

Report 129
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

- Checks are coming: Obama signs unemployment bill
- Financial overhaul completed, tax fight looms
- Obama Can Do a 'Nixon Goes to China' on Jobs
- Afghan Deadline Is Cutting Two Ways
- Conflict Resurfaces With Lessons on Nation-Building
- Pentagon Faces Growing Pressures to Trim Budget
- White House Presses Senate G.O.P. on Arms Treaty
- Ariz. judge raises the realities of porous border
- Obama Gains Evangelical Allies on Immigration
- Ousted ag official unsure about returning to work
- Many States Adopt National Standards for Their Schools
- 4 Oil Firms Commit \$1 Billion for Gulf Rapid-Response Plan
- Leaders Take Pains to Stress What's Still Special in the U.S.-Britain Relationship

Western Europe

- Britain's Leader Carves Identity as Budget Cutter
- Europe Turns Ear Toward Voice of the People
- Ex-MI5 spy chief: No link between Iraq and 9/11
- Crunch time for Europe's banking credibility
- Europe to go public with bank stress test results
- IMF: Greece made progress in austerity reforms
- Brown says Africa can lead global recovery
- BP accused of trying to silence science on spill
- Dutch court fines company after I.Coast waste dump
- World Court Rules Kosovo Declaration Was Legal
- UK proposes tighter universal jurisdiction rules
- Ex-UN prosecutor De Silva probes Israeli boat raid
- Spain predicts thaw in US and EU ties with Cuba

Southeast Europe

- Albania
- Parliament adopts changes to Albania's state budget
- Albanian opposition says budget changes will deepen crisis
- Albanian officials meet again, try to break stalemate
- Albanian authorities welcome ICJ decision
- EC experts say Albanian judiciary subject to political pressure

Bosnia

- FBiH parliament removes key obstacle to new IMF tranche

Bulgaria

- Bulgaria ratifies SAA with Serbia
- Bulgaria approves Nabucco project
- Bulgaria placed on EU excessive deficit watch

Croatia

- Croatia faces criteria to close judiciary chapter
- Karadzic wants documents from Croatia

Kosovo

- New Kosovo municipality votes
- New Kosovo municipality elects mayor
- EULEX: arrests in northern Kosovo forthcoming
- Kosovo Central Bank governor arrested
- Kosovo celebrates independence -- again
- ICJ ruling on Kosovo sparks international reaction
- EU, UN to co-ordinate Pristina-Belgrade talks
- Kosovo, Serbia react to Haradinaj decision
- Kosovo building houses for Serb returnees
- Watchdog group says Kosovo journalists face threats

Macedonia

- EU's Fouere urges Macedonian parties to resolve incident
- Macedonian parties agree on parliamentary committee

Montenegro

- EC criticises Montenegro's anti-corruption strategy
- Montenegro, OSCE sign memorandum of co-operation

Romania

- EC publishes progress reports on Bulgaria, Romania
- Romania's Constitutional Court again rejects ANI legislation

Serbia

- Serbia reiterates opposition against Kosovo
- Belgrade surprised by ICJ decision
- Serbia, Croatia vow to boost co-operation
- Serbia's SAA moves through Italian parliament
- Worries over Serbia's new telecommunications law

Oceania

- Sex Party promises 'real action' for Australians

- Australia PM pledges close ties with Asia
- E.Timor seeks solution on asylum seekers: Minister
- Ex-Australian PM Rudd in talks over UN role
- Australian inventor of 'black box' recorder dies
- Protests as Australian PM delays climate action

Report Summary

US/Canada

Political Issues

Good news for the jobless (2 1/2 million) Americans, who soon will get about \$300 for being laid off and unable to find work in the aftermath of the America's long and deep recession. The checks became ripe after Congress approved the measure. But for how long such checks will alleviate unemployment plight of these Americans, meanwhile the issue of tax cut remains hanging.

Thomas Schelling once notes in 'Arms and Influence' that destruction is quicker done than construction. This ever green word will be true for Iraq, Afghanistan, Kosovo and every other place facing the wrath of war. Daniel P. Serwer will also be right to have said Nation-building or Peace-building is a complicated and difficult contextual business, one that takes a good deal of time and effort.

Why must Pentagon budget remain unchanged when United States is moving towards winding its war expedition abroad? The White House and the Congress might be thinking of a budget trim, a proposal unwelcoming to Pentagon bureaucracy. Meanwhile, White House is still trying to reach an understanding with Senate Republicans to approve its new arms control treaty with Russia by committing to modernizing the nuclear arsenal and making additional guarantees about missile defense.

Economic Issues

With the direction of the American economy, worries are hanging among ordinary Americans that things are not going in the right direction even though President Obama believes his stimulus package is making headway. Suggestive solution to Obama is that he should take the path of Nixon who tried to redeem America by overlooking the differences in foes and rather be brought them aboard.

Social/Humanitarian Issue

Arizona immigration law has caused roar and divided the American public as to whether the law is worthwhile or not. Trying to establish the legality of the law, U.S. District Judge Susan Bolton is expected to judge the legitimacy of the law, but she raises another serious question on the porosity of U.S border, which in fact needed adequate attention.

Racial issue will not cease to resonate in a multicultural society like the United States. A white blogger accused Shirley Sherrod, official at department of Agriculture and core member of NAACP, for racial discriminatory remark. She was fired for the remark, but record later showed that her remark was not really discriminatory but tailored at racial accommodation.

A common ground between Hispanic community and American evangelical pastors is contributing a new dimension to the debate of immigration. Evangelical pastors have many things uncommon with President Obama but are on same page on the legalization of illegal immigrants (Hispanic etc) already in the U.S

Obama's No Child Left Behind law is backed by the process of having an integrated and national curriculum of for schools in the United States. The new standard is becoming a race among states wanting to be part of the federal incentive, although some states are adamant to be part of the new system.

Food, Environment and Energy Issue

The Gulf of Mexico oil spill delienated the picture that despite the advance exploratory technology, multinational oil companies are not free from technical error. Such unbearable error has obvioulsy caused BP financial lost and public mistrust. To remake the image of oil companies, Exxon Mobil, Chevron, ConocoPhillips and Royal Dutch Shell are set to jointly build a set of modular containment equipment that would be kept on standby for emergency use.

Geostrategic Issues

The war was started on a consensus mood to root out Taliban and al-Qaeda from Afghanistan but almost a decade along the line; things are falling apart for the Western allies in Afghanistan. Obama administration is faced with big dilemma of whether to remain in Afghanistan and spend more tax payer money or desert the country soon without any logical conclusion, which in fact might later haunt Washington strategically. The exhaustion of the war is forcing American allies of planning exit very soon; even Canada that has maintained good tempo in the war is planning a departure.

Prime Minister Cameron's visit to the White House was capped by the reiteration of the special areas in US-British relation, whatever the differences both countries are still trustable allies. Relations of both countries got chilled in the wake of the BP oil spill in the Gulf of Mexico, and Americans were still troubled by the release of Abdel Basset Ali al-Megrahi, the Libyan intelligence agent who had served eight years of a life sentence for his role in the December 1988 bombing of Pan Am Flight 103 over Lockerbie, Scotland

Western Europe

EU

How plausible is the trend of a global nationalist movement. What could be the intention of Europe's far-right Conservative parties and ISSUIKAI, a Japanese extreme right group that denies Imperial Japan's atrocities during World War II for holding a week long conference aimed at discussing "The Future of Nationalist Movements"

The direction of EU integration and expansion has been more focused on Western Balkan, where nations are wrestling with EU reforms and incentives in order to seek EU membership card. Iceland is also set to start accession negotiations with the European Union.

Cyber World

Globalization of this era is more intense and rapid due to advance information technology and communication, which is better expressed through the cyber world. The latter sphere has been changing the bearing of the world; hence, UNSC members along with other UNGA members are geared at working out a global "norms of accepted behavior in cyberspace, under the auspices of the United Nations.

Political Issues

The British Prime Minister David Cameron's policy has shown that despite being a Euro-skeptic, British attitude to financial management will not be different from the trend across Europe. Cameron is geared at cutting deficit and reducing the hand of government in the overall running of things, a stark differential position from Obama's big government policy.

The creation of the Lisbon Treaty was not just to empower the EU as an organization but also to increase the voice of Europeans on matters of concern. The troubling issues is to what extent peoples' views will triumph over EU bureaucracy and how much informed Europeans are to generate principled views devoid of sentiments.

Lord Eliza Manningham-Buller, former director of the MI5 agency between 2002 and 2007 let the cat out of the bag as she revealed to the Iraq Inquiry team that Saddam Hussein had no connection with 9/11 and all intelligence shows Iraq was neither a medium or short term threat, instead implicitly she argues American leadership should be blamed for the havoc in Iraq and how Iraq war diverted attention away from fighting terrorism. Her view tallies with scholarly view that Iraq war boosted terrorism and anti-western sentiments across Europe.

British Justice Secretary Kenneth Clarke said the ministry of justice is prepared to tighten up the universal jurisdiction rules acknowledged by Britain, but foreigner will ceased to be prosecuted under the rule saved with substantive evidence, so as not to jeopardize Britain's image.

War on burqa is one of the domestic wars across Western Europe on Muslim women in recent times. The Spanish parliament rejected a ban on the burqa or niqab in the public sphere though prefer not to be worn in government building. Spanish Muslim organisation believes the veil issue in Spain has no ground but only for political goal scoring.

Economic Issues

Europe was forced in the aftermath of the Greek financial crisis to go for a financial test that will examine the extent to which bank could get prepared for any eventual recession and to restore confidence in European banks. The outcome of the test displayed a failure by many banks.

IMF recent assessment report shows considerable progress in Greece's public finances although clear risks are still visible in the healthcare and social security system.

Substantive global representation and greater role in world system can make Africa lead global recovery. This was the position aired by the former British Prime Minister Gordon Brown for African leaders' summit in Kampala, Brown's submission centres around the more untapped potential and unrealised talents in Africa.

Social/Humanitarian Issue

Israel has investigated the Gaza flotilla crisis but the result believe to lack transparency. An independent inquiry is set to begin under the U.N. Human Rights Council for the same purpose.

It was a long awaited ruling which partly favour Kosovo and more likely to spur UNGA members to recognise Pristina although 69 countries have already given their recognition. For few critics it is unworthy precedent that could further alarm separatist movemnets around the globe for separate homeland.

Food, Environment and Energy Issue

Criticism of BP is yet to be over even after the block of the spill at the Gulf of Mexico. The oil company is being accused of attempting to hide information from the public and trying to safe its face from further public outcry, therefore asking scientist not to disclose their research until the government gives final approval for the company's restoration plan for the whole of the Gulf.

Ivorians would definitely laud the ruling of an Amsterdam district court that fined Trafigura a Swiss-based company one million euros for dumping health hazard substance on Abidjan city. The ruling also received praises from the Greens but Trafigura sees it unworthy and plans to appeal.

Geostrategic Issues

It remains an open question whether U.S and EU will change their policy towards Cuba, as the communist island released around 52 political prisoners. Both the US and EU have conditioned good ties with Cuba only when political and social reforms take place on the island.

Southeast Europe

Political Issues

Report has it that Albanian ruling Democratic Party (DP) is ready to compromise with Socialist Party's (SP) on certain issues and only if the latter will not boycott the parliament. Hence possibility to having a joint committee to investigate the June 2009 general elections which is the main cause of the political stalemate will be possible.

Meanwhile, members of Albanian parliament approved of budget change hoping to spur development but rejected by the opposition as reform that will deepen, rather than end the economic crisis.

Albanian judiciary system is tagged by European Commission (EC) expert as one-sided, concerned about lower level corruption while higher up corruption gets little or no attention. Albanian authorities welcomed the ICJ rulings on the legitimacy of Kosovo's independence.

