

Zonal Report 136 Summary  
PROJECT ON BUSINESS AND POLITICS IN THE  
MUSLIM WORLD

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

### **Report Summary**

US/Canada

Political Issues

The midterm election is around the corner and it is a big fight between the republican and democrat, the latter is on defensive fight to retain House majority, while the former is embarking on an offensive campaigning to outmatch the democrats.

Americans are crying of recession, but midterm elections spending is telling a different story. Giving the circumstances surrounding the elections and the sensitivity to the parties, financial reports indicate that \$billions are expended for capturing and retaining majority in the House.

Economic Issues

Economic issue is standing at the heart of the midterm elections and the fear of the democrat party of losing its House majority is manageable if the state of the economic woes can be turned around. Housing, unemployment, tax and many more are pinching most Americans.

The rebounding of U.S economy particularly as the midterm elections is crucial for the Obama reelection but that could be possible if proactive and task oriented policy makers are placed in the numerous vacant seats that are still unoccupied.

Social/Humanitarian Issue

The plan to burn the Qur'an by Rev. Terry Jones has been widely condemned even by Obama administration. The action is potential enough to brew more enmity for the United States in the Muslim world than closing the gulf of misunderstanding. Having understood the pressure, Jones was forced to cancel his sacrilegious and despicable effort.

Imam Feisal Abdul Rauf has publicly disclosed that regardless of the indignation surrounding the Ground Zero mosque, plan to construct the mosque will continue on site. Rauf believes the whole plan has to be transparent to the public and as a way to soften the ire of the antagonists.

## Food, Environment and Energy Issue

Most Americans wait to read BP's investigation of oil spill in the Gulf of Mexico, the report is expected to unravel what went wrong but analysts believe BP is less likely to shoulder much blame on itself in the report.

## Geostrategic Issues

### Western Europe

### Political Issues

It was the first state of union address coming from Brussels, but it was an opportunity for European Commission President Jose Manuel Barroso to tell the world how EU and its projects have been a success story and the need for the bloc members to work in solidarity in times to come. Whether Barroso's assertion is correct or wrong, citizens of the bloc would be better placed to tell, even though recent survey tells that many in the bloc have no confidence for the EU.

Could Germany regain its identity and pre-World War two status as Europe super power? This question will have to be judge by the extent to which Germany's political and economic clout is established in Europe and the world over. It is said that the Germans are reawakening from their slumbered identity, as model to be copied, though putting behind them the Nazi identity.

### Economic Issues

Facing the Greek financial crisis was no easy task for the EU, it was definitely an unprepared financial blow for the bloc, that uprooted hidden sentiments within the bloc and how national identity can clash with regional interest. The economic crisis is yet to be over as EU banks are still scratching the scar left by the crisis.

Meanwhile, the bloc has resolved to have an oversight of national budgets that every member state will report its budget to Brussels, only UK was exempted. Ireland is also arguing that its bank is though facing serious debt problems but not on same track as Greece.

The EU Visegrad countries are challenging rebatement policy in the EU as Britain believes scrapping such will be detrimental to its net contribution which obviously means that London will be paying more than the rest of EU power house.

Saving the Eurozone from another financial woe was the underlying philosophy for the establishment of a financial regulation bodies by the EU. Having the bodies was not easy task as many political games were played before a consensus was reached. Accordingly the bodies are powered to ban certain high-risk financial products and activities, to instruct banks and other financial actors in crisis situations and to draw up standards for national regulators and settle disagreements between them.

But the European Commission failed to have a consensus on resolution funds, a fund to be generated by the levy on banks in each member states. UK, France and the Netherlands stands against the funds, but welcomed by Germany and Sweden, while others undecided. The fund is expected to be a bailout measure for banks than making taxpayers pay for banks' mistakes in the period of financial crisis.

Germany along with few EU members rejected American policy of huge stimulus to stir up global economic recovery but rather held on to austerity measure which is now paying the German economy. The German government is asking other EU members to act on its model of strict and principled financial practices if Europe must survive and finally walk through its financial crisis.

EU Free Trade Agreement with South Korea is handicapped by MEPs reservation particularly from Italy. The reservation is sensitive because such agreement might affect the domestic industry of car producing EU members.

British government is stepping up effort to cut state spending and creating autonomous enterprise as measure to balance the downing economy. Meanwhile report has it that prices in Britain rose by 0.2 percent in August after a gain of 0.6 percent in July.

#### Social/Humanitarian Issue

Italy is tailing behind France on expelling and dismantling Roma camps and thus made the issue more momentous within the European parliament, it is clear that many MEPs are not comfortable with the manner with which the Roma expulsion is handled as it divides the parliament and accusing finger pointed at the European commissioner for justice.

#### Food, Environment and Energy Issue

The effort of the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the International Finance Corporation (IFC), meant the Europe is deeply craving to see the Nabucco pipeline project operational. The pipeline is projected to bring gas from the Caspian to central Europe and way of reducing energy dependence on Russia.

