

# INTERNATIONAL NEWS

## MONTH IN A NUTSHELL

**French, Dutch put EU in quandary:** France dealt a potentially fatal blow to a landmark treaty meant to streamline the 25-member European Union's (EU) working in the 21st century, with a 55% voters saying 'non' to the proposed European Union Constitution, in a referendum held on May 29, 2005. The Dutch followed the French route and rejected the Constitution even more strongly. Analysts say that the Dutch 'no' is a decisive backlash against the 50-year-old European dream of ever-closer union, leaving the continent in an unprecedented crisis of confidence, with its visions of future superpower status in tatters.

**Britain—Blair wins historic third term:** Braving public anger over the Iraq war, Prime Minister Tony Blair, on May 6, 2005, won a historic third term in power for his Labour Party, but with a drastically reduced majority that could force him to step aside even before his term expired. Mr Blair, acknowledged that Britain's decision to join the US-led war on Iraq had an impact on his party's performance in the elections for the 646-member House of Commons. He is the only Labour leader to have won three elections in a row. Margaret Thatcher of the Conservative Party was the only other post-war Prime Minister to have won three successive general elections.

**Uzbekistan—Bloodbath follows revolt:** Many people, possibly hundreds, were killed in eastern Uzbekistan on May 13, 2005, when government troops opened fire on unarmed demonstrators in Andizhan, a city in Uzbekistan. The unrest then spread to a second town, Korasuv, also in the Ferghana valley, in the east of the country. For a couple of days, the unrest continued to spread in a region bordering Kyrgyzstan—the worst since Uzbekistan gained independence from the Soviet Union in 1991.

**France—Chirac appoints new Prime Minister:** French President Jacques Chirac named loyalist Dominique de Villepin as his new Prime Minister on May 31, 2005, in a shake-up of the government following his crushing referendum defeat over the European Union Constitution. Villepin replaces the unpopular Jean-Pierre Raffarin, who quit earlier. Promotion of the loyal Villepin could be a sign Chirac intends to fight back after the referendum humiliation and keep open his options for seeking a third term in 2007. Villepin, 51, is a former Interior and Foreign Minister who angered the United States but won French hearts with his fierce opposition to the US-led war in Iraq. He now has the task of reshaping government policy after

voters showed their distaste for Raffarin's economic policies and high unemployment in the vote on the EU charter.

**Lebanon—New government elected:** Saad Hariri, the son of assassinated former Prime Minister Rafik Hariri, swept Parliamentary elections in Lebanon's capital Beirut, held on May 29, 2005, inheriting the public mantle left by his father and shoring up his chances of becoming Prime Minister. This was first Parliamentary election since Syrian troops ended their 29-year domination of Lebanon. In death, Rafik Hariri had become a symbol of resistance to Syria. Although Syria denied any involvement in his assassination, the bombing that killed Hariri pushed Lebanese protesters into the streets and led to the withdrawal of Syrian soldiers, under intense pressure from the international community. The biggest challenge facing the new Parliament will include a UN resolution demanding the disarming of Hizbollah, and the fate of President Emile Lahoud, a close ally of Syria.

**Russia, China, India talks:** Describing as "fruitful", the trilateral talks between India, Russia and China in Vladivostok, held on June 2, 2005, Russia said the interaction of three great powers was a "positive" factor in the development of the world situation. The foreign ministers of the three countries had thrice met before in the trilateral format. This was their first 'stand-alone' meeting. The joint communiqué of Vladivostok meet has "clearly reiterated the commitment to move towards the multi-polar world, in which the UN plays a central role and collective steps, based on international law prevail in resolving regional and global problems." The next meeting of the three would be held in New Delhi in March, 2006, and would also be attended by government experts and business leaders.

**Leaders salute WW II veterans:** Paying rich tributes to Soviet people's sacrifice in World War II, Prime Minister Manmohan Singh, along with over 55 world leaders, joined Russian President Vladimir Putin on May 9, 2005, for a grand military parade at the historic Red Square in Moscow, marking the 60th anniversary of the Allied victory over Nazi Germany, and marking the end of World War II. In a keynote address at the Red Square parade, also attended by US President George W. Bush and UN Secretary General Kofi Annan, Putin recalled the Soviet Union's massive sacrifice and thanked its allies for their role. More than 40 million people had lost their lives by the time World War II ended in Europe on May 8, 1945, including 27 million from the Soviet Union, highest for any country. Chinese President Hu Jintao, German Chancellor

Gerhard Schroeder and French President Jacques Chirac were among the leaders who came to Russia for the event. Japanese Prime Minister Junichiro Koizumi also came despite the absence of a treaty ending World War II hostilities between Moscow and Tokyo.