After months of heated debate, the Federation of Bosnia and Herzegovina (FBiH) parliament has approved a law on determining the salaries of public servants and a law on the salaries of police officers. The law is expected to expedite new IMF loan for the country.

Elections in Kosovo newly created Serb-dominated municipality of Partesh/Partes was a success as political power gets down on Serbs in the region to govern themselves.

Political misunderstanding between ruling and opposition is prevalent across the region and Macedonia is no exemption where there is political tension. Macedonian opposition accuses that on behest of the ruling party; police spied and tried to record their conversation with a group of disgruntled workers. Representatives of both parties however have agreed to set an inquiry into the matter.

Opposition and public in Serbia are irked by the new telecommunications law which requires telephone and internet operators to monitor communications and maintain records, which can be accessed at any time by police and security services, without a court order. Many sees it as unconstitutional, though opposition wants police to request court permission before such law could be used.

Economic Issues

EU economic and finance ministers approved a proposal by the European Commission (EC) to launch an excessive deficit procedure for Bulgaria. The country must bring its deficit to below the bloc's 3% of GDP limit by 2011.

Social/Humanitarian Issue

Report from Croatia will be instrumental to clarify and ascertain former Bosnian Serb leader Radovan Karadzic's view that in addition to humanitarian aid, Islamic countries provided Bosnia and Herzegovina with weapons, some of which were smuggled via Croatia.

Despite the favourable ICJ's ruling for Kosovo, the court nevertheless instructed a re-arrest of former Kosovo Prime Minister Ramush Haradinaj, as his 2008 release was unworthy after further investigation shows intimidation of witness.

EULEX's corruption investigation in Kosovo is unabated as organised criminals are thrown into the judiciary net. Kosovo Central Bank Governor Hashim Rexhepi was also arrested as part of a corruption investigation.

According to Reporters Without Borders (RWB) Kosovo journalists are a target of threats from nationalist militants and extremists of all kinds if they try working more professional.

The European Commission (EC) believes Montenegrin's strategy to fight corruption and organised crime is weak because it lacks main goals, deadlines and monitoring mechanisms.

Food, Environment and Energy Issue

The Bulgarian government has finally approved an agreement in support of the Nabucco gas pipeline, an EU-backed project aims to transport up to 31 billion cubic metres of natural gas from the Caspian region to Europe.

Geostrategic Issues

Bulgaria and Italy become the 3rd and 4th EU members after Spain and Malta to ratify the Stabilisation and Association Agreement (SAA) with Serbia. Other EU countries are expected to ratify the agreement that will move Serbia closer to the EU.

As Croatia makes rapid inroad on its EU membership, Zagreb is expected to complete a total of 21 conditions in the judiciary chapter of its accession talks with the EU. News has been in the air that Croatia-EU membership could be realised by 2011.

Upon the ICJ's declaration that Kosovo's independence does not violate international law, the streets of Kosovo became replete with celebrations and hope of

strong statehood hangs in the air. Meanwhile, the ruling is expected to pave way for more recognition of Kosovo even though obstinate Serbia and Russia retain their non-recognition stances. Oppositions in Serbia have asked the prime minister to resign due to the ICJ ruling. Meanwhile, both EU and the UN have agreed to co-ordinate future talks between Kosovo and Serbia,

The European Commission (EC) published progress reports on Bulgaria and Romania. The report praises Bulgaria but criticises Romania for not curbing the powers of its anti-corruption body. The report was not receptive to the Romanian Constitutional Court that holds the report falls short of the ground reality.

The visit of Croatian President Ivo Josipovic to Belgrade was to boost bilateral co-operation and resolve pending issues, such as the return of refugees in Croatia, the border issue, missing persons, and minority rights.

Oceania

Political Issues

It is elections time and every party will want a good picture of itself to be painted. Australian sex party is no exemption promising to break the social cleavage created by older parties for decades. The sex party believes personal life is more sensitive to the people than matter of tax and immigration which are centre issues for older parties.

Australia's future lies in Asia hence to downgrade the essence of the region will be fruitless. This is the new message coming from Prime Minister Julia Gillard, who weeks back cast doubt on the feasibility of a new "Asia Pacific community" forum suggested by ex-PM Rudd. Her new view cannot be disconnected from an attempt to make the region accept her new immigration policy aims at having regional refugee centre in East Timor, a policy objected by few in the region.

Ex PM Rudd could still have more on his plate even after been ousted as prime minister. The UN is thinking of inducting him as part of a panel for development assignment, a position that necessarily will not make Rudd leave his parliamentary seat.

Economic Issues

Social/Humanitarian Issue

David Warren, an Australian scientist who invented the "black box" flight data recorder has expired. His remarkable invention has contributed hugely to flight accident investigation as whatever transpired before flight accident is known through the black box.

Food, Environment and Energy Issue

The new plan by Australian Prime Minister Julia Gillard to have Citizen Assembly across the country that will decide on global warming and environmental law is being criticized. Critics believe she is succumbing to the demand of the powerful mining industry in the wake of election she hopes to win. Ex-PM Rudd was ousted for policy offensive to the mining sector.

Geostrategic Issues

Report Detail

US/Canada

WASHINGTON – Federal checks could begin flowing again as early as next week to millions of jobless people who lost up to seven weeks of unemployment benefits in a congressional standoff. President Barack Obama on Thursday signed into law a restoration of benefits for people who have been out of work for six months or more. Congress approved the measure earlier in the day. The move ended an interruption that cut off payments averaging about \$300 a week to 2 1/2 million people who have been unable to find work in the aftermath of the nation's long and deep recession.

At stake are up to 73 weeks of federally financed benefits for people who have exhausted their 26 weeks of state jobless benefits. About half of the approximately 5 million people in the program have had their benefits cut off since its authorization expired June 2.

They are eligible for lump-sum retroactive payments that are typically delivered directly to their bank accounts or credited to state-issued debit cards. Many states have encouraged beneficiaries to keep updating their paperwork in hopes of speeding payments once the program was restored.

In states like Pennsylvania and New York, the back payments should go out next week, officials said. In others, like Nevada and North Carolina, it may take a few weeks for all of those eligible to receive benefits. Thursday's 272-152 House vote sent the bill to the White House." Americans who are fighting to find a good job and support their families will finally get the support they need to get back on their feet during these tough economic times," Obama said in a statement issued after signing the measure. The House action came less than 24 hours after a mostly party-line Senate vote Wednesday on the measure, which is just one piece of a larger Democratic jobs agenda that has otherwise mostly collapsed after months of battles with Republicans. The measure is what remains of a Democratic effort launched in February to renew elements of last year's economic stimulus bill. But GOP opposition forced Democrats to drop \$24 billion to help state governments avoid layoffs and higher taxes, as well as a package of expired tax cuts and a health insurance subsidy for the unemployed. Wrangling over the larger measure consumed about four months. The jobless benefits portion picked up enough GOP support in the Senate — Maine moderates Susan Collins and Olympia Snowe — only after it was broken off as a stand-alone bill. It would have passed last month were it not for the death of Robert Byrd, D-W.Va.; Byrd's replacement, Democrat Carte Goodwin, cast the key 60th vote Tuesday to defeat a GOP filibuster. Most Republicans opposed the

measure because it would add \$34 billion to a national debt that has hit \$13 trillion, arguing that it should have been paid for with cuts to other programs, such as unspent money from last year's economic stimulus bill, which is earning mixed grades at best from voters as unemployment stands at 9.5 percent nationwide.

WASHINGTON — The Obama administration is sticking with plans to allow temporary tax cuts for the wealthiest Americans to expire this year and is open to discussing reductions in corporate tax rates next year, Treasury Secretary Timothy Geithner said Thursday. The temporary tax cuts that passed in 2001 and 2003 during the Bush administration are set to expire at year's end, and a battle is brewing over whether to renew them. Republicans want to make all the cuts permanent, but they haven't said how they'd pay for this in an era of record federal budget deficits. Budget analysts warn that President Barack Obama's plan to retain most of the so-called middle-class tax cuts also would leave in place most of the costs associated with the Bush tax reductions. Adding to the debate, three Democratic senators this week announced opposition to allowing higher taxes on wealthy Americans to take effect Jan. 1 amid a soft economic recovery. Speaking at a breakfast with reporters hosted by The Christian Science Monitor, Geithner said the president's plan to raise taxes on the wealthiest Americans remained unchanged. "That will help us begin the process of beginning to bring down our long-term deficits, and we think that is the sensible long-term approach going forward," he said. At least three moderate Democrats, including Nebraska's Sen. Ben Nelson, want the economic recovery to gather steam before tinkering with the tax code. "He supports extending the expiring tax cuts at least until the economy is clearly recovering," said Jake Thompson, a spokesman. "Senator Nelson also says (that) extending the tax cuts should be paid for as much as possible, and he would like to see more effort to do so than there was in extending unemployment benefits." This week's Senate passage of an extension of jobless benefits was held up for weeks, in part because of political gamesmanship and disputes over how to pay for the additional \$33 billion in government spending. Indiana Sen. Evan Bayh and North Dakota Sen. Kent Conrad also have come out in opposition to allowing the tax reductions to expire and increasing tax rates for the wealthy. "Senator Conrad is in favor of extending all the expiring tax cuts for now. However, after the economic recovery has solidified, in approximately 18-24 months, he believes the Bush tax cuts for the wealthy — not the middle class — should be sunsetted in an effort to address the nation's deficit and debt," said Sean Neary, a spokesman.

The economy is weak and the public is angry. What should President Barack Obama do? He could do what Richard Nixon did: Go to China. I don't mean take a trip to Beijing. I mean do something unexpected and out of political character. In this case, listen to Republicans and the business community (and a few Democrats) and try using tax cuts to get the economy moving. He could call for Congress to postpone the scheduled repeal of most or all of President George W. Bush's 2001 and 2003 tax cuts and also call for a cut in the corporate tax rate, now second-highest in the world. He also could call for a payroll tax holiday to encourage hiring and possibly win bipartisan support for some stimulus spending, daring Republicans to make a fuss about the danger of enlarging the federal deficit. He could address the deficit in next year's budget after the bipartisan debt commission comes up with a comprehensive solution at the end of this

year, which should include tax and entitlement reform plus recommendations for new revenue sources. Obama clearly is a Keynesian and so are his economic advisers. Their 2009 stimulus plan was heavy on government spending to fight the recession. Obama claims it's working, but the public doesn't believe it. And, at the best, it's creating only about 100,000 jobs a month -- less than half of what's necessary to bring the country back to 5 percent unemployment in 10 years. The president, most of his allies in Congress and liberal outside economists -- also devout believers in John Maynard Keynes' "demand side" economics -- think that more spending is the answer, plus some targeted tax cuts.