#### Geostrategic Issues

The reality behind sanctioning Iran is dawning on IAEA claiming Tehran is becoming more obstinate and not transparent enough with inspectors. Iran is believed to be reciprocating with lack of cooperation after the UN sanctions, hence justifying the Brazil and Turkey's view that sanction will further complicate matters.

Southeast Europe

Political Issues

Economic Issues

Social/Humanitarian Issue

Food, Environment and Energy Issue

Geostrategic Issues

Oceania

Political Issues

The new Australian coalition government is compromising the policy of increasing tax on the mining sector. It is true that the power sector was responsible for the decline of ex-PM Rudd when he attempted to implement tax policy on the powerful sector.

Economic Issues

Social/Humanitarian Issue

Say the truth and shame the Devil and waste no time of court was the implicit message sent by the South Australian Attorney-General John Rau to Australian criminals. The court is ready to reduce 40% of punishment if a criminal would plead guilty within six weeks of arrest.

Food, Environment and Energy Issue

The southeastern state of Victoria, Australia experienced its own share of the growing effect of global warming and climate change as rising flood waters threatened hundreds of Australian homes. New Zealand was also gripped by earthquake.

## Latin America

### Political Issues

In Brazil, Ms. Rousseff, the hand picked candidate of President Lula maintains her lead over all oppositions. Lula's one sided support for Rousseff has been a source of resentment in the political arena.

Venezuelan President Hugo Chavez is having a divided loyalty among the citizens as his 21<sup>st</sup> Socialism has been under attack by opposition. Venezuelan Jew community believes the media is unfriendly, targeting Jews as un-loyal citizens, whose actions are damaging to country's economy. A Jewish leader is lobbying Chavez for political post in order to combat these anti-Jew sentiments.

### Economic Issues

Regional cooperation is an undoable thing the region cannot downplay and this is becoming more evident in terms of economic ties in the region. Venezuela might have lost Colombia as a trade partner due to border brawl but Argentina is now filling that gap. This will be true for energy ties between Argentina and Chile, as the latter is expected to start exporting liquefied natural gas to Argentina.

Brazil-China-India economic relations is increasingly becoming stronger characterized by the huge investment exchange among these BRIC nations. Such atmosphere evidently adds to Brazil's bubbling economy with a remarkable GDP growth.

Venezuela economy is not showing any sign of quick change, growth rate is little or nothing and oil revenue has equally dropped owing to less oil exploration in its Orinoco belt. Nonetheless, Venezuelan government earmarked million of dollars to be used in constructing and refurbishing social infrastructures in a state bordering Colombia.

### Social/Humanitarian Issue

Although it can be counted as credit for President Lula, the enrolment of Latin American students at the Federal University for Latin American Integration (Unila) in Brazil, is yet another snowballing pace of regional integration among the Latinos.

Rescue effort to bring Chilean miners trapped in underground mine remains a serious concern for Chilean government, seeking all possible ways to getting the men back on earth surface. The recent case might have to force the government to reform mining laws.

Ending the menace of Colombian FARC rebel and Mexican drug lords would be two most worrisome issues in the region. Drug, weapon and violence are threatening lives and government and there is little doubt that it is not a protracted war to fight. Due

to the escalation of the violence in Mexico, U.S Congress is slashing the Merida Initiative Plan fund.

## Food, Environment and Energy Issue

## Geostrategic Issues

Brazil-China relations is not limited to trade but transcends into the realm of strategic cooperation, the recent visit of Chinese officers to Brazil was geared at deepening promoting armed forces cooperation of the two countries. The Chinese defense minister also paid Colombia a visit.

As Latin American and Chinese leaders are increasingly developing interest in Africa, inducting South Africa into BRIC will be a less far fetch reality. South Africa is said to be a potential candidate for the group.

## Russia and its Neighbours

## Political Issues

The political atmosphere remains tense due to the repression of opposition, clamouring for a change in political participation. Opposition media, activities have been subjected to different form of attacks and such could better explain the reason for coalition of oppositions, forming a platform for the 2011 parliamentary elections and having a single nominee for 2012 presidential elections and.

Investigation into the plane crash that killed former Polish president and many Polish leaders is reawakened as a political issue the opposition lead by Jaroslaw Kaczynski is using as challenge against the government.

Indo-Polish relation is witnessing a good season as investments exchange between the countries is rising. The tie was further cemented by the visit of Indian PM to Poland during the last week.

Ukrainian President Viktor Yanukovich wants a political calmness among regional parties but the oppositions in the parliament are challenging government economic and energy policies. The opposition lawmakers launched protest against a hike in gas and utilities prices and other government policies.

