



MEMORANDUM N° 40/2011

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ONE) – **IMF SEES SIGNS OF OVERHEATING IN EMERGING MARKETS**

Emerging market economies that powered the global recovery may be growing too fast for their own good as inflation pressures build, a top International Monetary Fund official said on Monday. China, Brazil and other fast-growing nations have struggled to contain inflation and control heavy inflows of investment money. Although the IMF has been warning for months of the risks of price pressure, the comments by the Fund's first deputy managing director, John Lipsky, suggested the IMF is growing increasingly concerned. "For the emerging economies, growing at 6.5 to 7 percent, their margins of excess capacity have been largely used up, and as a result we're starting to see incipient signs of overheating," Lipsky told Reuters Insider in an interview. After the global economic slump of 2008 and 2009, the recovery took divergent paths, with emerging markets powering ahead while advanced economies merely trudged along. With growth and interest rates remaining unusually low across the developed world, investors have flocked to emerging markets, bringing much-needed capital but also a risk of inflation. **OIL PRICES ONLY LINKED TO NORTH AFRICA UNREST** Rising oil prices have compounded the inflation problem, but Lipsky said the IMF has not cut its growth forecast because it thinks the oil price spike will prove temporary. He said until unrest spread to oil-producing Libya, much of the rise in oil prices in late 2010 and early 2011 reflected an improved economic outlook. However, the latest worries about supply disruptions created a "fear factor" that drove oil above \$100 a barrel, which if sustained would pose a bigger threat to growth. Rising food prices are also worrisome, particularly for poorer countries where food consumes a larger percentage of household budgets, he said. The cost of food was one of many reasons behind the recent upheaval in Egypt and Tunisia. "We have to be concerned even in places where there is no political upheaval," Lipsky said. "The social strains and real difficulties for poor residents in many economies is something that has to be attended to." **WHAT TO DO?** For emerging markets, cooling growth without inflicting too much damage on the global economy will require some delicate manoeuvring. China has made curbing inflation its top policy priority this year. Its finance minister said earlier on Monday China will ensure that spending on social priorities does not fan inflationary fires. Separately, Zhu Min, special adviser to the IMF's managing director, said China's loan growth was too strong and addressing that was key to safely slowing down the economy. "It's a fundamental challenge," he said during a presentation to an economists' group meeting in Arlington, Virginia. "So that's a concern, overheating. In China, slowing down economic growth is important." Brazil and some other emerging markets have increased taxes on foreign investors or raised banks' reserve requirements to try to slow inflows of investment money and ward off inflationary pressures. Lipsky, however, offered only a lukewarm endorsement of such moves, known as capital controls. He said the measures may be necessary and useful at times, but those cases were "few and far between" and other methods such as adjusting exchange rates and monetary or fiscal policies ought to take precedence. The IMF is in the midst of its own internal debate over when and how capital controls ought to be used. IMF staff released a paper in January that said the Fund had been "hamstrung" in its efforts to come up with rules to guide countries on implementing controls because its own membership disagreed on what those rules should be. (Reuters)