WASHINGTON — When President Obama announced a new strategy for Afghanistan in December, he argued that by setting a deadline of next summer to begin drawing down troops he would create a sense of urgency for the Afghan government to take the lead in the fight, while acknowledging the limits of America's patience with the longest war in its history. But over the past two weeks — on Capitol Hill, in Kabul and even in conversations with foreign leaders — Mr. Obama has been reminded how the goal has become what one senior American military commander called a “double-edged sword,” one that hangs over the White House as surely as it hangs over President Hamid Karzai. The absence of serious progress this year has sown new doubts, here and abroad, that Mr. Obama will be able to reach even the scaled-down goals he set for America's mission in the time he laid out in his speech at West Point seven months ago. The result is that the fierce debate over whether the war is worth the cost — a debate that Mr. Obama did not want to join until the Taliban suffered some losses — is unwinding one summer earlier than he had hoped. Mr. Obama has begun losing critical political figures and strategists who are increasingly vocal in arguing that the benefits of continuing on the current course for at least another year, and probably longer, are greatly outweighed by the escalating price. For two months, Democrats in Congress have been holding up billions of dollars in additional financing for the war, longer than they ever delayed similar requests from President George W. Bush. Most Republican leaders have largely backed a continued commitment, but the White House was surprised the other day when one of Mr. Obama's mentors on foreign policy issues in the Senate, Richard G. Lugar of Indiana, argued that “the lack of clarity in Afghanistan does not end with the president's timetable,” and that both the military and civilian missions were “proceeding without a clear definition of success.” “We could make progress for decades on security, on employment, good governance, women's rights,” he said, without ever reaching “a satisfying conclusion.” The allies, voicing similar concerns, have abandoned most talk of a conditions-based withdrawal in favor of harder timetables. Britain's new prime minister, David Cameron, did his best to sound as though he and Mr. Obama were on the same page during his first visit to the White House on Tuesday, but he also told a BBC interviewer while in Washington, “We're not going to be there in five years' time.” The Dutch leave this fall, and the Canadians say they intend to follow suit by the end of 2011. As one of Mr. Obama's top strategists said this week, with some understatement, “There are signs that the durability of this mission has to be attended to.” All this has made it harder than ever for Mr. Obama to convince the Afghans and the Pakistanis that the West's commitment is enduring. “Politically, the support is absolutely crumbling,” said David Gordon, a former top official on the National Intelligence

Council and at the State Department who is now at the Eurasia Group. “You can’t hide that from the players in the region, and when they see it, it makes them hedge even more, preparing for the post-American era.”

WASHINGTON — President Obama’s team is busy these days managing a troop drawdown in Iraq and a troop escalation in Afghanistan, hoping in both cases to build governments that can manage their own countries. Virtually forgotten is the last such American project overseas, still incomplete but reaching a critical juncture this week. Before Afghanistan and Iraq, there was Kosovo, the preoccupation of Washington a decade ago but largely off the radar screen in recent times. Eleven years after NATO drove out Serbian forces and two years after Kosovo declared independence, the young nation is struggling to consolidate its position on the map and looking for American help. Prime Minister Hashim Thaci came to town for perhaps Kosovo’s most important week since assuming statehood. On Wednesday, he met with Vice President Joseph R. Biden Jr. and accepted an international loan package. But most important, he wanted to be in Washington on Thursday when the International Court of Justice ruled on whether the 2008 declaration of independence was valid, a decision fraught with divisive potential in Europe. Kosovo, of course, is no Iraq or Afghanistan for all sorts of reasons. But the continuing tension in the Balkans serves as a reminder of just how challenging and long-lasting the American enterprise of nation-building really is. Even after the fighting is long over — and there are still about 1,480 American troops in Kosovo as part of a 9,900-member international force — the project is not really done. “Peace-building is a complicated and difficult contextual business, one that takes a good deal of time and effort,” said Daniel P. Serwer, a vice president at the United States Institute of Peace who hosted Mr. Thaci for a speech. “We have enough experience to know that, but we always seem to forget it.” A land of just 1.8 million people, Kosovo was the last of the breakaway republics to emerge from the collapse of Yugoslavia and carried early lessons for the United States before its interventions in Afghanistan and Iraq about managing volatile ethnic and religious differences. Led by President Bill Clinton, NATO waged a 78-day bombing campaign in 1999 to stop ethnic violence, expelling Serbian forces and setting up a United Nations protectorate for the largely Albanian population. In February 2008, Kosovo declared independence and has been recognized by 69 countries, including the United States and most of Europe, but not Serbia or Russia. Serbia sought a judgment by the International Court of Justice about the validity of the move.

WASHINGTON — After nearly a decade of rapid increases in military spending, the Pentagon is facing intensifying political and economic pressures to restrain its budget, setting up the first serious debate since the terrorist attacks of 2001 about the size and cost of the armed services. Lawmakers, administration officials and analysts said the combination of big budget deficits, the winding down of the war in Iraq and President Obama’s pledge to begin pulling troops from Afghanistan next year were leading Congress to contemplate reductions in Pentagon financing requests. Defense Secretary Robert M. Gates has sought to contain the budget-cutting demands by showing Congress and the White House that he can squeeze more efficiency from the Pentagon’s bureaucracy and weapons programs and use the savings to maintain fighting forces. But the increased pressure is already showing up in efforts by Democrats in

Congress to move more quickly than senior Pentagon officials had expected in trimming the administration's budget request for next year. And in the longer term, with concern mounting about the government's \$13 trillion debt, a bipartisan deficit-reduction commission is warning that cuts in military spending could be needed to help the nation dig out of its financial hole. "We're going to have to take a hard look at defense if we are going to be serious about deficit reduction," said Erskine B. Bowles, a chief of staff to President Bill Clinton who is a co-chairman of the deficit commission. Senator Judd Gregg, a Republican from New Hampshire who is also on the debt commission, said that if the panel pushes for cuts in discretionary spending, "defense should be looked at," perhaps through another base-closing commission. Mr. Gates is calling for the Pentagon's budget to keep growing in the long run at 1 percent a year after inflation, plus the costs of the war. It has averaged an inflation-adjusted growth rate of 7 percent a year over the last decade (nearly 12 percent a year without adjusting for inflation), including the costs of the wars. So far, Mr. Obama has asked Congress for an increase in total spending next year of 2.2 percent, to \$708 billion — 6.1 percent higher than the peak under the Bush administration.

WASHINGTON — With time running out for major votes before the November election, the White House is trying to reach an understanding with Senate Republicans to approve its new arms control treaty with Russia by committing to modernizing the nuclear arsenal and making additional guarantees about missile defense. The White House pressed allies in Congress in recent days to approve billions of dollars for the nation's current nuclear weapons and infrastructure even as administration and Congressional officials work on a ratification resolution intended to reaffirm that the treaty will not stop American missile defense plans. The effort to forge a genuine bipartisan coalition contrasts with most of President Obama's legislative drives in the past year because a treaty requires a two-thirds vote, meaning that the president needs at least eight Republicans. White House officials are optimistic that they can reach an agreement that will attract enough Republicans but are racing against the calendar because the closer it gets to the election, the more partisan the debate may become. At stake is perhaps Mr. Obama's most tangible foreign policy achievement, a treaty that bars the United States and Russia from deploying more than 1,550 strategic warheads and 700 launchers. If the president fails to get the New Start treaty ratified, it will undercut his effort to rebuild the relationship with Moscow and his broader arms control agenda. The critical player is Senator Jon Kyl of Arizona, the Republican whip, who has criticized the treaty but also signaled that his reservations could be assuaged. In particular, he has sought to modernize the nuclear force, and the administration has proposed spending more than \$100 billion over 10 years to sustain and modernize some strategic systems. "I've told the administration it would be much easier to do the treaty right than to do it fast if they want to get it ratified," Mr. Kyl said Thursday in an interview. "It's not a matter of delay," he added, but "until I'm satisfied about some of these things, I will not be willing to allow the treaty to come up." Mr. Kyl sounded hopeful that he could reach agreement, ticking off three ways the White House could assure him that the proposed nuclear modernization program would be adequate: ensure enough first-year money in the next round of appropriations bills, include enough second-year money in a follow-up budget proposal and revise the long-range modernization plan

to anticipate additional costs in later years. "I'm not questioning the administration's commitment to this," he said, "but this is a big deal, and it needs to have everybody's commitment to it at takeoff, and I really don't see that the groundwork has really been laid."

PHOENIX – The judge who will decide whether Arizona's new immigration law is constitutional hasn't indicated whether she'll put the statute on hold before it takes effect next week and had some pointed questions Thursday for challengers at two court hearings. U.S. District Judge Susan Bolton also went beyond dry legal analysis to point out some of the everyday realities of illegal immigration and how that applies to the new law. Without prodding from attorneys, the judge noted that the federal government erected signs in a wilderness area south of Phoenix that warn visitors about immigrant and drug smugglers passing through public lands. She said the stash houses where smugglers hide immigrants from Mexico before bringing them into the country's interior have become a fixture on the news in Arizona. "You can barely go a day without a location being found in Phoenix where there are numerous people being harbored," said Bolton, who didn't issue a ruling after the two hearings. Bolton has been asked to block the law from taking effect as she hears seven lawsuits by the U.S. Department of Justice, civil rights groups and others that question the constitutionality of the measure, which has reignited the national immigration debate. Opponents say the law will lead to racial profiling and trample on the rights of the hundreds of thousands of illegal immigrants in Arizona. Supporters say the law is a necessary response to combat the litany of problems brought on by illegal immigration and the federal government's inability to secure the border. Bolton, an appointee of former President Bill Clinton, repeatedly questioned Justice Department attorney Edwin Kneedler to explain how specific provisions of the law intruded on federal authority as he had argued. *AP* "Why can't Arizona be as inhospitable as they wish to people who have entered the United States illegally?" she asked. Kneedler said the law's requirements that law enforcement check on people's immigration status set a mandatory policy that goes beyond what the federal government requires and would burden the federal agency that responds to immigration-status inquiries. Attorney John Bouma, who is defending the law on behalf of Gov. Jan Brewer, said the federal government wants to keep its authority while turning a blind eye to illegal immigrants. "You can't catch them if you don't know about them. They don't want to know about them," he said. Outside of court, seven opponents of the law were arrested after they sat in the middle of a busy thoroughfare and unfurled a massive banner that said "We will not comply." Some drivers honked their horns as they passed by, before police shut down the street. Some supporters of the law waved signs and clutched American flags, and about a half dozen had handguns hanging from their hips. Brewer, who attended one of the two hearings, said afterward that she's confident the state will prevail, adding that Bolton "certainly understands the dangers that Arizonans face in regards to harboring illegals."

At a time when the prospects for immigration overhaul seem most dim, supporters have unleashed a secret weapon: a group of influential evangelical Christian leaders. Normally on the opposite side of political issues backed by the Obama White House, these leaders are aligning with the president to support an overhaul that would include some path to legalization for illegal immigrants already here. They are preaching from

pulpits, conducting conference calls with pastors and testifying in Washington — as they did last Wednesday. “I am a Christian and I am a conservative and I am a Republican, in that order,” said Matthew D. Staver, founder and chairman of Liberty Counsel, a conservative religious law firm. “There is very little I agree with regarding President Barack Obama. On the other hand, I’m not going to let politicized rhetoric or party affiliation trump my values, and if he’s right on this issue, I will support him on this issue.” When President Obama gave a major address pushing immigration overhaul this month, he was introduced by a prominent evangelical, the Rev. Bill Hybels of Willow Creek Community Church in Illinois. Three other evangelical pastors were in the audience, front and center. Their presence was a testament, in part, to the work of politically active Hispanic evangelical pastors, who have forged friendships with non-Hispanic pastors in recent years while working in coalitions to oppose abortion and same-sex marriage. The Hispanics made a concerted effort to convince their brethren that immigration reform should be a moral and practical priority. Hispanic storefront churches are popping up in strip malls, and Spanish-speaking congregations are renting space in other churches. Some pastors, like Mr. Hybels, lead churches that include growing numbers of Hispanics. Several evangelical leaders said they were convinced that Hispanics are the key to growth not only for the evangelical movement, but also for the social conservative movement. “Hispanics are religious, family-oriented, pro-life, entrepreneurial,” said the Rev. Richard D. Land, president of the Ethics and Religious Liberty Commission, the Southern Baptist Convention’s public policy arm. “They are hard-wired social conservatives, unless they’re driven away.