Hungarian ruling FIDESZ party is putting all political cards on table to ensure a success at the forthcoming municipal elections, victory in the election is expected to enable the centre-right party muster more muscle to revive the weak economy through a formidable 2011 budget. Amid the election passion, there is insinuation that the ruling party plans to use the State Audit Office to discredit rival political grouping.

In Belarus, run up for presidential elections is underway but the election governing body is not set to announce date of the elections. Such atmosphere will further create misgiving for opposition seeing the present system as authoritarian.

Latvia will join the host of countries facing ageing population and emigration problem, therefore the growing advice to the government in order to save the weak economy is reversing the situation.

### Economic Issues

Russia financial sectors like their counterpart in other BRIC countries are showing good signs of financial stamina. The economy is showing resilience despite the looming economic troubles facing the country.

According to the results of a survey conducted in June the opposition to Poland's possible adoption of the euro is growing in the country in reaction to the Greek public finance crisis, with 47% of Poles against the plan, compared to 38% in December 2009.

Meanwhile, the latest Global Competitiveness Report by World Economic Forum (WEF) puts Poland among the leaders in central and Eastern Europe (CEE) in terms of competitive economy. Poland rose to 39th from 46th most competitive economy worldwide last year.

For the countries in the region, 'Europe 2020' strategy has become a target upon which economies are expected to become stable, crisis free and having low level unemployment. Czech new government is taking this target seriously.

Slovakia's centre-right coalition government has united on plans to temporarily increase the rate of value-added tax (VAT) from 19% to 20% from January 1, 2011, in a bid to reduce the country's public deficit. Doing for its own economy, ECB is irked at Slovakia's rejection to participate in the Greek loan bailout

For an economy still struggling to maintain its stamina, borrowing from international financial houses will be the best option; Hungarian government is considering this as it sells bonds to international and domestic investors in order to get loans.

### Social/Humanitarian Issue

The United Russia party leader Boris Gryzlov has said that Russian President Dmitry Medvedev has approved a plan that seeks an overhaul of the country's police system in order to curb corruption and usurpation of power.

North Caucasus remains the trouble spot for Russia and quenching the trauma is similar to what the Mexican government is passing through.

President of Belarus Alexander Lukashenko is craving for good and cordial relation with neighbours in order to increase export of Belarusian products to its neighbors. Meanwhile, the dragging energy rift between Russia and Belarus has been asked by the Economic Court of the CIS to be given an out-of-court settlement.

Late Maharaja of Jamnagar, Gujarat who gave asylum to many displaced Polish citizens of Ashkhabad and Samarkand has been asked to be posthumously honored by Indian. If that is granted, it will further attest to the new level of Indo-Polish ties.

Ukrainian President Viktor Yanukovich hopes to borrow the Chinese model of which the organization of international events like (Beijing Olympics and Shanghai World Expo) could help showcase a country to the world.

According to the 'Progress in International Reading Literacy Study,' reports by Nozare.lv the Latvian schoolchildren read very little outside of school and have a bad attitude towards reading.

#### Food, Environment and Energy Issue

Sino-Russia energy deal reaches a new level as China agreed to lend Russia about \$6 billion in exchange of increasing coal supplies over the next quarter century. Such deal is part of the ties knobbed by the BRIC countries.

In Latvia, German Chancellor Angela Merkel defended her government's decision to extend the lifetime of the country's nuclear plants against criticism that the deal guarantees huge windfall profits to utility companies.

Lithuanian government is showing a transparent attitude to all international investors bidding to participate in the country's nuclear power plant construction. Ministry of Energy hopes to release name of successful investor by end of 2010.

#### Geostrategic Issues

Political tension between Russia and its neighbours is always creeping and this time around an international tribunal will have to decide whether or not Russia was responsible for ethnically cleansing Georgian over the last two decades.

Russia-U.S Non proliferation pact is yet to have a certain approval by the U.S Senate due to republicans' skepticism of the pact that such pact could undermine U.S ability to build arsenal against its enemies. However, the uncertainty in nuclear pact is not obstructing Russia-US and Russia-France military cooperation.

NATO has reacted to the new Russia-Armenia strategic alliance, NATO sees no offense if Russia base sits in Armenia as the latter is a member of CSTO [Collective Security Treaty Organization] therefore no cause for alarm.

Turkey position in the region should not be down played and Europe must recognize Ankara's importance to the EU. This was the message reiterated by the Czech Foreign Minister Karel Schwarzenberg asking EU to keep to its promise.

Hungary-Slovak impasse does not need a third party and can better be resolved between the two countries. Hungarian Foreign Minister Janos Martonyi made this known in Austria as a way of dampening tension with Slovakia after the Hungarian controversial dual citizenship legislation.

From the Indian standpoint, the just concluded quadripartite summit of Russia, Afghanistan, Pakistan and Tajikistan hosted by President Dmitry Medvedev was that Moscow decisively moved to de-hyphenate its relations with Islamabad and New Delhi.