

Report 127
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

- Companies Find Ways to Bypass Ban on Earmarks
- Illegal Workers Swept From Jobs in 'Silent Raids'
- Obama says he beat 'vicious' economic downturn
- Marines' Mattis to take over Central Command
- Obama, Netanyahu to focus on peace talks
- Spy swap brings swift end to diplomatic problem

Western Europe

- French probe allegations around Sarkozy funding
- Sarkozy lashes out at 'smear' campaign in France
- European Central Bank welcomes stress tests
- Bank of England keeps interest rates at record low
- Greece says deficit cut by 42%
- Nationwide strike paralyzes Greece
- Greek parliament approves pension reform bill despite protests
- French parliament debates ban on burqa-style veils
- Survey: Europeans back veil ban, Americans opposed
- Britain marks 5th anniversary of terror attack
- Norwegian terror trial could face problems
- Court: UK must not extradite terror suspects to US
- UK names judge to lead inquiry into torture claims
- Details emerge from Mladic's secret wartime diary
- Britain seeks to bolster ties with Turkey

Southeast Europe

- EP to debate resolutions on Kosovo, Albania

Albania

- SMI's Meta urges SP to do its part for reforms
- EU's Fuele again urges Albania to end political crisis

Bosnia

- Dodik to run for RS president

- BiH charges Bosnian Serb with war crimes
- Thousands join peace march in BiH

Bulgaria

- EC asks Bulgaria to reduce budget deficit
- Bulgaria ready to join US anti-missile defence shield
- Russian, Gazprom officials in Bulgaria for energy talks
- Bulgaria, Russia discuss energy sector co-operation

Croatia

- Hague tribunal's Robinson visits Croatia
- Croatian official says EU accession talks could end by February

Kosovo

- EC urges Pristina to implement more reforms
- EU's van Rompuy backs EULEX actions in Kosovo
- Bentler says NATO concerned about northern Kosovo

Macedonia

- EU envoy in Macedonia criticises lack of political dialogue

Romania

- IMF extends tranche of Romania's anti-crisis loan
- Romanian government to cut number of state secretaries
- EC to help Romania deal with floods
- Romania: experts see little progress in meeting justice benchmarks

Serbia

- Serbia holds first Diaspora assembly session
- Malta ratifies Serbia's SAA
- British court to discuss extradition of Ejup Ganic
- BiH's Ganic challenges Serbia's extradition request
- Serbia launches investigation of possible mass grave

Oceania

- Australian PM rocked as defence minister quits
- Australia: East Timor could process asylum seekers
- Australia plan to divert asylum seekers gets cool reception
- Australia PM doubtful on 'Asia-Pacific community'
- Australia says Google guilty of privacy breaches

Report Summary

US/Canada

Political Issue

Marine Corps Gen. James Mattis was picked to take over U.S. Central Command. His appointment replaces Gen. David Petraeus, who now serves in Afghanistan as the U.S. and NATO's top military officer. Petraeus had to replace Gen. Stanley McChrystal, fired following an offensive comments made against Obama's administration. Mattis like McChrystal are birds of feathers with gut of frankness.

Economic Issue

The Obama administration is adopting auditing strategy to purge illegal immigrants from work place, a different strategy from that adopted by the Bush administration that scout out for illegal immigrants and then deported. The new approach keeps a check on employers, even though critiqued by some as too lax. Meanwhile employers complain the new approach deprives them of workers for low paid jobs that could not be replaced by legal workers.

During his speech at the University of Nevada, President Obama fired back at republicans, who he believed had drove the economy into ditch and now asking for a rapid recovery. He said his administration has saved the economy from freefall and his policies are positioning things where they belong. Some Americans might dispute Obama's assertion because of the slow pace of the economic recovery.

Social/Humanitarian Issue

Food, Environment and Energy Issue

Geostrategic Issues

In recent times, Washington-Tel Aviv relations got strained, which indicates the gulf of difference between Obama and Netanyahu. The two leaders are expected to meet in Washington with the aim of mending their differences and taking the path of peace.

Western Europe

Political Issue

It could be one of the ploys to damage his political career amid his low public rating. French prosecutors have opened a preliminary investigation into allegations that the country's richest woman secretly funded President Nicolas Sarkozy's election campaign, an allegation Sarkozy has rejected as libel aims only to smear, without the slightest basis in reality

Economic Issue

European Central Bank head Jean-Claude Trichet welcomed European leaders' pledge to publish the results of "stress tests" on banks and indicated that the need to calm markets by buying troubled government bonds appears to be diminishing.

The Bank of England kept its key interest rate at a record-low level of 0.50 percent, where it has stood for 17 months, as it remained on wait-and-see mode over the fragile economic recovery. The BoE added that it will not change its so-called quantitative easing policy, under which it had already pumped 200 billion pounds of new money into the economy.

The Greek government claims it has outmatched 40% deficit cut by cutting upto 42% since the beginning of the year. Thus, according the Greek Central Bank, the deficit is now 4.9% of GDP, or 11.45 billion euros, compared to 19.685 billion euros a year ago. As the Greek government pushes on with austerity measures so does the discontentment of many Greeks remains, showcased by nationwide strikes.

Social/Humanitarian Issue

French justice minister Michele Alliot-Marie is championing the cause to see that the French parliament enacts the law to forbid covering one's face in public. She believes the law has nothing to do with stigmatization, religion or security, rather argued that life in the French Republic "is carried out with a bare face." "It is a question of dignity, equality and transparency," If the law is enacted violators of the law will be fined euro150, but the question remains where lies religious freedom.

Meanwhile, according to recent Pew survey (Pew Global Attitudes Project) an overwhelming 82 percent of French respondents support a ban. The poll found 71 percent support in Germany, 62 percent in Britain and 59 percent in Spain. The poll shows that Americans are against the ban and European supportive of a ban.

Londoners celebrated the fifth anniversary of the July 7, 2005 terrorist attack last week, an event that rekindled the scar of the dastard events. The anniversary was however celebrated with praise of gradual defeat of terrorism, since 2005 many terror plans have been ruptured.

Terrorist suspects apprehended and arranged before the court, by the Norwegian authority might most likely be set free. The Norwegian judiciary system prioritizes action more than intention. Hence, mere accusation or evidence place against suspects might fail to get them sentenced.

The European highest court has asked a British court to get the assurance of the United States that four suspected terrorists will not end up in maximum security prisons for the rest of their lives without parole. The European Court of Human Rights wants to ascertain the cruelty and violation of human rights before sending the suspect to the US. Europeans disagree with the U.S over the merit of life sentence in maximum security prisons and dealt penalty.

Prime Minister David Cameron has set up an Inquiry Committee headed by a British judge that will investigate the complicity of British spy agency in the maltreatment of British citizens in the U.S. Cameron hopes to use the investigation to compensate the affected and cleanse the dented image of M15.

Fugitive Bosnian Serb general Ratko Mladic's diaries seized during a raid of his wife's Belgrade home in February unveiled details of the secret deals between Serbs and Croats to wipe out Muslims (militarily and by expulsion) from Bosnia in order to create a larger Croatian and Serbian nations. The diaries have become useful in understanding and dealing with other criminal cases with the Yugoslav war crimes tribunal in The Hague.

Food, Environment and Energy Issue

Geostrategic Issues

Turkey remains adamant that relations with Tel Aviv will remain severed until an apology and responsibility for a deadly raid on a Gaza aid flotilla is made. Meanwhile, the British government holds that its support for Turkey-EU membership is unwaived and for EU turning down Ankara's membership will be a strategic mistake.

Southeast Europe

Political Issue

The level of progress in Albania and Kosovo came under the radar of the European Parliament (EP). The parliament urged both Tirana and Pristina to intensify effort on curbing corruption and organised crimes. EP although recognises Tirana's progress yet wants solution to the Albanian political stalemate and as well moved the motion to include Kosovo in the EU visa liberalization scheme.

Ilir Meta, leader of Albanian Socialist Movement for Integration (SMI), a junior government partner called on the opposition to return to parliament, saying it was unwise of them to set conditions for ending their boycott without voting laws.

Top Serb politicians are clashing to fill the seat of entity president come October 3rd elections. Republika Srpska (RS) Prime Minister Milorad Dodik, Nebojsa Radmanovic, the incumbent Serb representative in BiH's tripartite presidency, Ognjen Tadic and Mladen Ivanic will all be on the polling list.

With the intention of protecting the national, cultural and religious identity of Serbs around the world, Serbian President Boris Tadic conveyed a Diaspora Assembly in the parliament, which includes 45 delegates from around the globe. Around 3-4 million Serbs are estimated living outside their homeland.