ALBANY, Ga. – Former Agriculture Department official Shirley Sherrod, who was forced to resign after a blogger posted comments she made to an NAACP audience about race, is unsure about returning to a government job, she said Friday. President Barack Obama told Sherrod he regretted her forced resignation and asked her to consider coming back. He also said in a nationally broadcast network interview he believes Agriculture Secretary Tom Vilsack “jumped the gun” in sacking her after just a few months with the USDA. She’s not so sure about returning to government work but would like to talk more with Obama about promoting togetherness across the country. “I don’t want to be the fall guy, the fall girl, for discrimination in the Department of Agriculture,” Sherrod told The Associated Press at her southern Georgia home. “I need a little down time to reflect on what’s happened the last few days. Is there another place for me to help all of us take advantage of what has happened over the last few days? I don’t know yet.” For his part, Obama has ordered a more patient, deliberative style of governance from his aides and Cabinet members after the convulsive week surrounding Sherrod’s ouster. Sherrod, 62, said she’d like to persuade Obama to visit south Georgia. “I need to get him down here with some regular folks to see how they live and how they get along,” Sherrod said. “It might give him a better understanding on how to promote togetherness in this country.” A furor erupted this week over a conservative blogger’s posting of portions of a speech Sherrod gave in which she told of giving short shrift attention 24 years ago to the pleas for financial aid by a poor white farmer. Sherrod is black, and the operator of the website BigGovernment.com posted a portion of her speech. The blogger, Andrew Breitbart, said he did so to illustrate racism within the NAACP, which earlier accused the tea party of having racist elements. It dramatized how

the nation's first black president has occasionally struggled with racial tensions since he took office over a year and a half ago, after saying repeatedly during his campaign that he wanted to bridge America's racial divide. "One of the things I shared with Ms. Sherrod was the fact that the stories that she was telling about her own biases and overcoming them, those were actually good lessons for all of us to learn, because we all have our own biases," Obama told ABC in an interview. "I wrote this in my own book."

Less than two months after the nation's governors and state school chiefs released their final recommendations for national education standards, 27 states have adopted them and about a dozen more are expected to do so in the next two weeks. Their support has surprised many in education circles, given states' long tradition of insisting on retaining local control over curriculum. The quick adoption of common standards for what students should learn in English and math each year from kindergarten through high school is attributable in part to the Obama administration's Race to the Top competition. States that adopt the standards by Aug. 2 win points in the competition for a share of the \$3.4 billion to be awarded in September. "I'm ecstatic," said Arne Duncan, the secretary of education. "This has been the third rail of education, and the fact that you're now seeing half the nation decide that it's the right thing to do is a game-changer."

Even Massachusetts, which many regard as having the nation's best education system — and where the proposed standards have been a subject of bitter debate — is expected to adopt the standards on Wednesday morning. New York signed up on Monday, joining Connecticut, New Jersey and other states that have adopted the standards, though the timetable for actual implementation is uncertain. Some supporters of the standards, like Randi Weingarten, president of the American Federation of Teachers, worry that the rush of states to sign up — what Ms. Weingarten calls the "Race to Adopt" — could backfire if states do not have the money to put the standards in effect. "I'm already watching the ravages of the recession cutting the muscle out of efforts to implement standards," she said. "If states adopt these thoughtful new standards and don't implement them, teachers won't know how to meet them, yet they will be the basis on which kids are judged."

The effort has been helped by financial backing from the Bill & Melinda Gates Foundation to most of the organizations involved in drafting, evaluating and winning support for the standards. The common core standards, two years in the making and first released in draft form in March, are an effort to replace the current hodgepodge of state policies.

Four of the world's biggest oil companies said on Wednesday that they were committing \$1 billion to create a rapid-response system to deal with deepwater oil spills in the Gulf of Mexico, seeking to restore public confidence in the industry after the BP disaster painfully exposed how unprepared the industry was for a major accident. The voluntary effort, which involves building a set of modular containment equipment that would be kept on standby for emergency use, comes as oil companies seek to persuade the Obama administration to lift a temporary ban on deepwater drilling. The moratorium was imposed after the Deepwater Horizon drilling rig exploded on April 20 and spewed millions of gallons of oil into the gulf. Officials said the spill served as a wake-up call for the industry, which had invested billions of dollars to develop oil and gas resources in

ever-deeper waters offshore but neglected to devise spill-response technology that could be effective in thousands of feet of water.

Environmentalists, members of Congress and federal and state officials have already made it clear that the industry will face tougher regulations when drilling resumes. The emergency response plan is part of the oil industry's effort to show it can improve its safety procedures and shape the inevitable rules of conduct that will be imposed. The plan — which was put together by Exxon Mobil, Chevron, ConocoPhillips and Royal Dutch Shell — incorporates many of the lessons that BP was forced to learn the hard way in trying to cap a gushing oil well 5,000 feet below the ocean's surface.

The four companies said their initiative would seek to include all the companies involved in offshore drilling in the gulf, including BP. Their initial financing of \$250 million each will be used to build a set of containment equipment, like underwater systems and pipelines, that will be able to deal with a variety of deepwater problems and can be deployed rapidly in the event of a spill. The partners said it would take six months to get all the elements in place. The companies expect the system will be able to contain spills in water as deep as 10,000 feet and capture up to 100,000 barrels of oil a day, although that capacity could be increased if needed.

WASHINGTON — It was not quite the Tony Blair-Bill Clinton love fest of 1997, but President Obama and the newly minted British prime minister, David Cameron, appeared game to do everything they could on Tuesday to take some of the recent chill out of the relationship between their countries. Standing side by side in near-identical dark blue suits and blue ties in the East Room at the conclusion of Mr. Cameron's first visit to the White House as his nation's leader, the two fortysomethings systematically papered over the few areas of daylight between the United States and Britain (stimulus spending versus deficit reduction, the pace of withdrawal from Afghanistan, the need for an inquiry into the release by Scotland of the only person convicted in the Pan Am bombing over Lockerbie). Instead, before the assembled press corps of Washington and Downing Street, they joked about cold beer versus warm beer, whether their children kept their bedrooms tidy and the England-United States World Cup soccer match that ended in a tie. "While at the World Cup our teams could only manage a score draw, I believe our relationship can be a win-win," Mr. Cameron said, neglecting to mention that the United States still managed to emerge the winner, over England, of its World Cup group. Even on one of the main areas of substantive disagreement — the release of Abdel Basset Ali al-Megrahi, the Libyan intelligence agent who had served eight years of a life sentence for his role in the December 1988 bombing of Pan Am Flight 103 over Lockerbie, Scotland — the two seemed determined to project the impression of being in lock step. But Mr. Cameron, who as leader of Britain's opposition at the time had objected to the release, said that he did not see any point to an additional investigation into the circumstances of Mr. Megrahi's release, an investigation that Mr. Obama supports. "I don't need an inquiry to tell me it was a bad decision," Mr. Cameron said. "It was a bad decision." Mr. Cameron also said he had no reason to believe that BP had anything to do with the much criticized decision to release Mr. Megrahi from a Scottish prison last year to win oil concessions from Libya. He and Mr. Obama both strongly condemned the release, which the Scottish government decided on compassionate grounds after doctors there testified that Mr. Megrahi was likely to die of advanced

prostate cancer within three months. He is still alive and living in Tripoli, Libya. “It was the biggest mass murder in British history, and there was no business letting him out of prison,” Mr. Cameron said, adding that he and Mr. Obama were in “violent agreement” on that.

Western Europe

LONDON — In the five years David Cameron spent rebuilding the Conservative Party in opposition, opinion polls showed that as he sought to rebrand it by offering a compassionate but persistently fuzzy image, voters had trouble defining what sort of a prime minister he would make. Not any longer.

After 10 weeks in office, Mr. Cameron, who met with President Obama in Washington on Tuesday, has emerged as one of the most activist prime ministers in modern times, rivaling in some respects even Margaret Thatcher, the “Iron Lady” who as the Conservative leader in the 1980s attacked unions and government bloat while privatizing national industries and vigorously pursuing free-market policies. With a relentless battery of policy announcements, Mr. Cameron and his coalition of Conservatives and Liberal Democrats have proposed to couple the deep deficit cuts the conservatives sketched out during the May general election campaign with a wider effort to break the mold of big government in Britain that, despite Lady Thatcher’s best efforts, has largely prevailed since World War II. In so doing, they have charted an economic course of almost savage austerity, an approach that contrasts starkly with the policies of Mr. Obama, who wrote to Mr. Cameron and other leaders last month warning against premature cuts in government spending that might drive the world into a double-dip recession. Mr. Obama has chosen a different path for the United States, deferring the kind of sharp budget cuts now being rolled out across Europe, and at his meeting with Mr. Cameron the two leaders, in effect, agreed to disagree. In a radio interview with NPR before going to the White House, Mr. Cameron expressed his viewpoint diplomatically. “Every country has to deal with its budget deficit, but the time at which we do it can vary,” he said. And vary significantly, as Mr. Cameron’s government has shown. A budget last month proposed an austerity campaign of extraordinary severity, setting across-the-board cuts over the next five years of 25 percent and more. But that has proved to be only the scene-setter for an ambitious — and politically risky — bid to dismantle Britain’s sprawling bureaucracy. If successful, it will lift what the new leaders say is the state’s heavy hand on public life, restricting its reach into schools and hospitals, slashing welfare benefits and reviewing intrusive law-and-order Labour programs that have alarmed advocates for civil liberties.

BRUSSELS — The way Martin Kastler sees it, there ought to be a law prohibiting shops all across Europe from opening on Sundays, much as there has been for generations in his native Bavaria. He has already begun collecting signatures of support. And soon, courtesy of a little debated clause in the new Lisbon Treaty, the European Union may be obliged to consider drawing up such legislation. “For me, Sunday is a family day,” said Mr. Kastler, a German member of the European Parliament who is being urged on by his wife, church groups and trade unions. Long criticized as lacking democratic accountability, the European Union is about to give its 500 million citizens more say — if they can collect one million supporting signatures from a “significant”

number of member countries. But whether the voice of the people will triumph over the bureaucracy remains an open question. No one knows for sure what the citizens of Europe might want to see introduced as legislation. Most are not even aware of their new rights. When the European Union asked for public comment on its proposed regulations, fewer than 180 people heeded the call. But experts say the European Union could soon see petitions on subjects as varied as banning bullfighting, burqas and genetically modified food; curbing offshore drilling; introducing new taxes; ending the exchange of financial data with the United States; and keeping Turkey out of the union.

Proponents hope the initiatives will be something of a team building exercise, too. Forced to collect signatures across borders, Europeans will finally, they hope, get to know one another, engage in Europe-wide debates and develop the elusive "European identity."

But others see trouble brewing. What if the voice of the people turns out to be racist, politically unwieldy (think California referendums) or just plain frivolous? One online campaign in Portugal to force members of the national soccer team to grow mustaches claimed the support of 60,000 people recently.

Trying to keep things in check, European officials issued 16 pages of proposed rules for the citizens' initiative, translating the vague language of the Lisbon treaty into a thicket of regulations, which critics say could strangle the experiment at birth. The commission is proposing, for instance, that no part of a European Union treaty can be challenged and that the signatures must be collected from at least nine countries within a year.

LONDON – The war in Iraq led to a loss of focus on the threat from al-Qaida, emboldened the group's leader Osama bin Laden, and helped to breed a generation of homegrown terrorists, Britain's former domestic spy chief told an inquiry Tuesday.

Making the sharpest criticism so far aired in Britain's inquiry into mistakes made in the Iraq war, Eliza Manningham-Buller, director of the MI5 agency between 2002 and 2007, said Britain's government paid little attention to warnings that the war would fuel domestic terrorism. Manningham-Buller also said Iraq had posed little threat before the 2003 U.S.-led invasion, and insisted there was no evidence of a link between former Iraqi dictator Saddam Hussein and the Sept. 11, 2001 attacks on the United States.