**EU gets Iran to extend N-freeze:** On May 27, 2005, after talks in Geneva, the European Union and Iran agreed to a two-month breathing space for a deal on Iran's nuclear programme, deferring any immediate referral of Teheran to the UN Security Council for possible sanctions. In what were billed as make-or-break talks, the EU appeared to have won a commitment from Iranian negotiators that Teheran would continue the temporary suspension of nuclear activities agreed between the two sides in November 2004. In return, the foreign ministers of Britain, France and Germany promised to provide Iran with detailed proposals by the end of July or early August, on how the EU would keep its side of that bargain, which is supposed to lead to a final deal. Diplomats said one of the EU's main objectives at the Geneva talks was to push any decisions beyond presidential elections in Iran, set for June 17, 2005.

**Human Rights abuses at Guantanamo Bay:** On May 17, 2005 *Newsweek*, an American magazine, retracted a report that said the US military had confirmed that guards at Guantanamo Bay had thrown a Koran into a toilet. The report provoked riots in several Muslim countries, including Afghanistan, resulting in deaths. On June 3, 2005, the US released details about five confirmed cases of US personnel mishandling the Koran at the prison in Guantanamo Bay, Cuba, acknowledging that soldiers kicked the holy book, got copies wet, stood on it during interrogation and inadvertently sprayed urine on a copy.

## IMPORTANT NEWS IN DETAIL

### EU

#### French, Dutch put EU in quandary

**F**RANCE dealt a potentially fatal blow to a landmark treaty meant to streamline the 25-member European Union's (EU) working in the 21st century, with a 55% voters saying 'non' to the proposed European Union Constitution, in a referendum held on May 29, 2005.

French President Jacques Chirac, who had predicted France's isolation in Europe if the Constitution was rejected, said, "the decision of France inevitably creates a difficult situation for the defence of our interests in Europe."

Many European leaders, however, insisted that the political firestorm set off by France across the continent would not stall Europe's 50-year old integration drive. Current EU President, Jean-Claude Juncker, Prime Minister of Luxembourg, insisted ratification of the treaty should continue in other member States. The Treaty, he insisted, is not dead.

The French people wished to reject a tired and unpopular government that has failed to represent the concerns of the ordinary people. Many French voters wanted to punish Chirac and his conservative government over unemploy-

ment that is at a 5-year high of 10.2%, and other economic problems. Other critics were angry at what they see as France's declining role in the Union, especially with the expansion to 25 members in 2004.

The Dutch followed the French route and rejected the Constitution even more strongly. Analysts say that the Dutch 'no' is a decisive backlash against the 50-year-old European dream of ever-closer union, leaving the continent in an unprecedented crisis of confidence, with its visions of future superpower status in tatters.

The Dutch "Nee" left Poland, the Czech Republic and Britain wavering on their own promised referendums on the Constitution. Market confidence plunged and European officials in Brussels admitted the EU had never sounded weaker on the world stage.

In an ironic sideshow to the people's rejection of European integration, the new Constitution was ratified on June 2 by the Parliament of Latvia, the Baltic country that joined the EU in May 2004.

The rejections, analysts believe, have signalled an abrupt halt to the expansion and unification of Europe, a process that has been met with growing disillusionment among the wealthier European Union members. It makes Europe more vulnerable to economic and political uncertainty. It could paralyse decision-making in the European Union for months and complicate the process of admitting new members.

The Constitution is essentially a vehicle to streamline decision making in the expanded 25-member bloc, and a blueprint for the next stage of its growth and unification. It eliminates the six-month rotating EU presidency, creating a President with a maximum five-year term; details a list of basic rights; and determines what functions, such as issuing visas or making rules on immigration, will be governed by the European Union headquarters in Brussels and what others, like foreign policy and defence, will remain with member States.

If the Constitution does not survive, the EU would continue to operate under its current rules. But the system is widely seen as unworkable for a union intent on enlarging further.

Following the document's rejection in France and the Netherlands, Britain, on June 6, 2005, shelved a referendum on the European Union Constitution. The move strongly suggests that the treaty in its current form cannot be revived, and removes a major complication for Tony Blair, whose euro-skeptic electorate would have been difficult to convince.

The likely demise of the historic charter also represents a victory of sorts for Britain—whose traditional quiet objectives of watering down European political union and blunting Franco-German influence have been well served.

Across Europe, many people saw the British announcement as a final nail in the charter's coffin.

There are no formal rules saying what should be done if ratification fails. However, the heads of State or government

of the 25-member States took a political commitment to deal with the matter within the European Council, to try to find a solution if two years after its signature, four-fifth of the member States have ratified it and one or more member States have had difficulties in going ahead with ratification. They might, for example, try a second time to have the Constitution ratified; they might hold a new intergovernmental conference, or make other ad hoc arrangements. Until a solution is found, the current Treaty of Nice would remain full in force.