A total of 84 experts comprising 60 journalists and 24 NGO representatives specialising in justice and anti-corruption participated in a survey, outlining that none of the four main objectives assumed by Romania through an EU supervisory mechanism, the Co-operation and Verification Mechanism (MCV) for justice and internal affairs has been accomplished so far.

Economic Issue

For months to come, many of the European countries will have to fix their economies by cutting deficit. Cutting of public spending although have started across Europe but has received public resentment. Premised on this, the European Commission has set an end of 2011 deadline for Bulgaria to bring its budget deficit below 3% of GDP, in line with the EU's Stability and Growth Pact. Subsequently, Romanian government

announced its plans to cut the number of state secretaries within the various ministries as part of the effort to reduce budget deficit.

According to IMF, Romanian government is making significant steps to recover the country's macroeconomic stability and is taking ambitious measures to lay the groundwork for improvement of state finances. Hence IMF has agreed to extend a 913.2m-euro tranche of Romania's 13.6 billion-euro anti-crisis loan

Social/Humanitarian Issue

Romanians were not deserted to shoulder the fate of natural disaster that gripped the country instead rapid humanitarian response was handed out by the European Commission. Belgium, Austria, France and Estonia were at the forefront of the humanitarian response.

Former Bosnia and Herzegovina (BiH) presidency member Ejup Ganic is wanted by Serbia in connection with a May 1992 attack in Sarajevo against a Yugoslav National Army convoy, which left more than 40 soldiers dead. Ganic is stranded in London and Serbia is demanding for extradition, which is a London court has to decide. Ganic denies the charges and challenges the extradition's request.

The 15th anniversary of the Srebrenica massacre was commemorated by almost 5,000 people around eastern Bosnia and Herzegovina. It was a moment rekindling past sorrows.

Serbian investigators have started work at a possible mass grave in Raska, southern Serbia. An investigative judge and EULEX representatives visited the site and started analysing the ground. Serbia's war crimes prosecution office ordered an investigation into the possible mass grave in mid-May.

Food, Environment and Energy Issue

Russia attaches considerable sentiment to the South Stream gas pipeline, seen as alternative to Nabucco pipeline. Some countries want to be part of the former and others like Bulgaria is yet to make a decision even though the project is part of the Bulgarian cabinet's long-term energy plans.

Geostrategic Issues

Croatia has almost completed its required EU chapters and that could not be disconnected from Vesna Pusic's view, the president of parliament's national committee for monitoring EU accession negotiations, predicting that the negotiation process should be completed by February 2011, which would allow the country to sign the accession treaty during the EU summit in March.

Malta has seconded Spain in ratifying Serbia's Stabilisation and Association Agreement with the EU. The ratification process started with Spain holding the rotational

EU presidency. It is expected that other EU members will follow the step of Spain and Malta.

The uncertain is now made certain as the Bulgarian defence minister Anyu Angelov said it is important for Bulgaria to be part of the US anti-missile defence shield in Europe. Bulgaria will not only benefit but will contribute to the shield.

Oceania

Political Issue

The resignation of the Defence Minister John Faulkner was a new development for the Australian labour government. Faulkner quitting the cabinet is believed to be another blow to new Prime Minister Julia Gillard. Faulkner's resignation came after popular Finance Minister Lindsay Tanner tendered his resignation. It is unclear whether the labour party will suffer from such resignation as election draws in.

Australian new political leadership is bent at reverting the previous immigration practices that camps immigrants seeking asylum in Australian territory of Christmas Island. The new practice hopes to send the asylum seeker to the neighbouring East Timor. The new proposal is facing huge criticism both within Australia and among neighbouring states. New PM Julia Gillard wants a sustainable not an over blown population, a view challenging previous Kevin Rudd's futurist view of Australia.

Changing the policies of former PM Rudd by Prime Minister Julia Gillard is a way of asserting herself. Rudd floated the idea of 'Asia-Pacific community' geared at giving Australia boarder engagement and as an alternative to APEC (Asia-Pacific Economic Cooperation) such view is not shared by Gillard, rather a non-prospect idea.

Economic Issue

Social/Humanitarian Issue

The Internet giant, Google has been in the news for privacy breach in Australia and few European countries. After much pressure on the Internet giant's Street View alleged of violating privacy right, Google agreed and has published apology to that effect.

Food, Environment and Energy Issue

Geostrategic Issues

Report Detail

US/Canada

TOLEDO, Ohio — Just one day after leaders of the House of Representatives announced a ban on earmarks to profit-making companies, Victoria Kurtz, the vice president for marketing of a small Ohio defense contracting firm, hit on a creative way

around it. To keep the taxpayer money flowing, Ms. Kurtz incorporated what she called the Great Lakes Research Center, a nonprofit organization that just happened to specialize in the same kind of work performed by her own company — and at the same address. Now, the center — which intends to sell the Pentagon small hollow metal spheres for body armor that the Defense Department has so far declined to buy in large quantities and may never use — has \$10.4 million in new earmark requests from Representative Marcy Kaptur, Democrat of Ohio.

The congresswoman, who has received tens of thousands of dollars in campaign contributions from Ms. Kurtz's family and her business's lobbyists, thought the quickly hatched nonprofit organization was a convenient solution.

"They met the requirements of the reform," Ms. Kaptur said in an interview. "Yes, they did." The proposed earmarks are among dozens — totaling more than \$150 million — from around the country that would indirectly benefit profit-making companies, according to an examination by The New York Times of House appropriation requests submitted after the new rule was imposed in March.

Adopted because of repeated scandals over wasteful spending — the bridges to nowhere and expensive pet projects like a water-taxi service — the ban was intended to help eliminate earmark abuses. Critics say spending on earmarks, which added \$16 billion to the federal budget last year, diverts money from higher priorities, typically does not require competitive bids and is often directed to experimental research that will never be used. But given the appeal of free government money, the fees that lobbyists can earn by helping businesses grab a handful of it and the persistence of lawmakers in trying to satisfy constituents or donors, the pay-to-play culture in Washington has once again proved hard to suppress. "It reminds me of the line from "Jurassic Park" — 'Life will find a way,' " said Representative Jeff Flake, Republican of Arizona, who has pushed for nearly a decade to curtail earmarks. "When you have easy money like this, it finds a way, and members find a way to enable. And that is happening again."

BREWSTER, Wash. — The Obama administration has replaced immigration raids at factories and farms with a quieter enforcement strategy: sending federal agents to scour companies' records for illegal immigrant workers. While the sweeps of the past commonly led to the deportation of such workers, the "silent raids," as employers call the audits, usually result in the workers being fired, but in many cases they are not deported. Over the past year, Immigration and Customs Enforcement has conducted audits of employee files at more than 2,900 companies. The agency has levied a record \$3 million in civil fines so far this year on businesses that hired unauthorized immigrants, according to official figures. Thousands of those workers have been fired, immigrant groups estimate. Employers say the audits reach more companies than the work-site roundups of the administration of President George W. Bush. The audits force businesses to fire every suspected illegal immigrant on the payroll— not just those who happened to be on duty at the time of a raid — and make it much harder to hire other unauthorized workers as replacements. Auditing is "a far more effective enforcement tool," said Mike Gempler, executive director of the Washington Growers League, which includes many worried fruit growers. Immigration inspectors who pored over the records of one of those growers, Gebbers Farms, found evidence that more than 500 of its workers, mostly immigrants from Mexico, were in the country illegally. In December, Gebbers Farms,

based in this Washington orchard town, fired the workers. "Instead of hundreds of agents going after one company, now one agent can go after hundreds of companies," said Mark K. Reed, president of Border Management Strategies, a consulting firm in Tucson that advises companies across the country on immigration law. "And there is no drama, no trauma, no families being torn apart, no handcuffs."

President Obama, in a speech last week, explained a two-step immigration policy. He promised tough enforcement against illegal immigration, in workplaces and at the border, saying it would prepare the way for a legislative overhaul to give legal status to millions of illegal immigrants already in the country. White House officials say the enforcement is under way, but they acknowledge the overhaul is unlikely to happen this year.

LAS VEGAS, Nevada (AFP) – US President Barack Obama said Friday his policies had pulled America out of the most vicious economic dive since the 1930s, setting battle lines for mid-term elections in November. Obama put the Republicans on notice he will vigorously defend his record, despite the fact many Americans do not yet feel the recovery he is touting, while economic data hints that the rebound may be slowing. "Our first mission was to break the momentum of the deepest and most vicious recession since the Great Depression," Obama said in the gambling hub of Las Vegas, wrapping up a two-day campaign-style trip. "We had to stop the freefall and get the economy and jobs growing again." Obama used his appearance at the University of Nevada, Las Vegas, to call on Congress to invest five billion dollars more in tax credits for green energy manufacturing firms, part of his plan for an alternative energy revolution. After a brutal year featuring prolonged high unemployment and bitter political battles, Democrats had hoped to be reaping the benefits by now of Obama's rescue policies. But while the economy is posting solid growth and creating jobs again, the party has seen negligible political gains, with the jobless rate still at 9.5 percent, and confidence in the rebound ebbing.