"There was no credible intelligence to suggest that connection and that was the judgment, I might say, of the CIA," she told the inquiry. "It was not a judgment that found favor with some parts of the American machine." The ex-spy chief said those pushing the case for war in the United States gave undue prominence to scraps of inconclusive intelligence on possible links between Iraq and the 2001 attacks. She singled out the then-U.S. Defense Secretary Donald Rumsfeld. "It is why Donald Rumsfeld started an alternative intelligence unit in the Pentagon to seek an alternative judgment," said Manningham-Buller, who was a frequent visitor to the U.S. as MI5 chief. "Saddam Hussein had nothing to do with 9/11 and I have never seen anything to make me change my mind," she said. Manningham-Buller also indicated that MI5 disagreed with then-Prime Minister Tony Blair over a key justification for the war — Iraq's purported harboring of weapons of mass destruction. She said the belief that Iraq might use such weapons against the West "wasn't a concern in either the short term or the medium term to either my colleagues or myself." Manningham-Buller, now a member of the House of Lords, was testifying to the inquiry panel in London. Convened by the government, the inquiry aims to examine the buildup to the Iraq war and errors made on post-conflict planning.

It won't apportion blame or assign criminal liability for mistakes made, but will issue a report later this year with recommendations for future operations and military missions. Manningham-Buller said the focus on Iraq had far-reaching consequences for the mission to tackle global terrorism. "By focusing on Iraq, we reduced the focus on the al-Qaida threat in Afghanistan. I think that was a long-term, major and strategic problem," she told the panel. She acknowledged the Iraq war vastly increased the terrorism threat to Britain — with her officers battling to handle a torrent of terrorism plots launched by homegrown radicals in the wake of the 2003 invasion of Iraq. "Our involvement in Iraq radicalized, for want of a better word, a whole generation of young people — not a whole generation, a few among a generation — who saw our involvement in Iraq, on top of our involvement in Afghanistan, as being an attack on Islam," she said.

LONDON/MADRID (Reuters) – Europe's attempt to restore confidence in its banks comes to a head on Friday with widespread expectation that up to 10 lenders will fail the test and have to raise capital. Regulators have been looking at how banks would withstand another recession in an exercise similar to one in the United States last year which helped restore bank sector confidence. Some 91 lenders from 20 countries have faced the so-called stress tests and the results are due at 1600 GMT. The Committee of European Bank Supervisors (CEBS) said its test was more severe than the U.S. health check of its banks. The adverse scenario in Europe was a one in 20 years possibility, compared to a one in 7 years probability in the U.S. test, it said. But the details of how the tests were run, which were released by the organizers early, fed market consternation that they may not have been rigorous enough. "(There are) concerns about the credibility of the stress tests," said Kathy Lien, director of currency research at GFT Forex in New York, as the euro edged lower against the dollar. Some investors have been concerned that no possibility of a sovereign default among high-debt euro zone nations had been considered, potentially underestimating the risk banks could face. Banks' holdings of government bonds were subjected to a 23.1 percent loss on their Greek debt, a 12.3 percent loss on Spanish bonds and a 4.7 percent loss on German debt, all based on 5-year bonds and their value at the end of 2009. Ten banks are expected to fail and will need to raise about 38 billion euros (\$48.93 billion), according to the average expectation from a survey conducted by Goldman Sachs. It quizzed 376 investors, including hedge funds and long-only investors. Banks in Spain, Germany and Greece are most likely to raise cash, it said. Other analysts looking at which banks might need new capital expect 5-10 banks to come up short on the tests, although none of Europe's big names is expected to flunk. "It's like pulling an elastic band to see at what point it breaks. It depends how hard you pull," said Alessandro Frigerio, a fund manager with RMJ SGR in Milan. "The stress tests serve above all to remove uncertainty, it's a kind of reassurance, transparency toward the market." Several Spanish savings banks, including some that have been involved in recent mergers, have failed the tests, Spanish newspaper El Pais reported on Friday. The test scenarios include a look at how they cope with a moderate recession this year and next, and the same scenario with additional losses on government bonds. Any bank whose Tier 1 capital ratio falls below 6 percent by the end of 2011 will be regarded as failing the test, according to documents seen by Reuters on Wednesday. Banks would be expected to raise funds to make up the capital shortfall.

BERLIN – Europe faces another moment of truth in its simmering debt crisis on Friday as regulators release the results of "stress tests" on 91 banks across the continent, an exercise that some fear could fail to credibly answer markets' questions.

The hope is that the operation, like stress tests carried out on 19 U.S. banks a year ago, will help shore up confidence. In that exercise, 10 banks were told to raise about \$75 billion in extra capital. But the sprawling European tests come with potential risks — particularly as little is known about how the London-based Committee of European Banking Supervisors (CEBS), which will release the overall results, is conducting its analysis. Experts fear that bad news could badly hurt markets again, while too rosy a picture may prompt investors to think the tests weren't rigorous enough. Marco Annunziata, chief economist at UniCredit Group in London, faulted "the recalcitrant and rather secretive way in which (the exercise) has been prepared." "The silver lining, however, is that this should have served as pragmatic expectation management: very few investors now expect the European stress tests to provide a silver bullet," he added. "The scope for disappointment should therefore have been reduced." Europe's debt crisis has already forced Greece to take a euro110 billion (\$140 billion) international bailout to avoid bankruptcy, and pushed governments to put up a euro750 billion backstop for troubled governments if they need it. Greece's near-failure sent shivers of fear through investors wondering which banks' balance sheets were hiding Greek and other debt that could go bad. Most of the 91 banks tested are expected to pass — but analysts say some must fail for the tests to have any credibility. Failure won't necessarily mean the banks are bust, but that they will need to raise money from investors or governments.

The list of banks includes several from Greece and Portugal, and experts' eyes will be on some of the smaller Spanish banks — the so-called cajas — that were badly hit by the real estate collapse. Also included are regional German banks, the Landesbanken, which made oversized bets on global financial markets before the 2008 meltdown.

What is known is that the CEBS's "adverse economic scenario" assumes the EU economy underperforms the EU Commission's forecasts by three percentage points of gross domestic output — in other words, a recession. In May, the Commission predicted that the EU economy would grow by 1 percent this year and 1.7 percent in 2011.

The key unknown is what potential losses the CEBS assumes banks will have to absorb from losses on their investments in government debt. German Chancellor Angela Merkel noted Wednesday that the tests come in an environment in which leaders already have agreed on the Greek and eurozone bailouts. "I think that, measured by the real situation, the conditions for these stress tests are very realistic," Merkel said.

ATHENS, Greece -- Greece has achieved "considerable progress" in recovering its public finances, the IMF said in a report on Saturday (July 17th). However, there are still "clear risks" facing the country's healthcare and social security system, according to the document, released after a mission of the fund's experts visited the country last month. "State budget implementation is on track with good expenditure control," the experts said. "However, hospitals and social security funds present clear risks, as do financial pressures in public enterprises," the Fund said.

London (AFP) – Africa can lead the global recovery, former British Prime Minister Gordon Brown said on Saturday, setting out five potential sources for economic

growth in the continent. In a speech to be delivered to African leaders at a summit in Kampala, Brown said lower income countries in Africa are forecast to grow at a 5 percent rate this year, compared to 2 percent average growth predicted in high income countries. "Africa can drive the global recovery, but not without Africans driving the global agenda," said Brown, who resigned as British premier in May after his Labour party lost the general election. "That is why I propose enhanced African representation at the IMF, increased African representation in the World Bank and a constituency system for the G20 where Africa can be permanently and fully represented along with other non-G20 countries of the world," he said. "Africa does not only stand to gain from a global society, but must be its inspiration and a leader," Brown said, adding that Africa has more untapped potential and unrealised talent than any other continent. He said one of the five potential sources of growth is "a faster pace of economic integration in Africa's internal market, and between (its) market and those of other continents, facilitated by investment in infrastructure." Others include broader based export-led growth, founded on new products and services, along with investment in the private sector from African and foreign sources, he said. Brown, who remains a Labour MP, also called for "the up-skilling of the workforce and... more effective governance to ensure that effective states can discharge their task of creating growth and reducing poverty." "So I am here to speak not just of the ascent of Africa and Asia, but to say today just as people have spoken of an American century and an Asian century, I believe we can now speak of an African century," he will tell African leaders. In his first major speech since leaving office, Brown quipped: "President Obama spent some time as a community organiser before becoming a politician. I'm somebody who spent some time as a politician before becoming a community organiser."

LONDON (AFP) – The head of the American Association of Professors accused BP Friday of trying to buy the silence of scientists and academics to protect itself after the Gulf oil spill, in a BBC interview. "This is really one huge corporation trying to buy faculty silence in a comprehensive way," said Cary Nelson. BP is facing lawsuits after the oil spill, which has destroyed the livelihoods of many people along the coast of the Gulf of Mexico. A copy of a contract offered to scientists by BP, which the BBC said it had obtained, said scientists are not allowed to publish the research they do for the oil giant. They are also not allowed to speak about the data for at least three years or until the government gives final approval for the company's restoration plan for the whole of the Gulf, said the British broadcaster. BP said it had hired more than a dozen scientists "with expertise in the resources of the Gulf of Mexico," according to a statement given to the BBC. Bob Shipp, the head of marine sciences at the University of South Alabama, said BP's lawyers had approached him and wanted his whole department. "They contacted me and said we would like to have your department interact to develop the best restoration plan possible after this oil spill," he said. "We laid the ground rules -- that any research we did, we would have to take total control of the data, transparency and the freedom to make those data available to other scientists and subject to peer review. "They left and we never heard back from them." Nelson warned BP's actions could be "hugely destructive". "Our ability to evaluate the disaster and write public policy and make decisions about it as a country can be impacted by the silence of the research scientists who are looking at conditions," he said. "It's hugely destructive. I mean at some level, this is really BP

versus the people of the United States." BP said it "does not place restrictions on academics speaking about scientific data," according to the BBC. The environmental disaster began on April 20 when the Deepwater Horizon drilling platform exploded in the Gulf of Mexico, killing 11 workers. The rig sank two days later rupturing the pipe that connected it to the well.

AMSTERDAM (AFP) – A Dutch court on Friday slapped a one million euro fine on a Swiss-based company whose chartered ship dumped hazardous waste the Ivory Coast says killed 17 people on its soil. "The court sentences Trafigura to a fine of one million euros", equivalent to 1.3 million dollars, presiding judge Frans Bauduin said as he found the company guilty of breaking European waste export laws on Dutch territory. Trafigura said it was disappointed by the ruling in the Amsterdam district court and would consider an appeal. It was also found guilty of concealing what the charge sheet referred to as the "harmful nature" of the waste on board the Probo Koala ship that arrived at the port of Amsterdam in July 2006 but was redirected to the Ivory Coast. Trafigura "exported the waste .. to the state (Ivory Coast) without having done a thorough analysis of the port city of Abidjan's capacity to process the waste ... in a responsible way," said the judge. Bauduin said the company had failed to provide "absolute clarity" about the nature of its cargo, but acquitted it of forgery. The captain of the Probo Koala, 46-year-old Sergiy Chertov, was handed a five-month suspended jail term, while Trafigura employee Naeem Ahmed, who coordinated the operation in the port of Amsterdam, was fined 25,000 euros. "The court cannot but conclude that Chertov was aware of the presence of caustic soda (in the slops) and knew its dangerous character, but that he did not report it," said Bauduin. As for 43-year-old Ahmed, his "concealment of the true nature of the waste" had created a health risk. Trafigura said the ruling, apart from the forgery acquittal, was "incorrect" and it was "saddened" by the conviction of Ahmed, who "did nothing wrong". On July 2, 2006, caustic soda and petroleum residues on board the Probo Koala were prevented from being offloaded for treatment in the port of Amsterdam and redirected to Abidjan, where they were dumped on city waste tips. The waste, slops from the cleaning of fuel transportation tanks, was pumped back into the Probo Koala after it was found to be more dangerous than previously thought and waste treatment company Amsterdam Port Services (APS) demanded a higher price, which Trafigura declined to pay.