TWO) – IMF PROMISES TO FOCUS MORE ON JOBS AMID NORTH AFRICA TURMOIL

The International Monetary Fund is rethinking how it reviews national economies after being criticized for glossing over high unemployment in countries such as Egypt where it led to political uprisings. John Lipsky, the IMF's first deputy managing director, in an acknowledgment of the societal costs of joblessness, said the Fund would include an analysis of employment issues in future assessments of its member nations' economies. "We think these are very important issues that need to be looked at, and not just in cases where it might result in political turmoil, but just as a matter of course in examining economic developments and policies," he told Reuters Insider. Until now, the IMF has not focused heavily on how policies impact employment in member countries, instead leaving that area largely to the International Labor Organization and the World Bank. But protests against unemployment, corruption, poverty and repression that have flared in Egypt, Tunisia, Jordan, Yemen, Algeria and Sudan have highlighted the problem, especially among youth. The World Bank focused on job-creation measures in its new strategy for sub-Saharan Africa released last week, cautioning that between 7 million to 10 million young people enter the job market each year in the region. Lipsky noted that a regional report produced by the IMF last year highlighted high unemployment, especially among youth, as one of the big challenges for the Middle East and North Africa. It called for reforms in the employment sector to create a more equitable approach. "We have gone back and asked ourselves, Should we set a standard of analysis of employment issues in all our country reports, rather than leaving it to be decided if in this case it's important, and that case it is not?" Lipsky said. "We're looking to see if we should be standardizing our approach in that regard to make sure that these issues are clearly highlighted, even if we ourselves don't have any expert prescriptions on how to make the labor market work better," he added. Lipsky said the IMF was closely monitoring developments in the Middle East and North Africa, saying, "It has been very surprising to everyone." "That is a region where the challenges in the near-term are going to be significant, but also perhaps let us hope these changes produce opportunities for progress that is beneficial for the citizens of those countries," he added. (Reuters)

THREE) – EU MAY OFFER INCENTIVES FOR NORTH AFRICA REFORM

The European Union may offer financial and regulatory incentives to North African countries to encourage them to make democratic reforms, the Financial Times said on Tuesday. Citing a draft it said it had obtained, the newspaper said the move was part of a plan being prepared for an EU summit in Brussels on Friday and included additional development aid, loosening immigration restrictions and lowering trade barriers. At the summit on North Africa, leaders will discuss the EU's humanitarian and political response to events in the region, particularly Libya where fighting has broken out between government forces and rebels trying to seize control from Muammar Gaddafi. "Those that go faster and faster with reforms will be able to count on greater support from the EU," the newspaper quoted the 16-page blueprint as saying. While it did not specify how the EU would measure democratic progress, the draft said "support may be re-allocated or refocused for those who stall or retrench on agreed reform plans", according to the FT. Officials were expected to expand the list of Libyan financial entities under sanctions, including its sovereign wealth fund, the Libyan Investment Authority and the Libyan Central Bank, the newspaper said. The EU has already imposed a range of sanctions on individual Libyans, including Gaddafi and his immediate family, as well as an arms embargo, travel bans and a ban on exports of equipment such as riot gear and teargas which could be used by Libyan security forces against protesters. On Sunday it sent a mission to Tripoli to report back on humanitarian and evacuation needs. (Reuters)

EU PLANS TO SUPPORT REFORM IN NORTH AFRICA – The European Commission has drawn up plans to offer financial and trade incentives to countries in North Africa to encourage democratic reforms, and will threaten to limit support if any changes are not satisfactory. Four billion euros (\$5 billion) has been set aside for aid to the southern Mediterranean region until 2013, including 240 million for Tunisia and 445 million for Egypt between 2011-2013, according to the plan, a copy of which was obtained Reuters. Critics say the 27-country bloc has been too lax in the past in giving aid without pushing for changes, favouring stability over the risk of political upheaval. The changes that have swept Tunisia, Egypt and Libya are overhauling policy thinking. Following are the main points of the plan, which will be submitted to the EU member states and the European Parliament. **SHORT-TERM MEASURES** The EU has implemented a series of measures to address the fallout of unrest that has swept through North Africa: -- Earmarked 30 million euros for humanitarian aid; -- Border control officials have been dispatched to areas with increased flow of migrants and refugees; -- Offered 17 million euros to Tunisia to help organise elections; -- Extended the possibility of spending another 25 million

euros for border controls and support for refugees. **LONG-TERM INCENTIVES** Broader reform of aid policies would include: -- Countries seeking aid would have to show commitment to free and fair elections before qualifying; -- More money will be available to countries that show faster progress with democratic reforms; -- An aid programme will be prepared to support development of civil society; -- Existing programmes tackling administrative reforms will focus more on addressing transparency of public administration and corruption; -- Changes of visa policies are proposed to increase mobility of students, researchers and business people, as well as to manage remittance flows from migrants and to upgrade asylum systems in non-EU countries; -- EU governments are discussing increasing the lending capacity of the European Investment Bank (EIB) to North African countries; the EIB has said it could provide around 6 billion euros to the region in the next three years; -- EU governments could support plans for the European Bank for Reconstruction and Development to invest in Egypt; -- Negotiations on free trade agreements would be linked to progress in economic and democratic reforms. (Reuters)