If the economy dictates the course of elections, as usual, Obama and the Democrats could be in for trouble come November when all of the House of Representatives is up for grabs, along with a third of the Senate. So Obama is engaged on a mission to convince voters he understands things are still tough, while insisting the economy is healthier than it seems. He also argues that his policies will secure future growth and that had he not acted, things would have been much worse. "It took years to dig this hole, and it's going to take more time than any of us would like to climb out of it. "The question is number one, are we on the right track, and number two is how do we accelerate that process?" Obama's Republican foes are lambasting Obama over slower-than-hoped-for employment growth, the high deficit and debt levels

WASHINGTON – Marine Corps Gen. James Mattis has been picked to take over U.S. Central Command, the Pentagon announced on Thursday. Mattis would replace Gen. David Petraeus, who is now in Afghanistan as the U.S. and NATO's top military officer there. The shake-up comes as the American public questions whether the fight in Afghanistan can be won, and the Defense Department is reeling from losing its top war commander — Gen. Stanley McChrystal. As head of Central Command, Mattis would oversee U.S. military operations in Afghanistan and Pakistan, as well as across the

Middle East, including Iraq and Iran. Defense Secretary Robert Gates told reporters that he was impressed with the general's "strategic insight and independent thinking."

Mattis is a blunt-talking, seasoned war veteran best known for leading troops into the bloody battle of Fallujah in Iraq in 2004. He is a bit of a surprising pick. On the one hand, Mattis has significant ground combat experience and is considered an intellectual who grasps the nuances of fighting a complicated counterinsurgency. But he is also known to speak bluntly and off-the-cuff — much like Petraeus' predecessor Gen. McChrystal who was fired for speaking ill of his civilian bosses.

In 2005, Mattis was chastised by his superiors for saying in a public speech in San Diego that it was "fun to shoot some people." Mattis was a three-star general at the time, stationed in Quantico, Va., when he told an audience that some Afghans deserved to die. "Actually, it's a lot of fun to fight," he said. "You know, it's a hell of a hoot. . . . It's fun to shoot some people. I'll be right upfront with you. I like brawling." He added, "You go into Afghanistan, you got guys who slap women around for five years because they didn't wear a veil. You know, guys like that ain't got no manhood left anyway. So it's a hell of a lot of fun to shoot them." His comments evoked laughter and applause from the audience. His boss at the time, Gen. Mike Hagee, said that the comments reflected the "unfortunate and harsh realities of war" but that Mattis had been asked to watch his words in public. Gates said Thursday that appropriate action was taken at the time. He also said he raised the issue with Mattis when interviewing him for the job and was confident that such statements would not be made in the future.

WASHINGTON – President Barack Obama and Israeli Prime Minister Benjamin Netanyahu headed into a White House meeting Tuesday with the same goal: trying to move the Israelis and Palestinians to resume face-to-face peace talks.

Netanyahu on Sunday endorsed the U.S. call for direct talks between the two parties, just days after White House officials said Obama would push during the Oval Office session for those negotiations to get under way sooner rather than later.

Addressing his cabinet Sunday, Netanyahu said the "time has come" for Palestinian President Mahmoud Abbas to get ready to meet with the Israelis "because there is no other way to advance peace. I hope this will be one of the results of the visit to Washington." Aides to Obama sounded a hopeful tone late last week, telling reporters that weeks of shuttle diplomacy between the two sides by George Mitchell, Obama's special envoy to the Middle East, had paid off and "the gaps have narrowed."

"We believe there are opportunities to further narrow those gaps, to allow the sides to take that next step to direct talks," said Daniel Shapiro, the senior Middle East director at the National Security Council. Obama and Netanyahu also are expected to discuss Israel's decision Monday to significantly ease its blockade of the Gaza Strip to let in most consumer goods. Israel's ban on exports from Gaza and limits on shipments of construction material remain. Israel came under heavy international pressure, including from Obama and other top U.S. officials, to loosen its 3-year-old land and naval blockade of the seaside territory following Israel's deadly May 31 military raid on a flotilla trying to break the embargo. At the time, Obama said the situation was "unsustainable." He called for a narrow blockade to bar weapons that Gaza's Hamas rulers could use against Israel while admitting items the territory's 1.5 million Palestinians need for daily living and economic development. Obama and Netanyahu also are likely to discuss efforts to

end Iran's nuclear weapons pursuit, including sanctions Obama signed into law last week. That legislation followed a fourth round of U.N. Security Council sanctions against Iran.

WASHINGTON – With the conclusion of the biggest spy swap since the Cold War, the U.S. has defused a thorny diplomatic problem quickly and cleanly — and avoided damaging recent efforts to improve relations with Russia. And Moscow has escaped further embarrassment over a group of spies that over the years apparently had little if any success in ferreting out any useful secrets. The 10 sleeper agents, who blended into American communities before being arrested two weeks ago, were back on Russian soil Saturday, a day after they were exchanged on the tarmac of the Vienna airport for four prisoners the Russians had accused of spying for the West. Two of the prisoners were flown to England and the other two landed aboard a chartered jetliner at Dulles International Airport outside Washington late Friday. The whirlwind exchange, which brought back memories of the Cold War years, was the culmination of an idea hatched more than a month ago within the White House, weeks before the 10 Russian sleeper agents were arrested June 27 after it was learned several of them were preparing to leave the country. What was known as "the illegals program" had been first brought to the White House's attention in February, triggering weeks of meetings about how and when to proceed and what to do with the spies once they were apprehended, according to two White House officials, who spoke on condition of anonymity under ground rules set by the White House. On a Friday afternoon, June 11, President Barack Obama was briefed in a meeting in the Oval Office. Among the issues discussed was how the matter could be brought to a swift conclusion so as not to complicate the president's efforts to "reset" improved relations with Russia. The possibility of a spy swap was raised during the meeting, said one of the officials. While the arrests were not planned to facilitate such a trade, a swap appeared to have the most benefit to the United States. Little could be gained from locking up the Russian agents for years since they long had been under surveillance and appeared never to have obtained any U.S. secrets.

The president approved the swap. Still, the matter was never brought up when Obama hosted Russian President Dmitry Medvedev at the White House on June 24, three days before the Russian agents were arrested. Soon thereafter, CIA Director Leon Panetta provided Russia's spy chief, Mikhail Fradkov, the names of four prisoners being held in Russia that the U.S. wanted to free, the officials said. A few days and three phone conversations later, Panetta and Fradkov agreed to the deal, the U.S. officials said.

There was a flurry of bureaucratic wrangling, but the swap would rapidly move forward.

Western Europe

PARIS – A judicial official in France says prosecutors have opened a preliminary investigation into allegations that the country's richest woman secretly funded President Nicolas Sarkozy's election campaign. Sarkozy has denied a media report that his 2007 campaign received euro150,000 (\$188,000) in secret cash from L'Oreal heiress Liliane Bettencourt. The report said the cash went to the treasurer of Sarkozy's conservative party UMP, Eric Woerth. The judicial official said Wednesday the prosecutor's office in the Paris suburb of Nanterre is conducting a preliminary probe into the allegations. The official was not authorized to be publicly named because the investigation is under way.

A scandal over Bettencourt's fortune has already destabilized Sarkozy's government.

PARIS – French President Nicolas Sarkozy denied a report that his 2007 election campaign received euro150,000 (\$188,000) in secret cash donations from the country's richest woman, saying Tuesday the allegations were an effort to smear him. For weeks, Sarkozy and his government have defended Labor Minister Eric Woerth, who has been linked to suggestions of tax evasion involving L'Oreal heiress Liliane Bettencourt. The 87-year-old is No. 17 on Forbes magazine's list of the world's richest people worldwide. The scandal — which has already destabilized Sarkozy's conservative government and contributed to his dismal approval ratings of about 26 percent — took a new twist Tuesday, with accusations pointing to the chief of state. Bettencourt's former accountant was quoted as telling a French news website that the heiress and her late husband offered Woerth euro150,000 in cash for Sarkozy's 2007 campaign, well above the legal limit for such donations. Woerth, who has been treasurer for Sarkozy's conservative party for eight years, said Tuesday he was "outraged" by the claim and said he has "never received the slightest euro that wasn't legal."

The accountant, who was identified only as Claire T. by the Mediapart news website, also claimed the Bettencourts used to invite Sarkozy over for meals and hand him cash-stuffed envelopes when he was mayor of the leafy suburb of Neuilly-sur-Seine from 1983 to 2002.