PRAGUE — Kosovo's unilateral declaration of independence from Serbia in 2008 did not violate international law, the United Nations' highest court said Thursday in a ruling that Kosovo heralded as a victory but that legal experts warned could spur separatist movements around the world. Legal experts said that while the International Court of Justice had ruled that Kosovo's declaration of independence was legal, it had avoided saying that the state of Kosovo was legal under international law, a narrow and carefully calibrated compromise that they said could allow both sides to declare victory in a dispute that remains raw even 11 years after the war there. Political analysts said the advisory opinion, passed in a 10-to-4 vote by the court judges, is likely to spur other countries to recognize Kosovo's independence. Of the 192 countries in the United Nations General Assembly, so far only 69, including the United States and a majority of European Union nations, have recognized Kosovo. Reading the nonbinding opinion, whose political consequences could reverberate far beyond Kosovo, Hisashi Owada,

president of the International Court of Justice, said that international law contained no “prohibition on declarations of independence” and consequently that Kosovo’s declaration “did not violate international law.” Kosovo’s ethnic Albanian leadership welcomed the court’s decision. “This is a great day for Kosovo, and my message to the government of Serbia is, ‘Come and talk to us,’ ” Kosovo’s foreign minister, Skender Hyseni, said after leaving the court, The Associated Press reported.

But Serbia was adamant that it would never recognize what it had previously called a false state, while Russia, one of its staunchest allies, insisted that the court’s decision did not provide a legal basis for Kosovo’s independence. The Serbian foreign minister, Vuk Jeremic, said the ruling could make separatist movements elsewhere “tempted to write declarations of independence.” The State Department said the ruling was “a judgment we support,” according to The Associated Press. “Now it is time for Europe to unite behind a common future.” James Ker-Lindsay, a Balkan expert at the London School of Economics, said the court had trod carefully in weighing the right of a people to self-determination over the right of a sovereign state to territorial integrity, and had decided to sidestep the issue altogether.

LONDON – Britain will introduce new rules to make it harder for its courts to arrest foreigners accused of serious human rights violations, the Ministry of Justice said Thursday. Britain subscribes to the doctrine of “universal jurisdiction,” which allows the prosecution of suspected war criminals in countries that have no direct connection with the events. Activists have used that rule to seek arrest warrants for foreign dignitaries visiting Britain, leading to complaints by Gordon Brown, when he was prime minister, that the rule was jeopardizing the country’s foreign relations. “It is important that universal jurisdiction cases should be proceeded with in this country only on the basis of solid evidence that is likely to lead to a successful prosecution,” said Justice Secretary Kenneth Clarke. “Otherwise there is a risk of damaging our ability to help in conflict resolution or to pursue a coherent foreign policy.” Earlier this year, a diplomatic row ensued when pro-Palestinian activists persuaded a London judge to issue an arrest warrant for Israeli politician Tzipi Livni, who was foreign minister during the 2008-2009 war in Gaza. The warrant was eventually withdrawn after Livni canceled her trip to Britain. The incident outraged many Israelis, and Israeli President Shimon Peres demanded that Britain change the law. British officials acknowledged that leaders of Livni’s stature needed to be able to travel freely to Britain without threat of arrest.

It wasn’t an isolated incident — other visiting dignitaries threatened with warrants included Henry Kissinger and Chinese Trade Minister Bo Xilai, the Ministry of Justice said. The ministry said that, although Britain must live up to its international obligations to prosecute those accused of war crimes and torture, it must introduce stricter rules for the procedure. Currently anyone can apply to the courts for an arrest warrant — without the need to present substantial evidence, the ministry said. That opens the system to abuse by people trying to make a political statement or cause embarrassment, it said.

Clarke said that, under the new rules, arrest warrants will not be issued unless more solid evidence is presented and the chief prosecutor gives his consent. The ministry did not give further details or say when the new rules would come into effect. It said Thursday’s announcement was the beginning of a long process to introduce new legislation to tighten the rules.

GENEVA – The U.N. Human Rights Council appointed former U.N. war crimes prosecutor Desmond de Silva and two other people on Friday to investigate Israel's May 31 forcible boarding of a boat bringing aid to the Gaza Strip. A statement said the British lawyer will be joined by Trinidadian judge Karl T. Hudson-Phillips and Malaysian women's rights advocate Mary Shanthi Dairiam in examining whether Israel violated international law. Israel has refused to cooperate with previous investigations ordered by the 47-nation council. Eight Turks and one Turkish American were killed in the raid on a flotilla trying to break Israel's blockade on Gaza. Israel says its naval commandos were acting in self-defense after being attacked by pro-Palestinian activists, and an Israeli military report concluded last week that flawed intelligence-gathering and planning led to the deadly encounter. The report praised the commandos who took part in the operation and said they were justified in opening fire.

MADRID – Spain's foreign minister predicted Wednesday that Cuba's release of dozens of political prisoners could eventually lead to a thaw in U.S. relations and the lifting of a decades-old embargo against the Communist-run island. Speaking in Parliament, Miguel Angel Moratinos said the freeing of some 52 Cuban prisoners would prompt a shift in European Union policy toward Cuba "and it will have political consequences in U.S. relations with Cuba, (such as) the lifting of the embargo." A spokeswoman for the U.S. embassy in Madrid said, while the U.S. welcomed the release of the Cuban political inmates, it was too early to say whether that would have any effect on the embargo. And officials from France and Germany didn't share Moratinos' optimism that the release of the 52 would trigger an EU policy shift. President Barack Obama once suggested it was time for a new beginning with Cuba, but his administration wants to see the island embrace more political or social reforms — and it's unknown if the agreement on political prisoners is enough. The dissidents, who had been imprisoned since 2003, have spoken of the horrid, rat-infested conditions they endured in the Cuban prisons. Twelve have arrived in Spain so far, along with dozens of relatives, and more are expected. Moratinos has said his European Union counterparts had conditioned any change in EU policy toward Cuba on getting the political prisoners released and he now expects the 27-nation bloc to end its "common position" on Cuba. That policy, which dates from 1996, calls for advances in human rights and democracy before relations with the island can be normalized.

Southeast Europe

TIRANA, Albania -- Parliament adopted changes to the state budget Monday (July 19th) after 12 hours of heated debate between the ruling and opposition parties. Lawmakers representing the opposition insisted on more time to discuss the proposed changes, but after failing to agree on procedures, they walked out. A total of 71 members representing the majority passed the reforms, which stipulate budget cuts. Finance Minister Ridvan Bode says the cuts will spur development and that the planned 4.1% economic growth forecast for this year will happen.

TIRANA, Albania -- The opposition Socialist Party (SP) on Tuesday (July 20th) criticised changes to the state budget that parliament adopted on Monday. SP head Edi

Rama said the changes will deepen, rather than end the economic crisis. At a press conference, he said the government refuse to publish the actual economic numbers, and that the public debt is far more than reported. Changes to the budget were made only with the votes of the majority since opposition lawmakers boycotted Monday's vote. Finance Minister Ridvan Bode responded to Rama by saying the SP is providing false data, and noting that international institutions have praised Albania's economy.

TIRANA, Albania -- Representatives of two main parliamentary groups held another round of talks Wednesday (July 21st) in an effort to resolve the continuing political stalemate that threatens EU-related reforms. Ruling Democratic Party (DP) representative Astrit Patozi and the Socialist Party's (SP) Gramoz Ruci focused on establishing a commission to investigate the June 2009 general elections and on the panel's methods. Local media reported that the DP is willing to compromise on some issues but only if the SP agrees to attend parliamentary sessions and vote on crucial legislation, rather than boycott the votes. Patozi and Gramoz are scrambling to strike some deals regarding the panel before parliament's summer recess begins early next week.

TIRANA, Albania -- The justice system remains subject to political pressure, according to two European Commission (EC) experts who made a fact-finding mission to Albania in June. Francis Desterbeck and Thierry Loquet looked into the government's strategy and structures and concluded that reality is different from official presentations on paper. Albania has investigated cases of corruption at lower levels, but has "forgotten" to investigate corruption higher up, according to excerpts of the draft published by local media Tuesday (July 20th). The EC experts suggest that more must be done to address corruption cases in public administration, police and the judiciary. Political pressure is apparent, they add. The experts are now working on the final draft of the report, as part of the EC questionnaire on corruption.

TIRANA, Albania -- Senior officials are welcoming the International Court of Justice's ruling that Kosovo's declaration of independence did not violate international law. President Bamir Topi said on Thursday (July 22nd) that the decision confirms the right of the people and institutions of Kosovo to declare theirs is a free and independent country. Prime Minister Sali Berisha also praised the court's decision, saying it contributes to regional peace. Officials in Tirana are convinced that the ruling will pave the way for new recognitions of Kosovo and open a new chapter in co-operation between Pristina and Belgrade.

SARAJEVO, Bosnia and Herzegovina (BiH) -- After months of heated debate, the Federation of Bosnia and Herzegovina (FBiH) parliament has approved a law on determining the salaries of public servants and a law on the salaries of police officers. The upper house of parliament voted on it Thursday (July 22nd), a day after the lower house. In passing the measures, parliament met a key condition for the disbursement of the next 40m-euro tranche of a 1.2 billion-euro IMF loan. During the last round of reviews in May, FBiH was blamed for the IMF's decision to delay disbursement, which pressured lawmakers into action.

SOFIA, Bulgaria -- Bulgaria has become the third EU member -- after Spain and Malta -- to ratify the Stabilisation and Association Agreement (SAA) with Serbia. The

Bulgarian parliament voted Friday (July 16th) to approve it. Foreign Minister Nikolay Mladenov said that the agreement is a step towards Serbia's bid for EU membership. He stressed that integration of the Western Balkans is a strategic priority for the EU and will ensure stability in the region. Italy, Austria, Denmark, Finland and Poland are expected to ratify the document soon.

SOFIA, Bulgaria -- The government approved an agreement Wednesday (July 21st) in support of the Nabucco gas pipeline. The EU-backed project aims to transport up to 31 billion cubic metres of natural gas from the Caspian region to Europe, in an effort to reduce dependence on Russian supplies. It is expected to become operational by the end 2014. Nabucco faces competition from Russia's South Stream project, which will carry Russian gas to Europe, bypassing Ukraine. Bulgaria says it backs both projects. On Wednesday, Russian Prime Minister Vladimir Putin spoke by phone with Bulgarian counterpart Boyko Borisov to discuss energy co-operation.

EU economic and finance ministers approved a proposal by the European Commission (EC) earlier this month to launch an excessive deficit procedure for Bulgaria. The country must bring its deficit to below the bloc's 3% of GDP limit by 2011.

The country came under scrutiny in April, when it revealed that the real gap in its 2009 budget was 3.9% of GDP, not 0.8%, as reported earlier. The centre-right Citizens for the European Development of Bulgaria government, which came to power in July 2009, blamed the increase on nearly 150 unaccounted procurement deals signed by the previous Socialist-led cabinet in the final months of its tenure.

On the heels of revelations about severe budget data misreporting by Greece, the news from Sofia fuelled suspicions about the actual fiscal situation.

While analysts have rejected any threats of a Greek-type scenario in Bulgaria, experts from the EC's statistical arm, Eurostat, are due to visit the country this fall to inspect its accounting methods. Brussels took the first steps towards initiating an excessive deficit procedure for Bulgaria in May, with the adoption of a report that described the excess over the 3% of GDP reference value as "exceptional". After years of steady growth and general government surpluses, Bulgaria was hit hard by the global turmoil and its economy shrank by 5% of GDP in 2009, the paper noted, citing the sharp fall in both external demand and foreign investment inflows.

ZAGREB, Croatia -- The country must fulfil a total of 21 conditions to conclude the judiciary chapter of its accession talks with the EU, Zagreb-based daily Vecernji List reported on Monday (July 19th). These include public administration reform aimed at increasing transparency, as well as strengthening the police and the anti-corruption office, USKOK. The EU also wants the government to ensure a full-scale reform of the judiciary, including its computerisation, in part to reduce delays in courts. The judiciary chapter was opened for negotiations on June 30th, following a satisfactory report by UN war crimes tribunal chief prosecutor Serge Brammertz.

