former members of a paramilitary group for war crimes against civilians committed in Croatia. The four allegedly took part in the 1991 killings of six non-Serbs in the Beli Manastir municipality. Zoran Vuksic, Slobodan Strigic, Branko Hrnjak and Velimir Bertic are also charged with inhumane treatment of civilians. They are all citizens of Serbia.

TIRANA, Albania -- Serbia is close to removing its visa regime with Albania, Deputy Foreign Minister Zdravko Ponos said on Wednesday (June 23rd) during a visit to Shkodra. Ponos met with representatives of the Serbian and Montenegrin minority in northern Albania. "One of the issues discussed with my colleagues was visas. Albania has already lifted the visa regime, while Serbia will soon decide and enable free movement as part of the European integration of the region," Ponos said. Albania abolished its visa regime for Serbian citizens last month.

BELGRADE, Serbia -- The Spanish parliament has approved the Stabilisation and Association Agreement (SAA) with Serbia and next will inform Brussels that the ratification procedure is completed, the daily Belgrade-based daily Danas reported on Wednesday (June 23rd), quoting Spanish Ambassador to Belgrade Inigo de Palacio Espana. He says Spain will be the first EU member to complete the ratification. Danas says Italy will likely be next, while Austria, Denmark, Finland and Poland will kick off the procedure this fall. Following a positive report by Hague war crimes tribunal chief

prosecutor Serge Brammertz, EU foreign ministers invited the 27 member states to approve the SAA with Serbia on June 14th.

BELGRADE, Serbia -- US Ambassador to Belgrade Mary Warlick says Washington does not expect Serbia to recognise Kosovo's independence, adding recognition is not a condition for bilateral relations. In an interview with Vecernje Novosti on Friday (June 25th), she stressed that the US expects Serbia and Kosovo to find pragmatic solutions that will improve the quality of life for everyone in Kosovo -- Serbs and Albanians alike. She added that any statements about reopening status talks or partitioning Kosovo will only veer Serbia from the path to EU integration path. The newspaper says there had been suggestions that Belgrade establish good relations with Pristina if it wants to join the EU.

LJUBLJANA, Slovenia -- Foreign Minister Samuel Zbogar said on Friday (June 18th) that Croatia will not be able to wrap up its EU accession talks unless it opens its financial market to Slovenia's biggest bank, Nova Ljubljanska Banka (NLB). The central bank in Zagreb blocked access until the former Ljubljanska Banka (LB) settles its debts to Croatian citizens. The NLB was established as a separate entity as a result of a 1994 decision by the Slovenian parliament, while all unsettled liabilities remained with the LB. Zagreb argues that LB owes 172m euros to Croatian citizens who deposited the funds before the collapse of the former Yugoslavia.

Slovenia, however, insists that the issue should be resolved as part of succession talks among former Yugoslav republics led at the Basel-based Bank of International Settlements. "In line with conditions for the closure of the negotiating chapter ... on free flow of capital, Slovenia expects that Croatia will not make it impossible for NLB to enter the Croat financial market," Zbogar told Reuters. Croatia hopes to wrap up its EU accession negotiations by the beginning of 2011 and join the bloc in 2012.

LJUBLJANA, Slovenia -- Parliament's foreign policy committee on Thursday (June 24th) okayed opening the judiciary negotiation chapter of EU accession talks with Croatia at the next inter-governmental conference. Slovenian Foreign Minister Samuel Zbogar says Zagreb will open this chapter by the end of the month, since the issue of Ljubljanska Banka will be discussed during talks on a separate, free movement of capital chapter. Zagreb argues that the former Ljubljanska Banka owes 172m euros to Croatian citizens who deposited funds with it before the collapse of the former Yugoslavia. Zagreb has banned Nova Ljubljanska Banka's from accessing Croatia's financial market until the issue is resolved

## Oceania

SYDNEY – Julia Gillard had long been tipped as Australia's first woman prime minister, but the way it finally happened has shocked almost everyone. Only last month she said she was more likely to become a football star than replace her boss. But in a brutally efficient move driven by bad opinion polls and the approach of a general election, the Labor party dumped Prime Minister Kevin Rudd for his 48-year-old deputy. On Thursday Gillard was sworn in. At a news conference that capped one of the most abrupt transitions in Australia's often-bruising political history, Gillard said she accepted