BERLIN – European Central Bank head Jean-Claude Trichet welcomed European leaders' pledge to publish the results of "stress tests" on banks and indicated Thursday that the need to calm markets by buying troubled government bonds appears to be diminishing. Trichet also sounded an upbeat note on the 16-nation eurozone's economy after the bank kept its benchmark refinancing rate untouched at a record low of 1 percent, saying that recent data don't support "excessively pessimistic" views.

With rates on hold and no sign of any move soon, much of the attention after Thursday's decision focused in part on the planned July 23 publication of "stress tests" on European banks, intended to reassure markets worried that some banks might be hiding losses on government bonds and other debt from financially troubled countries such as Greece, Portugal and Spain. Trichet dismissed suggestions that the outcome could add to Europe's ongoing debt crisis by revealing new problems. He said the ECB has been "convinced since the very beginning that transparency has its virtue, and that it is good that the market ... can see exactly what is the result of those tests. "We think that it is confidence-building," he told reporters. Trichet welcomed European Union leaders' pledge last month to disclose results of individual banks' tests in an effort to dispel such fears.

The tests are designed to show how banks would do if circumstances worsen. Trichet said that "appropriate action will have to be taken where needed" but went into little detail of the ECB's expectations

LONDON (AFP) – The Bank of England on Thursday kept its key interest rate at a record-low level of 0.50 percent, where it has stood for 17 months, as it remained on wait-and-see mode over the fragile economic recovery. "The Bank of England's Monetary Policy Committee today voted to maintain the official bank rate paid on commercial bank reserves at 0.50 percent," the BoE said in a statement issued after its

latest monthly meeting. The BoE added that it will not change its so-called quantitative easing policy, under which it had already pumped 200 billion pounds of new money into the economy. The news came ahead of a separate interest rate call from the European Central Bank at 1145 GMT. The ECB is also forecast to keep eurozone borrowing costs at an all-time low of 1.0 percent. As is traditional when no change is made, the BoE gave no details about the reasoning behind its decisions. Economists must wait until July 21 for the publication of minutes from the meeting, which began on Wednesday.

The MPC decided to maintain the status quo, despite stubbornly high inflation that sparked dissent from one policymaker last month, and amid worries about the economic impact of the government's deficit-slashing budget. Many economists argue that policymakers want to see what the impact of last month's emergency budget will be on the battered economy, which crawled out of a record-length recession in late 2009.

At the previous June gathering, policymaker Andrew Sentance had voted to lift hike the central bank rate to 0.75 percent, citing the threat of a spike to inflation.

That was the first time for almost two years that an MPC member had voted for tightening. "The Bank of England has again left monetary policy unchanged," said ING economist James Knightley. "It is likely that Andrew Sentance again voted for a rate hike given his recent comments, but we doubt any other members will have joined him given ongoing concerns about the economic impact from fiscal consolidation and external weakness." The new coalition government delivered an emergency package of higher taxation and spending cuts in June, amid intense concern about soaring state debt levels in Europe.

ATHENS, Greece -- Finance Minister George Papaconstantinou said on Monday (July 5th) that Greece has managed to slash its budget deficit by 42% since the beginning of the year. According to the Central Bank, the deficit is now 4.9% of GDP, or 11.45 billion euros, compared to 19.685 billion euros a year ago. Papaconstantinou says Greece has outperformed its target of cutting the deficit by 40% this year.

Separately Monday, Amadeo Altafaj, spokesman for EU Economic and Financial Affairs Commissioner Olli Rehn, refuted media reports Rehn plans a trip to Athens later this month. "Rehn is not planning on visiting Greece ... and has no intention [of seeking] additional measures from Athens," Altafaj said, describing the reports as "unfounded rumours".

ATHENS, Greece -- Dozens of flights across Greece are being cancelled Thursday (July 8th) amid a general strike against the government's pension and social security reform. The strike, the sixth since the beginning of the year, will also paralyse public transportation, some ports and railways. Hospitals will only treat emergency cases. There will be no news content, since journalists are striking as well. The walkout coincides with a vote by parliament on controversial reforms that would cut pensions and raise the retirement age. The bill is expected to pass, as the ruling PASOK party has a seven-seat majority. Late Wednesday, parliament approved the legislation in the first reading. A total of 159 of PASOK's 160 lawmakers voted for it.

Earlier in the day, the European Commission published the findings of the first mission of EU, IMF and European Central Bank (ECB) officials to the country last month. The report concludes that Athens is on a good track, but warned that high inflation remains a risk and progress in the healthcare sector seems slow. The EU, IMF and ECB experts will

visit Athens again, likely later this month, to determine whether to release the second tranche of the 110 billion-euro joint EU/IMF support mechanism. (A

ATHENS, Greece -- Parliament approved on Thursday (July 8th) a major overhaul of the country's pension system, which cuts benefits and raises the retirement age. The bill was passed by a vote of 157-134, as an estimated 12,000 protestors demonstrated outside. "This is a major reform -- In one stroke, we are putting the system on a viable path and safeguarding future pensions," Finance Minister George Papaconstantinou said. The bill raises the retirement age to 65 for everyone and will also make it easier for companies to fire workers.

PARIS -- France's justice minister went before parliament Tuesday to defend a hotly debated bill that would ban burqa-style Islamic veils in public, arguing that hiding your face from your neighbors is a violation of French values. Michele Alliot-Marie's speech at the National Assembly marked the start of parliamentary debate on the bill. It is widely expected to become law, despite the concerns of many French Muslims, who fear it will stigmatize them. Many law scholars also argue it would violate the constitution. The government has used various strategies to sell the proposal, casting it at times as a way to promote equality between the sexes, to protect oppressed women or to ensure security in public places. Alliot-Marie argued that it has nothing to do with religion or security -- she argued simply that life in the French Republic "is carried out with a bare face." "It is a question of dignity, equality and transparency," she said in a speech that made scant mention of Muslim veils. Officials have taken pains to craft language that does not single out Muslims: While the proposed legislation is colloquially referred to as the "anti-burqa law," it is officially called "the bill to forbid covering one's face in public." Ordinary Muslim headscarves are common in France, but face-covering veils are a rarity -- the Interior Ministry says only 1,900 women in France wear them. Yet the planned law would be a turning point for Islam in a country with a Muslim population of at least 5 million people, the largest in western Europe. France is determined to protect the country's deeply rooted secular values, and the conservative government is encouraging a moderate, state-sanctioned Islam that respects the secular state. Last week Prime Minister Francois Fillon inaugurated a mosque in the Paris suburbs. Lawmakers at the National Assembly are expected to vote on the bill July 13. It goes to the Senate in September. The legislation would forbid face-covering Muslim veils such as the niqab or burqa in all public places in France, even in the street. It calls for euro150 (\$185) fines or citizenship classes for women who run afoul of the law, and in some cases both.

PARIS -- While most Americans oppose banning face-covering Islamic veils, most western Europeans questioned in a new global poll say the garments should be forbidden -- especially in France, where a ban may soon be a reality. Several European countries have been considering bans on such veils, with special attention on France, home to western Europe's largest Muslim community and a strongly secular government. The lower house of France's parliament is expected to approve a divisive bill Tuesday that would make it illegal to wear full-face veils in public. The government says such veils oppress women. Only a very small minority of French Muslim women wear veils such as the niqab or burqa, and many French Muslims fear a ban would stigmatize the

whole Islamic community. A survey by the Pew Global Attitudes Project found that an overwhelming 82 percent of French respondents support a ban. The poll found 71 percent support in Germany, 62 percent in Britain and 59 percent in Spain.

In the United States, 28 percent of those questioned said they would approve a ban. The pollsters questioned more than 4,000 people by telephone in the five countries as part of a larger poll on global attitudes conducted in April and May. The margin of error was plus or minus 4 or 5 percentage points for the countries asked about the veil. The study was released Thursday. In the United States and Europe, respondents to the poll who were over 55 were more likely to support a ban than those age 18 to 34. Those on the political right were more likely to support a ban than those on the left, except in Spain. The pollsters said there was no variation along gender lines in any of the five countries and little variation depending on income and education levels.