FOUR) – EU COMMISSION HAILS CRUCIAL ROLE OF WOMEN IN NORTH AFRICA REVOLUTIONS

Les femmes ont joué « un rôle crucial » dans les changements en cours en Tunisie et en Egypte, ont affirmé mardi la chef de la diplomatie européenne Catherine Ashton et la vice-présidente de la Commission européenne Viviane Reding, à l'occasion de la Journée internationale des femmes. « Les femmes ont joué un rôle crucial dans le déclenchement des mutations en cours en Afrique du Nord. Dans un climat de violence, elles se sont engagées dans la lutte pour le changement », ont déclaré les deux responsables européennes. « Nous espérons que le rôle crucial que les femmes ont joué jusqu'à présent sera pleinement pris en compte dans les changements institutionnels qui font déjà l'objet de discussions dans la région. Les femmes doivent être au cœur des discussions sur le nouvel ordre qui sera mis en place », ont-elle ajouté. Les femmes, défiant tabous et stéréotypes, se sont imposées comme des actrices essentielles dans les différents soulèvements populaires qui secouent des régimes autocratiques du monde arabe. Que cela soit en jean et T-shirt ou drapées de noir, des dizaines de milliers de femmes ont fait entendre leur voix, dans les rues de Tunis, du Caire, de Manama ou de Sanaa, réclamant des réformes dans ces pays. A Bahreïn, où des milliers de manifestants majoritairement chiites réclament la chute de la dynastie sunnite des Al-Khalifa, les femmes ont participé en masse à la mobilisation, leur traditionnelles abayas formant un océan noir au sein des manifestations où hommes et femmes défilent séparément. Dans des pays conservateurs, comme en Libye ou au Yémen, les femmes ont défié les normes sociales pour se joindre à la contestation, défilant dans la rue et parlant ouvertement aux journalistes, face à la caméra. Asma Mahfouz, une jeune Egyptienne dont le blog vidéo appelant à la mobilisation a connu un énorme succès, est considérée comme l'une des voix ayant déclenché la révolte sans précédent qui a entraîné la chute du président égyptien Hosni Mubarak le 11 février. « Ce n'est qu'en prenant des mesures énergiques aujourd'hui que nous garantirons aux femmes et aux fillettes un avenir sans discrimination ni violence, dans un monde offrant les mêmes chances à toutes et à tous », ont estimé notamment Mmes Ashton et Reding. (AFP)

FIVE) – MOROCCAN KING CAN'T IGNORE PRESSURE TO REFORM

Morocco's monarch is not under direct threat from protesters seeking constitutional reform, but a failure to address political concerns or to tackle social and economic woes could spell trouble for the 47-year-old king. King Mohammed on paper is a constitutional monarch, but he enjoys wide ranging royal prerogatives, such as choosing the prime minister and holding sway over the judiciary. Emboldened by protests elsewhere in the Arab world which have toppled veteran leaders in Tunisia and Egypt, some Moroccans have taken to the streets in their push for change, many wanting action before parliamentary elections in 2012. "The king has several options, like sacking the government, which would make him look good and popular and show the political parties who is boss," said Lise Storm, senior lecturer in Middle East Politics at Exeter University. She said most people in Morocco, including the opposition "do not conceive a Morocco without a monarchy ... They see it as a safety net." Offering piecemeal reform is a tactic being followed by Algeria, so far with success. Concessions such as lifting a state of emergency and opening up state media have deflated opposition protests. Morocco may be more inclined to offer concessions than its Arab peers because unlike many of them it has no oil wealth to help soothe grievances and it had a history of strikes and sporadic and localised unrest in remote areas. On Feb. 20 several thousand protesters came out in the streets of the capital and there were parallel rallies in 52 Moroccan towns and cities. Constitutional reform topped demands from the organisers, mostly young activists