the job "with the greatest humility, resolve and enthusiasm." She immediately sought to refocus attention on the popular decisions of the government in which she served for the past 2 1/2 years, while distancing herself from mistakes attributed to Rudd. She vowed to continue stimulus policies credited with shielding Australia from the global recession, and said she would revisit the plans Rudd shelved for a greenhouse gas emissions trading system. She sought to defuse a bitter dispute with mining companies over a proposed tax on profits. Gillard is unlikely to change foreign and defense policies, including Australia's 1,500-strong military contribution to the war in Afghanistan. The biggest change is likely to be in style. With a schoolteacher's manner and an Australian twang that betrays nothing of her Welsh origins, Gillard is considered more personable than the wonkish Rudd, a Chinese-speaking former bureaucrat with an autocratic style who led Labor to a landslide victory in the 2007 election. Typical of Gillard's style was her tart reply just last month when asked if she would replace Rudd. She said she was more likely to be picked to play for the Western Bulldogs, an Australian Rules football team. Elected to Parliament in 1998, Gillard built a reputation as a formidable and quick-thinking debater in "the bear pit," the daily question time in Parliament. "She's a good communicator and there's a warmth about Gillard that Rudd never had," said Norman Adjorensen, a political scientist at the Australian National University. A key member of Rudd's Cabinet, she had long been viewed as a possible future prime minister, and Rudd had repeatedly praised his deputy as a worthy successor, but always with the caveat — "later."

CANBERRA, Australia – Australia's new prime minister said she used her first telephone conversation with President Barack Obama on Friday to assure him the country's military commitment to Afghanistan would not change under her leadership. Some observers have speculated Prime Minister Julia Gillard may push for an early withdrawal of Australia's 1,550 troops from Afghanistan as the war loses popularity among Australians and elections loom. "I assured President Obama that my approach to Afghanistan will continue the approach taken to date by the Australian government," Gillard told reporters on Friday, less than 24 hours after she was sworn in as the country's first female prime minister. "I fully support the current deployment, and I indicated to President Obama that he should expect to see the Australian efforts in Afghanistan continuing," she added. The White House said Obama "praised the special alliance between the United States and Australia, and the shared interests, values and bonds that underpin it" during their conversation. "Both leaders underscored their shared commitment to closely work together on the broad range of global challenges confronting both countries, including in Afghanistan," the White House said. The U.S.-led international military alliance in Afghanistan has struggled to maintain an adequate force as support for the nearly nine-year-old war fades across the United States and Europe. The Dutch plan to pull their 1,600 troops from Afghanistan by August. Canada, with about 2,800 soldiers, plans to end its combat role there next year and Poland is pressing for NATO to draw up an exit strategy. Australia is the largest military contributor of any country outside NATO, but has ruled out any further increases since it sent an additional 450 troops a year ago.

CANBERRA (Reuters) – New Australia Prime Minister Julia Gillard pledged to end a mining tax row as soon as possible after spending her first day in power speaking to world leaders and assuring Washington of Canberra's commitment to Afghanistan. The Labor government appointed Gillard as prime minister on Thursday, fearing defeat at elections later this year as voters deserted incumbent Kevin Rudd over his handling of the tax row and a failed climate policy. Global miners such as BHP Billiton and Rio Tinto say a planned 40 percent "super profits" tax will damage the resource-dependent economy which underpinned Australia through the global financial crisis. "My priority obviously is that we deal with the question of the mining tax," Gillard told a news conference. "It has caused us uncertainty. I think that uncertainty has caused anxiety for Australians. I want to make sure Australians get a fair share of our mineral wealth, but we want to genuinely negotiate." Deputy Prime Minister and Treasurer Wayne Swan signaled on Friday the government was open to renegotiate the tax headline rate. Miners want the tax scrapped or for the government to lower the 40 percent headline rate and raise the 6 percent profit threshold to 12 percent. No fresh mine tax talks are expected before Gillard's new cabinet is sworn in and with Swan at the G20 meeting until Wednesday.

Global miner Xstrata Plc on Friday called on Gillard to exclude existing projects from the proposed tax. "We will participate in those negotiations in good faith but believe that it is of the utmost importance that negotiations are concluded as rapidly as possible to avoid further damage to the industry's growth prospects in Australia," Xstrata said in a statement to Reuters. WORLD LEADERS, Gillard, Australia's first female prime minister, said she had also spent her first morning as leader, "introducing" herself to other world leaders, including U.S. President Barack Obama. "I fully support the current deployment and I indicated to President Obama that he should expect to see Australia's efforts in Afghanistan counting," she said. Australia has about 1,500 troops in Afghanistan and will start to reduce troop numbers in two to four years after Afghan forces take over security operations in Uruzgan province. Sixteen Australians have been killed in Afghanistan since late 2001. An opinion poll published on Monday found 61 percent of those surveyed believed Australia should withdraw its troops, while 24 percent believed troop numbers should be maintained. Gillard is also not expected to shift policy toward China, Australia's largest trade partner and a big buyer of commodities such as iron ore and coal.