## UZBEKISTAN

### Bloodbath follows revolt

**M**ANY people, possibly hundreds, were killed in eastern Uzbekistan on May 13, 2005, when government troops opened fire on unarmed demonstrators in Andizhan, a city in Uzbekistan. The unrest then spread to a second town, Korasuv, also in the Ferghana valley, in the east of the country.

For a couple of days, the unrest continued to spread in a region bordering Kyrgyzstan—the worst since Uzbekistan gained independence from the Soviet Union in 1991.

The government of President Islam Karimov has maintained that it had acted to minimise the use of force in putting down a prison-break and demonstration

in the Ferghana valley, blaming the violence on those who stormed the prison, and describing the heavy response as necessary. The President said that troops had fired only after being fired upon first.

Uzbekistan, with 26 million inhabitants, the most populous State in ex-Soviet Central Asia, is an ally in US President George W. Bush's war on terrorism. It hosts an American air base which serves as a way station for operations in Afghanistan.

Uzbekistan nascent Opposition movement, galvanised by the bloody suppression of a revolt in the east, urged the United States to help it oust hardline President Islam Karimov.

The United States said it was "deeply disturbed" by the actions of Islam Karimov's government. Washington and the EU have urged Uzbek President Islam Karimov to probe the clashes.

But Uzbekistan said that it would not allow an international investigation into bloodshed in Andizhan and won Russian backing for its stand. Russia has said that Uzbekistan should be allowed to hold its own investigation. In May, 2005 Karimov visited China, which also backed his refusal to hold an investigation and hailed the Uzbek crackdown on "separatism, terrorism and extremism".

## BIZ-BUZZ

### National Hydroelectric Power Corporation (NHPC)

is planning to raise \$100 million from the international market, with an insurance credit from the export credit agency COFACE, for the 2000-MW Subansiri power project in Arunachal Pradesh.

**Indus Aviation** has opened India's first Light Sports Aircraft (LSA) showroom in Bangalore. The Texas-based company, promoted by NRI Ram Pattisapu, is also engaged in city-based aircraft manufacturer Taneja Aerospace.

**After mobile phones, Nokia** has now decided to make cellular telecom infrastructure in India. The company would make high-end Base Station Controllers (BSCs) in Chennai, in the same plant where it has decided to make cellphones.

**The Reliance group** has picked up a 25% stake in Mumbai-based kids wear major Gini & Jony Apparels. Gini & Jony is expected to use the funds mainly for financing its capacity and retail expansion plans.

**The Videocon group** has acquired the entire ownership of Hyundai Electronics India Ltd (HEIL), the consumer electronics arm of the \$ 27 billion South Korean major.

**Marking the first time** two major newspaper houses in the same city have combined their readership for the benefit of advertisers, The Indian Express Group and the Mid-Day Group have announced a strategic advertising rate alliance for the Mumbai market.

**The Blackstone group**, the US private equity giant, has announced plans to invest up to \$1 bn in Indian companies. This will be New York-based Blackstone's first foray into Asia. It has hired Akhil Gupta, the former CEO, corporate development, at Reliance Infocomm, to head its local outfit.

**Royal Dutch/Shell** plans to invest Rs 3000 crore in setting up a bulk cargo and container terminal at Hazira port, where it has

built an LNG receiving terminal.

**The government** has cleared the applications of Star-Tata combine, as well as that of Kalanidhi Maran's SUN TV, for providing Direct-to-Home (DTH) services.

**Singapore Telecom (SingTel)** has increased its stake in Bharti Tele-Ventures from 28.16% to 30.84% by infusing \$ 252 million.

**EXL Services** is the first Indian BPO company to seek a listing on the Nasdaq.

**Deccan Chronicle Holdings** has taken a 90 per cent stake in the Asian Age newspaper, which will give it a national presence and boost its revenues significantly by 2007.

**BHP Billiton**, the world's largest mining company, is looking at tapping the bauxite resources in India. The Australian mining giant plans to acquire bauxite mines and set up an aluminium plant in Orissa.

**Vikram Lal promoted Eicher group** has concluded an agreement to sell its tractor, engine and gear businesses to Chennai-based Tractor and Farm Equipment (TAFE) for Rs 310 crore. The Eicher group also announced plans to acquire a US-based engineering firm for \$ 2.5 million (around Rs 11 crore) as part of its future growth plans.

**The Orissa government** has okayed the Posco mega-project—the biggest FDI in India. Posco will be setting up a 12 million tonne capacity steel plant in Orissa.

**SABMiller's Indian subsidiary, MBL Investments** (Mysore), has acquired the Shaw Wallace group's remaining 50% stake in the brewing operations of SABMiller's Indian JV.

**French power equipment major Alstom** is setting up a joint R&D centre with software giant Infosys, to develop solutions focused for the fast growing Indian power market. This is the first joint centre set up by Alstom worldwide.