THE HAGUE, The Netherlands -- Former Bosnian Serb leader Radovan Karadzic has sent a letter to the Croatian government seeking co-operation over documents related to arms smuggling during the 1992-1995 Bosnian conflict, the UN war crimes tribunal announced on Monday (July 19th). Karadzic wants to use the documents as part of his defence at The Hague. He believes that in addition to humanitarian aid, Islamic countries

provided Bosnia and Herzegovina with weapons, some of which were smuggled via Croatia. The court has urged Croatian authorities to co-operate with Karadzic or his legal advisers.

PRISTINA, Kosovo -- Voters in the newly created Serb-dominated municipality of Partesh/Partes headed to the polls on Sunday (July 18th) in the second round of local elections. A mayoral runoff was required, as no candidate won more than 50% of the votes in the first round on June 20th. Zavicaj Civic Initiative leader Nenad Cvetkovic will face Todor Mirkovic of the United Serbian List. There are more than 3,500 eligible voters. The elections process will be monitored by local and international observers.

PRISTINA, Kosovo -- The recently created municipality of Partesh/Partes chose its first mayor Sunday (July 18th). Nenad Cvetkovic, of the Zavicaj association, grabbed 58% of the votes, beating Todor Mirkovic of the United Serbian List. Turnout was 55%. International Civilian Representative Pieter Feith congratulated all those involved, including the government for "its commitment to decentralisation, those who are running for office, and most of all the citizens for taking their future in their own hands and turning out to vote". Kosovo held local elections in November but due to technical problems, voting in the new municipalities was delayed.

PRISTINA, Kosovo -- EULEX will start arresting people involved in organised crime in northern Mitrovica, EULEX deputy chief Roy Reeve said on Friday (July 16th) during an informal discussion on "Security and Perspectives in Northern Kosovo." Reeve added that investigations are under way in two recent incidents in the north. In the first, one person died after a hand grenade was thrown at a Serb demonstration in Mitrovica in the beginning of July, and in the second, Kosovo Serb lawmaker Petar Miletic was shot and wounded. At the discussion, Kosovo Deputy Prime Minister Hajredin Kuqi again urged Serbs to accept Kosovo's independence and not become hostages to instructions coming from Belgrade.

PRISTINA, Kosovo -- EULEX says that Kosovo Central Bank Governor Hashim Rexhepi was arrested on Friday (July 23rd) in Pristina as part of a corruption investigation. Raids were conducted in the Central Bank offices, a private company and private properties of four suspects, including Rexhepi. EULEX says the searches began after information surfaced indicating abuse of power, bribery, tax evasion and money laundering. The raids were authorised by a EULEX judge in Pristina District Court

Pristina streets were almost empty on Thursday (July 22nd) afternoon, with people jammed instead into coffee bars to watch Hisashi Owada, the presiding judge of the International Court of Justice (ICJ), announce its ruling on the legality of Kosovo's declaration of independence. "The court considers that general international law contains no applicable prohibition on declarations of independence," Owada read. "Accordingly, it concludes that the declaration of independence of the 17th of February 2008 did not violate general international law." His words triggered celebrations reminiscent of Independence Day in 2008. In Pristina, people drove around with the flags of Kosovo, the US, Albania and the EU sticking out of their windows. Landrit Kusari, a driver, left work for awhile to watch it. "I didn't expect it to be different; I feel much more confident after that," he told SETimes. Shopkeeper Xhemajl Rashiti stood in front of the Grand Hotel, a communist era symbol, says now it's time to concentrate on building the young country.

"Now, after independence, we should make the state properly," he said.

According to university professor Kujtim Kerveshi, a specialist in international law and EU issues, the court's advisory opinion "has great importance in opening the perspective of Kosovo towards future integration, which can be achieved only through more recognitions"

THE HAGUE, The Netherlands -- Much of the West is reacting to the International Court of Justice's advisory ruling Thursday (July 22nd), which upheld the legality of Kosovo's 2008 declaration of independence from Serbia. The court ruled the declaration did not violate international law. EU foreign policy chief Catherine Ashton suggested that Pristina and Belgrade use this as a catalyst for dialogue, assisted by the Union. NATO Secretary-General Anders Fogh Rasmussen said the ICJ opinion will not affect KFOR's mission in Kosovo. According to media reports, the United States has asked European nations to "unite" behind the ICJ's non-binding ruling. The foreign ministers of France and the UK, Bernard Kouchner and William Hague, invited countries that have not recognised Kosovo yet to do so. Russia, however, said the ruling would not change Moscow's stance against Kosovo's independence.

PRISTINA, Kosovo -- EU foreign policy chief Catherine Ashton has agreed with UN Secretary-General Ban Ki-moon to co-ordinate future talks between Kosovo and Serbia, the daily Express reported on Sunday (July 18th). Ban had proposed that UNMIK chief Lamberto Zannier, supported by UN Representative in Belgrade Andrew Gilmour, co-ordinate the process with the EU. Ashton has replied to Ban's request in a letter, of which Express claims to have a copy. Security and stability in the region is the product of joint efforts, the letter says, adding that long-term success will be achieved only through a coherent approach by main international stakeholders in Kosovo. Ashton wrote that after the International Court of Justice announces its opinion on Thursday, the EU would like to assist Belgrade and Pristina continue their paths to Europe. Express reports that Ashton's adviser, Robert Cooper, will lead the EU's team to co-ordinate work with UN representatives.

PRISTINA, Kosovo/BELGRADE, Serbia -- Both Kosovo and Serbia reacted quickly to Wednesday's (July 21st) decision by the UN war crimes tribunal to retry some of the counts against former Kosovo Prime Minister Ramush Haradinaj, due to witness intimidation. He was acquitted of all counts in 2008, prompting prosecutors to appeal the verdict. Pristina expressed concern over Wednesday's ruling. Prime Minister Hashim Thaci said he is convinced Haradinaj, a former member of the Kosovo Liberation Army, will prove his innocence, just as he did in the original trial.

Officials in Belgrade praised the tribunal's decision. Serbian President Boris Tadic described the ruling as "proof that the court is objective", while Rasim Ljajic, head of Serbia's council for co-operation with the tribunal, said it could have a positive impact on Belgrade's future co-operation with the court. A few days ago, the tribunal sent an arrest warrant to EULEX police, ordering the mission to ensure that Haradinaj appears in court.

PRISTINA, Kosovo -- The government has started building 13 houses for Serb returnees in the western village of Zallc. Visiting the area on Monday (July 19th), Deputy

Prime Minister Hajredin Kuci called on all displaced Serbs to return and promised them that they will feel safe and live in peace like all Kosovo citizens. Albanian villagers had initially protested the move, arguing that there are Serbs among the returnees who were involved in the 1999 war crimes.

PRISTINA, Kosovo -- Journalists are a target of threats from nationalist militants and extremists of all kinds, according to a Reporters Without Borders (RWB) report on the state of press freedom in Kosovo, published on Tuesday (July 20th). It concludes that professional and financial punishments are often imposed on journalists who uncover scandals. Although violence against journalists is rare, the RWB says financial sanctions against their families are commonplace and frequently result in self-censorship. According to the report, politicians often disparage journalists for their lack of professionalism, yet try to influence editorial stands.

SKOPJE, Macedonia -- EU envoy to Macedonia Erwan Fouere urged political parties Sunday (July 18th) to resolve tensions stemming from an incident in parliament on July 1st. The Social Democratic Alliance of Macedonia accused police of spying on their activities after a police agent tried to record their conversation with a group of disgruntled workers. That led to verbal exchanges, pushing and shoving. The opposition party accused Parliament Speaker Trajko Veljanoski of failing to defend the institution and of preventing the establishment of a committee to investigate the incident. The opposition went so far as to file a no confidence motion against him, but he survived the vote. Fouere says the issue must be resolved before the EU foreign ministers meet on July 27th. Veljanoski says he will convene a session this week to discuss establishing an inquiry committee.

SKOPJE, Macedonia -- Representatives of the ruling party and the opposition agreed Monday (July 19th) to form an inquiry committee that will investigate an incident in parliament on July 1st. The committee will be chaired by Hajrula Misini of the Democratic Union for Integration and will be composed of two representatives of the ruling VMRO-DPMNE, one representative of the opposition Social Democratic Alliance of Macedonia (SDSM) and one member of the New Social Democratic Party. The agreement follows days of tension between the opposition and the ruling majority. It began when the SDSM accused police of spying on their activities after a police agent tried to record their conversation with a group of disgruntled workers at the beginning of the month.

PODGORICA, Montenegro -- The European Commission (EC) has criticised the government's new strategy to fight corruption and organised crime, the Podgorica-based daily Vijesti reported on Saturday (July 17th). The EC reportedly concludes the document lacks main goals, deadlines and monitoring mechanisms. Brussels warns that there is no clear definition of corruption. The EC experts reportedly also conclude that the fight against graft in the judiciary is insufficient and called for more efforts to curb organised crime in the economic sector, as well as money laundering. Vijesti says the experts reviewed the government's 2010-2012 anti-corruption strategy in June. The final version -- and the action plan to implement it -- are to be adopted by the end of this month.

PODGORICA, Montenegro -- Interior Minister Ivan Brajovic and Paraskeva Badescu, head of the OSCE mission to Podgorica, signed a memorandum of co-operation Tuesday (July 20th) on implementing different projects. It envisions further support in reforming the police system, as regards fighting organised crime.

BRUSSELS, Belgium -- The European Commission (EC) published progress reports Tuesday (July 20th) on Bulgaria and Romania in the field of judiciary and interior affairs. The EC praised Bulgaria's efforts to tackle organised crime and corruption and its determination to reform its judiciary over the past year. But the document urged Bulgaria to do more to turn intentions into results, as many investigations and indictments fail to result in convictions, largely due to inert judiciaries and poorly trained police. Romania is criticised for curbing the powers of its anti-corruption body, the National Integrity Agency (ANI), as well as for failures in its public procurement procedures and rules against conflict of interests, a criticism it shares with Bulgaria. The reports are published within the so-called Co-operation and Verification Mechanism, which is intended to help the two countries achieve EU law and order standards since their accession in early 2007.

BUCHAREST, Romania -- The Constitutional Court on Monday (July 19th) once again rejected a measure related to the National Integrity Agency (ANI), saying some provisions still violate the constitution. President Traian Basescu filed the appeal, questioning the relatively short deadline for inspections to be made into the assets of senior officials. Basescu insisted the deadline should be expanded from one to three years, and that the ANI be given broader authority, which parliament had rejected. Earlier, the Constitutional Court stripped the ANI of its powers to verify asset declarations of state dignitaries arguing that the agency would interfere in areas where other institutions had constitutional superiority. In the end, a compromise was attempted, transferring some of the ANI's inspection powers to the prosecutor's office and tax authorities.

BELGRADE, Serbia - President Boris Tadic reiterated on Saturday (July 17th) that Serbia is ready for a compromise on Kosovo, but he stressed that Belgrade will never recognise its independence. "Nobody should force us to make that choice," he said, adding that EU membership remains a priority for the country. Tadic called for unity ahead of the International Court of Justice's opinion on the legality of Kosovo's independence due on Thursday (July 22nd). Prime Minister Mirko Cvetkovic said Friday that that a lasting solution to the issue could be reached through dialogue. "Serbia will address issues related to Kosovo with peaceful and diplomatic means. I'm convinced that we should, in the interest of peace and stability, find a sustainable solution," he said.