LONDON – Britain's domestic spy agency MI5 is tracking a number of terrorism plots against the U.K., despite successes in curbing the threat from extremists since deadly attacks on London's transit network five years ago, an official said Wednesday. Prime Minister David Cameron marked the fifth anniversary of the July 7, 2005, suicide bombings on three subway cars and a bus, sending a wreath and handwritten note to be laid at a memorial to the 52 commuters killed in the attack. "It was a dreadful day, but it is also a day that will remain, I believe, a symbol of the enduring bravery of the British people," Cameron told the House of Commons. As the bereaved and injured marked the anniversary, security officers said they continue to monitor hundreds of suspected extremists and plots, but believe work at home and overseas has hampered the ability of terrorists to mount major attacks. Britain raised its threat level to "severe" in January, the second highest level on a five-point scale, in the wake of the failed attempt to bring down a Detroit-bound airliner on Christmas Day. Security officials said a range of threats at various stages of development are currently being monitored in Britain — but did not offer a specific figure on how many are under surveillance. "The threat level is at severe, which means an attack is highly likely," said a government security official, who demanded anonymity to discuss such issues. "There are a range of operations being conducted at any one time." In January, MI5 director Jonathan Evans told lawmakers his officers are monitoring "a couple of hundred cases of one sort or another," and previously confirmed about 2,000 people in Britain are suspected of involvement in terrorism. He has acknowledged that a series of hefty jail terms handed to convicted terrorists in recent years and the killing of senior al-Qaida operatives in Pakistan and elsewhere have led to a fall in the number of major plots in Britain.

OSLO, Norway – The arrest of three suspected al-Qaida members planning bomb attacks and operating in Norway went smoothly, but a conviction might be harder to get. Despite tightening anti-terrorism laws since 9/11, Norwegian prosecutors have yet to try a successful case, and experts say the latest arrests may run into problems faced by earlier cases. The arrests might not end in a conviction because of the country's strict conditions for conspiracy cases, three Norwegian terror experts said Friday. The judiciary prefers "to convict for acts rather than intention" because the latter is difficult to prove, said Tore Bjoergbo, a terrorism expert at the Norwegian Police University College. "We tend to let 10 guilty people go free rather than put one innocent person in prison," he said. Norway's

Police Security Service arrested three residents of Norway on terrorism charges Thursday. Norwegian and U.S. officials said they were plotting to carry out an attack, organized by al-Qaida operatives in Pakistan, on an unknown target using powerful peroxide bombs similar to ones aimed for detonation in New York and Manchester, England. A 39-year-old Norwegian of Uighur origin and a 31-year-old citizen of Uzbekistan were detained in Norway while a 37-year-old Iraqi was held in Germany, where he was vacationing, police said. Norwegian officials allege the men conspired to commit an act of terror, a crime under Norway's 2003 anti-terrorism statute with a maximum sentence of 12 years. Bjoergbo said much hinged on whether the suspected al-Qaida plotters had actually purchased bomb-making materials.

"If they talk on the phone or in the car about something they would like to do without making any serious preparatory acts, such as buying chemicals in a quantity that doesn't make sense for domestic purposes, then they are generally not going to be convicted," he said.

BRUSSELS – An international court on Thursday ordered Britain to hold off on extraditing four terrorism suspects to the United States, saying it must show that life terms without parole in maximum security prisons would not violate Europe's human rights charter. The suspects include three Britons and the Egyptian-born radical cleric Mustafa Kamal Mustafa — also known as Abu Hamza al-Masri, the one-eyed, hook-handed hardliner accused of setting up a terrorist training camp in rural Oregon.

The European Court of Human Rights gave Britain until Sept. 2 to respond to questions about the punishment they will face. If convicted of charges filed between 2004 and 2006, they could get lifelong jail terms without parole in maximum security conditions, including concrete furniture, timed showers, tiny cell windows and no communications with the outside world. Al-Masri claims he has lost his Egyptian nationality, but Britain considers him an Egyptian citizen. He has also been linked to the taking of 16 hostages in Yemen in 1998 and to preaching jihad in Afghanistan. The other suspects are al-Masri's alleged coconspirator, Haroon Rashid Aswat, and Babar Ahmad and Syed Talha Ahsan. Ahmad is accused of running websites to raise money, appeal for fighters and provide equipment such as gas masks and night vision goggles for terrorists. Ahsan is charged with conspiring to support terrorists via the Internet. Europe and the United States have long disagreed on the merit of the death penalty. Thursday's ruling opens a new front, this one over the U.S. practice of putting convicted criminals in spartan, maximum security prisons for the rest of their lives. It is now up to Britain, presumably in collaboration with U.S. legal experts, to show it is not cruel or degrading. After the four exhausted their appeals against extradition in British courts, they turned to the Strasbourg, France-based court. They argued incarceration in the U.S. will be so long and harsh it would amount to a violation of article 3 of the European Convention on Human Rights of 1950. The article says, "No one shall be subjected to torture or to inhuman or degrading treatment or punishment." The court dismissed the four suspects' argument that as non-U.S. citizens their trial would be "a flagrant denial of justice." It also dismissed their fear they would become "enemy combatants" or sent to a third country — past practices that have been abandoned. It asked Britain if decades in maximum security was not inhumane, if the four suspects can ever expect "transfer to a normal prison" or see their sentences reduced. The 70-page ruling cites the harsh conditions at a maximum security prison in Florence, Colorado, where the suspects will likely be sent, if convicted. Human Rights Watch, the

New York-based rights group, has said the prison's conditions violate U.S. international treaty obligations.

LONDON – Britain will hold a judge-led inquiry into allegations that its spies were complicit in the torture of terror suspects held by the U.S. and other allies. The government also announced Tuesday it will pay compensation to detainees found to have been mistreated in the global pursuit of terrorists after the Sept. 11 attacks. The probe, by a three-member panel headed by retired judge Peter Gibson, could complicate intelligence-sharing with Washington. It follows civil cases brought against the government by 12 ex-detainees who claim British intelligence agents colluded in their mistreatment in Pakistan, Morocco and elsewhere. Prime Minister David Cameron told lawmakers in the House of Commons that "for the past few years the reputation of our security services has been overshadowed by allegations about their involvement in the treatment of detainees held by other countries." "It is time to clear up this matter once and for all," he said. Cameron said the government would ask the 12 to drop their lawsuits in exchange for mediation, possible compensation and a promise the inquiry will fully investigate their claims. He said the inquiry also cannot start until the conclusion of a criminal investigation under way into allegations against two officers from the MI5 and MI6 intelligence agencies. "We hope it will start before the end of this year and will report within a year," Cameron said.

The panel is expected to call current and former ministers and intelligence agency chiefs to give evidence, but it is unclear how much of it will be in public. Cameron said intelligence officers would not be required to give evidence publicly. Gibson is the Intelligence Services Commissioner, a watchdog for Britain's spies. Like Britain's ongoing inquiry into the Iraq war, his investigation won't establish criminal wrongdoing, but may apportion blame. British spies have not been accused of torturing detainees, but several former suspects have alleged that British officials were complicit in their mistreatment while they were held by agents from the U.S., Pakistan and other countries, because they knew of abuse but did not stop it. In the most notorious case, Binyam Mohamed, a former Guantanamo Bay detainee who is among those suing Britain, says he was severely beaten, subjected to sleep deprivation and had his genitals sliced with a scalpel. A British court has ruled that Mohamed was subjected to "cruel, inhuman and degrading treatment" by U.S. authorities.

AMSTERDAM – Bosnian Serb general Ratko Mladic recorded details of secret deals with Bosnian Croats to divide the country and expel the Muslim population in the early 1990s, according to excerpts of his diaries released Friday. Prosecutors at the Yugoslav war crimes tribunal in The Hague cited Mladic's diaries, seized in a raid on his wife's Belgrade home in February, in a motion to reopen the trial of former Bosnian Croat political leader Jadranko Prlic and five other political and military Croat officials that ended two months ago. They say seized notebooks and audio cassettes support their contention of a Serb-Croat conspiracy following the disintegration of Yugoslavia to drive out Muslims from parts of Bosnia and carve up the state into larger Croatian and Serbian nations. "We need to agree on 2-3 things today. Muslims are the common enemy," Mladic's notebooks quoted Prlic as saying in June 1994. "There are 2-3 ways to keep

them down (first - militarily, by breaking their backbone)," read the note from the meeting that also included Radovan Karadzic, the top Bosnian Serb leader who is standing trial separately. The excerpts were the first snippets released from the 18 diaries, written in Cyrillic script in Mladic's hand over 3,500 pages, that chronicled his activities during the 1992-95 Bosnian war. An estimated 100,000 people died in the conflict. Mladic was indicted for genocide by the U.N. tribunal even before the war ended, and has been a fugitive for 15 years. Only a few notes directly related to the case of the Bosnian Croats were released to support the argument that Mladic's diaries offer "fresh evidence" warranting a reopening of the four-year-long trial.

The six are accused of the cruel imprisonment of thousands of Muslims in military detention camps, where inmates were brutalized, beaten, underfed and kept in inhuman conditions. Detainees were forced to beat others, including their own families. Some were shot. The motion said the diaries showed the Croatian defendants conspiring with Bosnian Serb leaders "who were responsible for widespread crimes," and provided evidence that they also "intended crimes to be committed" to establish a Croatian-dominated state. "If you kill 50,000 Muslims more, you will not achieve anything. Their population will quickly recover," the diaries quoted another defendant, Slobodan Prljak, as saying. "The population should be exchanged." Beyond incidents involving the Bosnian Croats, the notebooks hold out the promise of a treasure trove of information about behind-the-scenes contacts by the Bosnian Serb leadership, where Mladic had a central role in the planning and military execution of the war.

LONDON – Turkey's foreign minister said Thursday ties between his country and Israel won't improve until Jerusalem accepts responsibility for a deadly raid on a Gaza aid flotilla, or agrees to an international investigation of the incident. Speaking following talks in London, Ahmet Davutoglu clarified contested comments made earlier this week, in which he appeared to suggest Ankara would cut all diplomatic ties with Israel over the issue. Turkey has already downgraded ties and withdrawn its ambassador to protest the Israeli raid on Gaza-bound aid ships, which killed eight Turks and a Turkish-American on May 31. "We expect Israel either to apologize and accept the crime, or accept an international investigation," Davutoglu said Thursday, following talks with British Foreign Secretary William Hague.

"If they do not follow these two options, then Turkey — as a respected nation and state — has the full right to protect the rights of civilians, of citizens," he said.

Davutoglu said that if "Israel wants to improve relations with us, it needs to accept the accountability." On Monday two newspapers in Turkey quoted Davutoglu as saying his country will cut diplomatic ties with Israel, though a government official later insisted the minister had been misquoted. The Israeli Foreign Ministry says Foreign Minister Avigdor Lieberman has said "Israel has no intention of apologizing to Turkey."

Hague and Davutoglu met Thursday at London's Foreign Office after Britain's new government pledged to make improving ties to Ankara a key priority under an overhaul of links to sometimes neglected allies. The British minister said Prime Minister David Cameron would soon visit Turkey, and pledged to continue pressing members of the European Union to approve Ankara's bid for membership of the bloc.

"This government is clear, for the EU to turn its back on Turkey would be an immense strategic error," Hague said. The two minister planned to visit the British Library, and

hold further talks on negotiations over Cyprus, the Middle East peace process and Iran's disputed nuclear program.

Southeast Europe

STRASBOURG, France -- The European Parliament (EP) holds a joint debate Wednesday (July 7th) on two European Commission resolutions regarding progress Kosovo and Albania have made to join the EU, ahead of votes on the documents Thursday. The EP's Foreign Policy Committee adopted the resolutions on June 23rd. The one on Albania 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. 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 including Kosovo in the EU's visa liberalisation process.

TIRANA, Albania -- Ilir Meta, leader of the junior government partner Socialist Movement for Integration (SMI), urged the opposition on Sunday (July 4th) to return to parliament, saying it was unwise of them to set conditions for ending their boycott without voting laws. The majority is open and willing to co-operation, Meta said, calling on the Socialist Party (SP) to do its part of carrying out reforms by offering proposals. "Those who want transparency should work for it now," Meta insisted. The opposition SP recently resumed a parliamentary boycott insisting the government should agree to investigate the transparency of the June 2009 general elections.

STRASBOURG, France -- European Parliament (EP) members held a debate Wednesday (July 7th) on two resolutions regarding the progress of Albania and Kosovo on their roads to EU integration. Addressing the session, Enlargement Commissioner Stefan Fuele welcomed Tirana's progress in meeting conditions for visa liberalisation, but pointed out that problems remain, stemming from the political stalemate. The opposition has resumed a parliamentary boycott because the government refuses to investigate alleged manipulation of the June 2009 elections. Fuele also noted that corruption and organised crime remain major concerns. As for Kosovo, Fuele said the country is an EU priority and stressed the importance of an upcoming ruling by the International Court of Justice on the legality of Kosovo's declaration of independence from Serbia. The EP passed both resolutions Thursday.

BANJA LUKA, Bosnia and Herzegovina (BiH) -- As expected, Republika Srpska (RS) Prime Minister Milorad Dodik will run for entity president in the October 3rd elections, his Alliance of Independent Social Democrats (SNSD) confirmed at a meeting Saturday (July 3rd). The party also confirmed that Nebojsa Radmanovic, the incumbent Serb representative in BiH's tripartite presidency, will seek re-election. Dodik told participants he will not allow any significant changes to the Dayton Accord. The strongest opposition parties in RS have already formed a coalition and will back the

nomination of Ognjen Tadic of the Serb Democratic Party, while Party of Democratic Progress leader Mladen Ivanic will run against Radmanovic.

SARAJEVO, Bosnia and Herzegovina (BiH) -- Prosecutors pressed charges Monday (July 5th) against a former Bosnian Serb soldier for crimes against humanity committed in Srebrenica in 1995. Marko Boskic allegedly took part in the persecution of Bosniak civilians on political, national, ethnic, cultural and religious grounds between July 10th and November 1st 1995. US authorities deported Boskic to BiH in late April. He had immigrated to the United States after the conflict, but failed to reveal that he had served in the Bosnian Serb army. In 2006, he was sentenced for immigration fraud.

SARAJEVO, Bosnia and Herzegovina (BiH) -- About 5,000 people headed towards eastern Bosnia and Herzegovina on Thursday (July 8th) as part of a peace march commemorating the 15th anniversary of the Srebrenica massacre. Among the marchers are representatives of NGOs from Serbia and people from six European countries. Participants, who set off from the village of Nezuk, will walk more than 100km to the Potocari Memorial Centre, where the main commemoration ceremony will be held on Sunday. The remains of 775 newly identified victims will be buried that day in the Potocari cemetery. Tens of thousands of people are expected to attend the ceremony

BRUSSELS, Belgium -- The European Commission (EC) on Tuesday (July 6th) set an end of 2011 deadline for Bulgaria to bring its budget deficit below 3% of GDP, in line with the EU's Stability and Growth Pact. The EC also asked the government to take active measures to prevent the deficit from widening over 3.8% of GDP, envisioned in the budget revision this year. The recommendation, along with one to launch an excessive deficit procedure against Bulgaria after its budget deficit reached 3.9% of GDP in 2009, will be forwarded to the Council of the EU for a final opinion. To achieve the set fiscal goals, the EC -- in part -- recommended that the government should complete planned reforms of the pension and health care systems, as well as reforms in public administration and education. The government had originally set its 2010 budget deficit target at 0.7% of GDP, but was forced to revise it partly due to higher expenses, necessitated by outstanding contracts, signed by the previous administration.

SOFIA, Bulgaria -- Defence Minister Anyu Angelov said on Saturday (July 3rd) that Bulgaria is ready to join the US anti-missile defence shield in Europe. "It was important for us to talk to our American partners about how Bulgaria can contribute to the setting up of a missile defence in Europe. In addition to enjoying security from the shield, our country must also contribute to it," Angelov told state radio upon his return from a week-long visit to the US. He said the first stage of setting up the missile defence has to be completed by 2015, and the second -- in which Bulgaria will most likely participate -- in 2015-2018. The missile defence is expected to be fully operational by 2020.

SOFIA, Bulgaria -- Russian Deputy Prime Minister Viktor Zubkov and Alexander Medvedev, vice president of Gazprom, arrive in Sofia on Tuesday (July 6th) for negotiations with the Bulgarian government on big bilateral energy projects, as well as new natural gas delivery contracts. In particular, they will discuss the future of the second

nuclear plant in Belene, and the South Stream natural gas pipeline. The Bulgarian cabinet maintains that construction at Belene should continue only after a strategic European investor joins the project. As for South Stream, the project is part of the cabinet's long-term energy plans, but is less of a priority than Nabucco, which will carry natural gas from Azerbaijan, Turkmenistan and Iraq, providing an alternative to Russian supplies. Still subject to negotiations is the capacity of the pipeline. Gazprom has said it wants to double it to 63 billion cubic metres per year.

SOFIA, Bulgaria -- The Bulgarian and Russian governments indicated on Tuesday (July 6th) they are willing to co-operate in the energy sector. Representatives of the two countries met in Sofia to discuss joint energy projects, including a proposed second nuclear power plant in Belene and the South Stream natural gas pipeline, as well as new gas delivery contracts. They hammered out a road map for the construction of the Belene plant; objectives include finding European investors, determining the cost, deciding on financing, and detailing where the produced energy will be sold and at what price. Bulgarian Prime Minister Boyko Borisov said the two sides had reached an agreement that pushes the cost of the project to 7 billion euros. That is 3 billion euros higher than the original estimate. Some experts say the actual cost will be closer to 10 billion euros. As for the South Stream natural gas pipeline, the two sides have yet to agree whether the existing pipes will be included in the project network. Borisov said negotiations will continue later this week in Moscow.