The International Court of Justice's (ICJ) advisory opinion on Kosovo's independence has sent shock waves through the political scene, with opposition parties urging President Boris Tadic and his allies to resign. The calls stem from the leaders' earlier predictions that a debate on Kosovo's independence at The Hague would result in a victory for Serbia. In their initial reaction Thursday (July 22nd), they acknowledged that the ICJ's decision was "difficult for Serbia" but would not make Belgrade give up the political fight for Kosovo. "It is clear that the court did not state its opinion on the right to

secession; rather it decided to debate only the technical contents of the declaration of independence," Tadic said in his address to the public, noting that the political struggle will continue at the UN General Assembly this fall. He added that Serbia would do all it can to keep the peace in the former province, while working to prevent more countries from recognising Kosovo. "The struggle for a compromise solution will be a long and arduous one, but we will not withdraw from it," Tadic said.

BELGRADE, Serbia -- President Boris Tadic and visiting Croatian counterpart Ivo Josipovic committed on Sunday (July 18th) to boost bilateral co-operation and resolve open issues, such as the return of refugees in Croatia, the border issue, missing persons, and minority rights. After meeting in Belgrade, the two officials also expressed mutual support for their countries' respective EU integration processes. As for the mutual genocide claims filed with the UN's International Court of Justice, both presidents agreed an out-of-court settlement would be preferable. Josipovic is making his first visit to Serbia since taking office in February.

ROME, Italy -- The lower house of parliament approved the Stabilisation and Association Agreement (SAA) with Serbia on Wednesday (July 21st) and sent it on to the senate for approval. The EU unblocked the SAA with Serbia on June 14th, two years after it was signed, and invited EU member parliaments to start ratifying the document. Three have ratified it so far -- Spain, Malta and Bulgaria.

A newly adopted law on electronic communications is stirring controversy in Serbia, with critics saying it is unconstitutional and a violation of the right to privacy. It requires telephone and internet operators to monitor communications and maintain records, which can be accessed at any time by police and security services, without a court order. A fierce public debate has been waging for months over the legislation, which was eventually adopted by parliament. Among the ruling coalition members, only the Alliance of Vojvodina Hungarians opposed the measure, while Vuk Draskovic's Serbian Renewal Movement abstained. Ombudsman Sasa Jankovic proposed an amendment that would require the police and security services to seek court permission for access to an individual's communications, but parliament rejected it. Jankovic told SETimes that the issue moves next to the Constitutional Court of Serbia.

"An unlimited right to control citizens' telephone and internet communications is a violation of a basic human right to privacy. That right is guaranteed by the constitution," Jankovic said. Commissioner for Information of Public Interest Rodoljub Sabic also sought to amend the bill. But the government disagreed. According to Nada Kolundzija, president of the ruling coalition's parliamentary group, the existing legislation does not breach the constitution. "The constitution does not state how to control and how to collect the information," she said

Oceania

MELBOURNE (AFP) – The Australian Sex Party on Tuesday promised to spice up campaigning for next month's elections with a manifesto "unlike Australia had ever seen before". Party chief Fiona Patten launched a risqué national campaign at a

Melbourne bar, saying her policies "would make (opposition Leader) Tony Abbott's hair stand on end and would turn (Prime Minister) Julia Gillard's hair grey". prospective "We've always been forward and we actually enjoy real action," Patten said, mocking Gillard and Abbott's "Moving Australia Forward" and "Stand Up For Real Action" slogans. The party's policies include legalising euthanasia, decriminalising all drugs for personal use, and watering down strict anti-pornography laws.

Although sure to attract criticism from church groups and other conservative elements in society, Patten said it was time an Australian political party pushed the boundaries. Patten said personal freedom issues affect people's lives more often than tax or immigration, and wanted to break down "nanny state" policies that she said had been built up over several decades by the major parties. While the party will struggle for mainstream support, Patten remained confident of at least one Sex Party candidate being elected to the country's Senate. "In the privacy of the polling booth, anything could happen," she said. The Sex Party is running a candidate against Abbott in his Sydney electorate, a comedian who has offered to doorknock voters wearing a "mankini" -- a type of bikini designed for men.

SYDNEY (AFP) – Australian leader Julia Gillard has promised close engagement with Asia if returned to power next month, shrugging off her lack of foreign policy experience and a row over a regional refugee centre. Gillard admitted she did not have the foreign affairs experience of Kevin Rudd, the Mandarin-speaking former diplomat she ousted last month, but said warm regional ties would be a hallmark of her new government. "I would like to think that engagement in our region is what would stamp the Gillard government. I mean this is where our future lies," Gillard, who is campaigning for August 21 elections, told public broadcaster ABC late Monday. "This is where we've got to make our way in an ever-changing and very competitive, sometimes cut-throat world in terms of economic competition. We are a great trading nation. We can make the most of the opportunities in our region." Gillard's brief stint in office has been marked by problems over the new refugee centre, which she wants to build in East Timor despite strong objections from lawmakers. Australia's first woman prime minister was also accused of not consulting neighbouring countries widely enough after failing to discuss the proposal with Indonesia, a major transit point for asylum-seekers. Gillard also cast doubt on the viability of a new "Asia Pacific community" forum suggested by Rudd, but her comments were later contradicted by Foreign Minister Stephen Smith. "I'm not going to pretend that I've come to this position with a lifetime in foreign affairs," she said. "I haven't. That's true. "And if you look at some of my predecessors as prime minister, obviously Kevin Rudd had a lifetime of experience in foreign affairs. John Howard did not and we could go back through prime ministers across the ages." The Welsh-born lawyer's early campaign has focused on quality of life issues and keeping a population boom in check as she tours marginal seats in the state of Queensland and western Sydney ahead of the elections. Conservative opposition leader Tony Abbott has attacked the government's economic record and pledged 1.2 billion dollars (1.0 billion US) in cuts as he bids to overhaul Gillard's lead in the opinion polls.

HANOI (AFP) – East Timor has not ruled out involvement in a centre for processing asylum seekers but the idea, mooted by Australia, must be dealt with

regionally, its foreign minister told AFP in an interview. Shortly after taking office this month Australia's new Prime Minister Julia Gillard said she was in talks with East Timor about housing Asian migrants who arrive off northern Australia in rickety people-smuggling boats. "We are open for discussion but I think it's important to reiterate that we should involve our regional partners as well," East Timor's foreign minister Zacarias Albano da Costa said. Questions over the centre's location and how much planning had gone into the proposal were then raised when Gillard later said East Timor was only "one possibility" for the facility. There have been no formal talks on the matter and Australia had "not even presented a clear and complete picture", da Costa said ahead of the annual ASEAN Regional Forum (ARF) security talks. Australia and East Timor are among the group's 27 members meeting Friday in Vietnam. The asylum seekers issue is expected to dominate Australia's election campaigns ahead of the August 21 vote. Australia processes asylum seekers at Christmas Island in the Indian Ocean, but facilities have become overwhelmed and forced the reopening of centres on the mainland.

SYDNEY (AFP) – Ousted Australian Prime Minister Kevin Rudd Thursday confirmed he was in talks over a possible United Nations role but said he did not plan to quit the national parliament. Rudd, who was replaced by Julia Gillard last month in a party coup, said he had discussed a "development" role with UN Secretary-General Ban Ki-moon, after reports linked him with a new climate-change position. "Among other matters, (Ban) raised the possibility of Mr. Rudd being appointed to a United Nations panel which might look at a number of issues related to development," Rudd's spokesman said in a statement. He added that the role would not require Rudd to move to New York or abandon his parliamentary seat. Rudd proved a distraction to Gillard's campaign for August 21 elections when he was mobbed by media on Wednesday. "It would be similar to other United Nations panels like that on climate change finance ... (which) meets three times a year," the spokesman said. He said that since the panel would involve limited meetings and did not require residency abroad, it should not interfere with parliamentary work. "Should Mr Rudd be appointed to such a panel it would not cause any impediment to him discharging his responsibilities as a local member of parliament or as a minister in a future Labor government," he added. Gillard has promised Rudd a cabinet position if centre-left Labor is re-elected, after his spectacular knifing by party colleagues on June 24. Rudd was enormously popular after winning 2007 elections against conservative John Howard, who was prime minister for 11 years, but finally slipped in opinion polls after shelving emissions-trading laws and rowing with the mining industry over a new tax. The Daily Telegraph, quoting a diplomatic source, said UN chief Ban was considering creating a top-level climate-change advisory position for Rudd, who took a lead role in last year's Copenhagen environmental talks. "He was the prime minister who saw Australia sign up for the Kyoto Protocol many years after we should have," said Foreign Minister Stephen Smith of Rudd's credentials for such a role. "His standing in these matters, internationally, is very high, as it should be."

SYDNEY – David Warren, an Australian scientist who invented the "black box" flight data recorder, has died, defense officials said. He was 85. Warren, who died Monday, came up with the idea for the cockpit voice recorder after investigating the crash of the world's first commercial jet airliner, the Comet, in 1953, the Department of

Defence said in a statement. He thought it would be helpful for airline accident investigators to have a recording of voices in the cockpit.

He designed and constructed a black box prototype in 1956, but it took several years before officials understood just how valuable the device could be and began installing them in commercial airlines worldwide. Warren was born in 1925 in a remote part of northeast Australia. In 1934, his father was killed in a plane crash in Australia.

He became the principal research scientist at the Defence Science and Technology Organisation's Aeronautical Research Laboratories in Melbourne from 1952 to 1983.

"Dr. Warren's flight data recorder has made an invaluable contribution to safety in world aviation," the defense department said in a statement. In 2002, Warren was awarded the Order of Australia — among the nation's highest civilian honors — for his work. Warren is survived by his wife Ruth, four children and seven grandchildren.

SYDNEY (AFP) – Australian Prime Minister Julia Gillard Friday announced a new "citizens assembly" to guide action on global warming, in a major pre-election speech which was hit by protests and condemned by critics. Security staff leapt on one demonstrator who invaded the auditorium and led him away in handcuffs, while chanting could be heard through much of Gillard's address at a Brisbane university campus.

The prime minister made only a slight pause and smiled briefly during the disturbance, which constituted the first hiccup of her tightly managed campaign for August 21 elections. The 150-strong assembly, to consult over 12 months, was the centrepiece of Gillard's long-awaited announcement on the environment, a key voting issue in the world's biggest per capita polluter. "Through a dedicated discussion, a representative group of Australians drawn from all ages, parts of the country and walks of life will help move us forward," she said. "And if I'm wrong and that group of Australians is not ready for the consequence of change, that will be a clear warning bell that our community has not been persuaded as deeply as required about the need for transformational change."

Gillard said the assembly, helped by a new commission to sift scientific advice, would examine the case for a carbon-trading scheme which twice failed in parliament and was then shelved by ex-leader Kevin Rudd, badly damaging his support. Australia's first woman prime minister said she remained committed to a "market-based" solution to pollution as the country bids to cut emissions by five percent from 2000 levels by 2020.

Businesses would be given incentives to act immediately on pollution and Australia would make use of renewable energy, Gillard added, warning that she would only act "in step" with major economies. But the initiative drew an outraged response from the Greens party, environmental groups and some academics. Greenpeace said Gillard was pandering to the powerful mining industry -- seen as influential in some marginal seats.

"I'm pretty disgusted with what the prime minister came out with today," said Greens Senator Christine Milne. "It was really a pretty weak position on climate change."

Professor Warwick McKibbin, director of the Research School of Economics at the Australian National University, called the approach "extremely disappointing".

"The science and expert input has made a strong case for action for more than a decade. A majority of Australians already want to take action on climate change," he said.

Opposition leader Tony Abbott said the announcement was just "camouflage" for plans to introduce a carbon tax, while a coalition of green groups said the proposal was an "insult" and "appalling". "The citizens' assembly is basically an insult to the millions of people

who did vote for climate change action in 2007," said the World Wildlife Fund's Gilly Llewellyn.