ZAGREB, Croatia -- Prime Minister Jadranka Kosor and visiting UN war crimes tribunal President Patrick Robinson agreed on Tuesday (July 6th) that justice will not prevail unless the two remaining war crimes fugitives -- Ratko Mladic and Goran Hadzic -- are arrested and brought to justice. Robinson also said that the final take on a country's co-operation with the tribunal depends on the assessment of chief prosecutor Serge Brammertz. In Zagreb, Robinson also met with Supreme Court President Branko Hrvatin to discuss work related to war crimes cases and issues related to the UN tribunal's legacy. Robinson wraps up his three-day visit to Croatia on Wednesday.

ZAGREB, Croatia -- The president of parliament's national committee for monitoring EU accession negotiations, Vesna Pusic, predicted on Thursday (July 8th) that the negotiation process should be completed by February 2011, which would allow the country to sign the accession treaty during the EU summit in March. She added that the majority of the remaining 13 chapters will be closed at the intergovernmental conferences this year: in late July, October and December. Negotiations to close the judiciary and competition chapters are likely to be most difficult and will probably stretch into early next year. Completing negotiations for competition, for example, will require meeting several benchmarks, including the restructuring of shipyards and steel mills

PRISTINA, Kosovo -- Government officials met with representatives of the European Commission (EC) on Tuesday (July 6th) in Pristina, the first plenary meeting of the Stabilisation and Association Process (SAP) Dialogue. Discussions focused on Kosovo's EU ambitions and achievements since the last EC progress report in October. Prime Minister Hashim Thaci reaffirmed his government's commitment to fighting organised crime and corruption. He also said he expects that the number of countries

recognising Kosovo's independence will rise after the International Court of Justice delivers its opinion on the legality of Pristina's declaration of independence. EC representatives urged Kosovo to step up efforts against corruption, implement judicial and public administration reforms and improve public procurement procedures

PRISTINA, Kosovo -- EU President Herman van Rompuy praises the work of EULEX and voiced support for the mission's activities. He arrived in Kosovo on Tuesday (July 6th), as part of a Balkan tour that also included stops in Slovenia, Serbia and Croatia. After talks with Deputy EULEX chief Roy Reeve, van Rompuy said the "rule of law is one of the defining values of the EU, and one of our most important priorities in Kosovo. The EULEX mission has achieved good results. Its activities reflect the EU's strong commitment to the fight against organised crime and corruption." While in Pristina, he also met with senior Kosovo officials

PRISTINA, Kosovo -- KFOR Commander Markus Bentler said on Thursday (July 8th) that NATO is concerned about situation in northern Kosovo. He urged the public to refrain from violence and for authorities to find those responsible for the bomb attack during a demonstration in Mitrovica a week ago that left one person dead and 11 injured. It happened during a rally against the opening of a Kosovo government office in the Serb-dominated town. Bentler said that KFOR was informed of the government's plan to open the office but was not involved in the decision. "We are not a part of the political process," he noted. Meanwhile, Prime Minister Hashim Thaci urged Belgrade to distance itself from inciting violence in Kosovo. At a government meeting, he said that Pristina will not drop its efforts to make courts and the customs agency functional in the north. Interior Minister Bajram Rexhepi stressed that the rule of law and order will prevail in Mitrovica "despite Belgrade's attempts to destabilise the situation".

SKOPJE, Macedonia -- EU Representative in Macedonia Erwan Fouere criticised the government and political parties Thursday (July 8th) for avoiding dialogue and delaying the reform process. At a meeting of parliament's EU affairs committee, he said that Macedonia has enough time -- ahead of the European Commission's next progress report in November -- to gain some ground. Fouere also called for strengthening the judiciary and public administration. Belgian Ambassador Mark Mickelson, who also attended the meeting, presented his country's priorities as the current EU presidency holder. He reiterated that each country will be assessed on its individual merits.

BUCHAREST, Romania -- The IMF announced on Saturday (July 3rd) it has agreed to extend a 913.2m-euro tranche of Romania's 13.6 billion-euro anti-crisis loan. The Fund's Board of Directors decided to extend the money after reviewing Romania's implementation of its anti-crisis programme, which was approved in May 2009. The IMF says the government is making significant steps to recover the country's macroeconomic stability and is taking ambitious measures to lay the groundwork for improvement of state finances. On Thursday, a 5% hike in the VAT took effect.

BUCHAREST, Romania -- The government announced on Thursday (July 8th) plans to cut the number of state secretaries within the various ministries as part of the effort to curb the budget deficit. The current 57 state secretaries will be reduced to 32, as

early as next week. The government will also cut more than 2,500 jobs in different social agencies. The cabinet has already moved to cut the salaries of civil servants by 25% and has raised the VAT from 19% to 24%.

BUCHAREST, Romania -- The European Commission (EC) announced on Sunday (July 4th) that four of its members -- Belgium, Austria, France and Estonia -- have offered Romania help in dealing with the heavy floods that hit the country amid torrential rains over the past week. Romania's request for assistance was made on Friday. Authorities in Bucharest said they have accepted the aid offered from Belgium and Austria. Austria offered ten dirty water pumps and three power generators, while Belgium will provide 11 pumps, five power generators, a water purification unit and its conditioning unit. Romania is currently analysing the offers from France and Estonia. None of the four main objectives assumed by Romania through an EU supervisory mechanism --the Co-operation and Verification Mechanism (MCV) -- for justice and internal affairs has been accomplished so far, a survey by two Romanian NGOs concludes. It recommends that the MCV should be maintained.

A total of 84 experts -- 60 journalists and 24 NGO representatives specialising in justice and anti-corruption -- participated in the survey, released last month by the Romanian Academic Society and the Romanian Centre for European Policies. Under the MCV, established for both Romania and Bulgaria, the European Commission issues twice-yearly reports that assess progress made by the newest member states in the field of justice. There have been five such reports for Romania since it joined the EU in 2007. There are four reference benchmarks established for Romania, and six for Bulgaria. An overwhelming majority of respondents, 91%, agreed the greatest failure is in the first objective, which calls for "consolidation of the transparency and efficiency of the act of justice, especially through enhancing the capacity and responsibilities of the Superior Magistrates' Council". The council, a 19-member panel of which 14 members are magistrates, oversees the field of justice and is the guarantor of its independence. At least 65% of the 84 experts concluded the second objective -- creation of the National Integrity Agency to check politicians and high-ranking state employees' assets for possible conflicts of interest -- has not been met. Nearly 60% gave the same answer when asked about the third objective -- continuation of progress made in impartially investigating massive corruption. As for the fourth objective -- continued implementation of measures to prevent and fight corruption in local administrations -- almost 71% of the respondents said it had not been fulfilled.

BELGRADE, Serbia -- Opening the first session of a Diaspora Assembly in parliament, President Boris Tadic said on Saturday (July 3rd) that Serbia will never stop protecting the national identity of Serbs living outside its borders. He added that establishing the assembly, which includes 45 delegates from around the globe, is a step forward in protecting the national, cultural and religious identity of Serbs around the world and is a response to challenges facing the country. Between 3.5 million and 4 million Serbs live outside their homeland, Tadic said, noting they contribute significantly to the country's economy.

BELGRADE, Serbia -- Malta has ratified Serbia's Stabilisation and Association Agreement with the EU, Foreign Minister Vuk Jeremic announced on Friday (July 2nd), making Malta the second country after Spain to do so. According to an earlier announcement, Italy has started the ratification process, while Austria, Denmark, Finland and Poland plan to launch the procedure in the autumn. The European Council invited the 27 EU member states to begin approving the pre-membership agreement with Serbia on June 14th, following a positive report by Hague war crimes tribunal chief prosecutor Serge Brammertz. The process, which could take a year or two, must be completed in order for Serbia to receive EU candidate status.

BELGRADE, Serbia -- A court in London will start deliberating on Serbia's request for the extradition of former Bosnia and Herzegovina (BiH) presidency member Ejup Ganic on Monday (July 5th), Serbia's war crimes prosecutor Vladimir Vukcevic said Sunday. Vukcevic said the hearings will continue over several days, and he voiced hope that the court will approve Belgrade's request. Ganic was arrested on March 1st at London's Heathrow Airport based on a warrant issued by Belgrade. Serbia wants him in connection with a May 1992 attack in Sarajevo against a Yugoslav National Army convoy, which left more than 40 soldiers dead. Ganic has denied the charges.

LONDON, United Kingdom -- Former Bosnia and Herzegovina (BiH) presidency member Ejup Ganic told a London court during his extradition hearings Monday (July 5th) that he cannot receive a fair trial in Serbia. Ganic was arrested on March 1st at London's Heathrow Airport, based on a warrant issued by Belgrade. Serbia wants him in connection with a May 1992 attack in Sarajevo against a Yugoslav National Army convoy, which left more than 40 soldiers dead. On Monday, Ganic said Serbia hopes "to rewrite history, because this is a country that committed genocide. They are trying to confuse the British judicial system, to say 'we are an organised country that can give a fair trial'," he said outside the court. Lawyer James Lewis, representing the Serbian government, insists Ganic ordered the attack on ambulances and troops who had surrendered. "We say on the face of it that is a clear war crime," he said. Hearings in the case continue.

BELGRADE, Serbia -- Investigators started work Thursday (July 8th) at a possible mass grave in Raska, southern Serbia. An investigative judge and EULEX representatives visited the site and started analysing the ground. Serbia's war crimes prosecution office ordered an investigation into the possible mass grave in mid-May. It is believed to contain the remains of Kosovo Albanians killed during the 1998-1999 Kosovo conflict. Authorities believe the bodies were initially buried near Drenica, Kosovo, and moved later to Serbia

Oceania

SYDNEY (AFP) – Australia's Defence Minister John Faulkner on Wednesday announced plans to quit the cabinet, dealing a blow to new Prime Minister Julia Gillard as national elections loom. The heavyweight senator said he would return to the back benches after the polls, but denied the move was prompted by last month's Labor party coup that dumped ex-leader Kevin Rudd, a close political ally. "Inevitably some will

suggest that the recent change in our party's leadership is responsible for my decision," he told reporters. "I can't say strongly enough that any such speculation is just plain wrong." Faulkner said he had always intended to step down after Labor's first term to encourage younger talent, adding that Gillard had persuaded him to contest his Senate seat in the elections later this year. "Julia Gillard has my absolute support," he said.

"I was unstinting in my efforts to see Kevin Rudd elected prime minister three years ago and no one will work harder than me for the government's re-election under Julia's leadership." Faulkner is the second senior cabinet member to announce his resignation since Gillard's sudden rise to power, after popular Finance Minister Lindsay Tanner said he would not contest the election. The 56-year-old powerbroker became Rudd's defence minister in June last year, after his predecessor Joel Fitzgibbon stepped down following a series of scandals. His announcement comes during rampant media speculation that Gillard is about to call elections after moving quickly to tackle the key issues of a controversial mining tax and immigration.

SYDNEY – Australia's new leader proposed Tuesday to stop an influx of asylum seeker boats by making East Timor a hub for processing U.N. refugee claims for people fleeing war and persecution — an idea the tiny, impoverished nation said it was still considering. Prime Minister Julia Gillard said she also had discussed the proposal with U.N. High Commissioner for Refugees Antonio Guterres — who has apparently not yet signed off on it. Gillard's announcement was a shift in policy that aims to defuse a politically and racially charged debate that has flared in Australia ahead of elections expected to be held within months. Australia receives just a tiny proportion of the world's asylum seekers, but in the past three years has witnessed a surge of people arriving via Indonesia in rickety boats — some 150 in the past three years carrying around 4,000 people. Each new boat receives wide media coverage and stirs feelings among many Australians that the country is being forced to take them in. The asylum seekers, mostly Afghans and Sri Lankans who have paid criminal syndicates to bring them to Australia, have overflowed a detention center at remote Christmas Island — an Australian territory — and many have been moved to the mainland while their applications are assessed.

In her first major speech touching on foreign policy, Gillard on Tuesday said Australia had an obligation to treat legitimate asylum seekers fairly while also ensuring its borders are secure. She proposed the creation of a regional center for processing refugee claims under U.N. auspices, and said that East Timorese President Jose Ramos Horta had agreed to discuss the possibility. Gillard said she had proposed the idea to Guterres, though she did not say what his response was. "A regional processing center removes the incentive, once and for all, for the people smugglers to send boats to Australia," Gillard said. "Why risk a dangerous journey if you will simply be returned to the regional processing center?" Some refugee advocates cautiously welcomed the plan, as long as applications were assessed under U.N. guidelines, applicants were treated humanely, and that other countries agreed to accept those who were judged to be legitimate asylum seekers.

"From our perspective this is a positive thing," said John Gibson, the president of the Refugee Council of Australia. He said it differed from an earlier government's system of detaining asylum seekers in prison-like camps on the pacific island of Nauru because it would involve the United Nations.

Bangkok, Thailand – An Australian proposal to divert asylum seekers who arrive by sea to neighboring East Timor for processing has run into resistance and cut short a political honeymoon for Australia's new leader. Prime Minister Julia Gillard announced Tuesday that she would establish a regional hub for processing refugees and other immigrants on East Timor, an impoverished half-island nation. Refugees from Sri Lanka, Afghanistan, and other troubled countries regularly try to reach Australia by boat so they can claim political asylum. The proposal was the first major policy initiative from Ms. Gillard, who replaced Kevin Rudd two weeks ago as leader of the governing Labor Party. But Timorese politicians have pushed back against the idea. Some have argued that their territory isn't suitable for such a facility and asked why Gillard raised it with President Jose Ramos-Horta, not the country's prime minister. A spokesman for Mr. Ramos-Horta said no formal proposal had been submitted and that the government was still in the dark on the details. Cool response from neighbors Compounding the confusion, Indonesia said it hadn't been informed in advance of Gillard's announcement. Most asylum seekers use Indonesia as a transit country to try to reach Australia by boat and the two countries have been working together to deter new arrivals, catch people traffickers who profit from the trade and find a solution for refugees who get stuck in Indonesia.

In her speech at a think tank in Sydney, Gillard described her proposal as a regional response to a "global challenge." The cool reception from Australia's neighbors has stirred domestic criticism of Gillard's leadership and renewed a bitter political debate over immigration. The government is expected to call elections later this year and Gillard is trying to consolidate her power within the ruling party, which is reportedly divided on the issue. Gillard said Friday that an offshore refugee center might be set up in another country and denied that she had jumped the gun by naming East Timor.

"Those critics who want to declare the approach dead in week one are mistaken and will, I'm afraid, be disappointed," she said, according to Agence France Presse.

A step backward? Processing claimants in a third country would be a reprisal of the "Pacific Solution" adopted by Australia in 2001 in response to alarm over boat people. Under the policy, asylum seekers were sent to camps on Nauru and Papua New Guinea. Mr. Rudd closed these camps and began processing refugees who arrive by sea on Christmas Island, an Australian territory. To critics, the latest proposal is a step backward. David Manne, executive director of the Refugee & Immigration Legal Center in Melbourne, says Australia is overreacting and turning its back on its humanitarian obligations. The number of new arrivals by boat over the last three years is around 6,000, a fraction of worldwide refugee numbers. "What Australia experiences is a miniscule experience of a global reality, which is that people around the world are forced to flee from brutality and seek sanctuary for protection," he says.

SYDNEY (AFP) – Australia's new Prime Minister Julia Gillard has cast serious doubt over a new 18-nation Asian forum proposed by her sacked predecessor, a report said on Monday. Gillard told the Sydney Morning Herald that former leader Kevin Rudd's Asia-Pacific community, a hallmark of his plans for closer integration with the region, looked unlikely to proceed. "It seems to me that we're unlikely to see that degree of movement," she said. "I don't get any indication, from the things that have been said, that there is going to be that degree of movement in the region." The Asia-Pacific community was suggested as a broader alternative to APEC (Asia-Pacific Economic

Cooperation) and the 10-nation Association of Southeast Asian Nations. The idea was welcomed as a sign of greater Australia engagement but gained little traction in the region, and went unmentioned by the Mandarin-speaking Rudd towards the end of his brief rule. Gillard last month deposed Rudd after he had been in power for less than three years. She has since made little mention of foreign policy, instead concentrating on domestic issues such as defusing a row over a controversial mining tax.

SYDNEY (AFP) – Google is guilty of breaching Australian laws by collecting private wireless data with its "Street View" mapping cars but will escape punishment, the privacy regulator said. Privacy Commissioner Karen Curtis said she was unable to impose sanctions under Australia's Privacy Act, but had ordered Google to apologise after finding their Street View service had broken the law. "On the information available I am satisfied that any collection of personal information would have breached the Australian Privacy Act," Curtis said in a statement. "Collecting personal information in these circumstances is a very serious matter. Australians should reasonably expect that private communications remain private." Street View, which was launched in 2006, lets users view panoramic street scenes on Google Maps and take a virtual "walk" through cities such as New York, Paris or Hong Kong. Curtis said Google had agreed to publish an apology, to ensure any future Street View activities underwent a privacy impact assessment, and regularly consult her about any other significant plans.

"These steps will ensure Google's future products have privacy protections built in rather than bolted on," she said, adding that the undertakings would apply for the next three years, and then be reviewed. The apology, which was published Friday on the web giant's Australian blog, said Google "did not want and have never used any payload data in our products or services," and had removed all wi-fi reception equipment from its cars.