who organised themselves on Facebook. But they have yet to show that their demands strike a chord with the majority of Moroccans. “The time for parliamentary monarchy is not ripe yet since state institutions and political parties are not strong enough,” said politics lecturer Mohamed Darif at King Hassan University, Casablanca. **WARNING ABOUT COMPLACENCY** Abdelilah Benkirane, head of the main opposition Justice and Development Party, said when asked why his party did not send a petition to the palace to demand constitutional reform: “We don’t want to twist the king’s arm.” The protest call followed revolts in Tunisia and Egypt, both of which rank above Morocco in the U.N.’s Human Development Index. Only less populous Arab countries Mauritania and Yemen rank below Morocco. The protests did “not target the king who portrays himself as above politics”, Oxford Analytica said in a research note. “The credibility of this image will now depend” on taking “visible action to address Morocco’s problems,” it added. Poverty, inequality, graduate unemployment, and illiteracy have changed little since his enthronement in 1999, it said. Officials say Morocco has reduced poverty and improving living standards and job opportunities. **THE KING’S ECONOMIC EMPIRE** Besides demands for constitutional change, the Feb. 20 protesters also criticised the clout of firms the king’s family owns, attacked figures close to him for alleged abuse of power and called for the government be dismissed. They targeted Mohamed Mounir El-Majidi, the king’s private secretary who has made a fortune from holding the billboard advertising monopoly and Fouad Ali Himma, a classmate of the king and ex-deputy interior minister. The latter, who set up a political party less than two years ago which is now Morocco’s largest, has been accused by many parties of exploiting his close ties with the monarch to illegally poach their elected representative. Many Moroccans are also uneasy that Prime Minister Abbas al-Fassi has relatives in high office. Three of his relatives lead ministries and others hold top jobs in public firms. Toufiq Bouachrine, editor of the independent Akhbar al-Youm daily, said: “Graft was crucial in sparking the revolts in Tunisia and Egypt. It is also well present in Morocco”. The protesters have also decried poor public health care, inefficient education, widespread corruption, the lack of accountability, perceived bias in justice, the surge in prices and even the state-owned television’s news coverage. Many people in Morocco’s ruling establishment believe the fact that thousands of people are not in the streets demanding constitutional reform is not a cause for complacency. “The legitimacy enjoyed by the monarchy has contributed to such a low turnout (at protests),” said Mustapha Khalfi, editor of Attajdid newspaper. “Does this mean we should wait for massive protests to initiate reform? We can’t afford to be satisfied with a deceptive tranquillity. “Moroccans follow developments in Libya, Egypt and Tunisia on al-Jazeera and Al-Arabiya everyday. For many, it’s a learning experience,” he added. (Reuters)

SIX) – CHINA MUST APPLY NORTH AFRICA LESSONS TO XINJIANG, SAYS GOVERNOR

China must apply the lessons of the Middle East unrest to its mostly Muslim, far western Xinjiang, its top official said on Tuesday, adding that he was confident the region would remain stable. Zhang Chunxian, appointed Xinjiang’s Communist Party chief last year, said stability depended on ensuring everyone benefited from the country’s stellar economic growth, a key government strategy to co-opting its people. “I have total confidence at the moment in Xinjiang’s stability. I have no worries at all. But I must learn the lessons, on a technical level, from the Middle East,” Zhang told reporters on the sidelines of China’s annual meeting of parliament. He did not say what those lessons were. Defending one-party control has been a priority since the pro-democracy demonstrations of 1989, and China has come down hard to prevent any hint of Middle East-style protests at home. Amnesty International said this week China was continuing its crackdown on dissent in Xinjiang, targeting via secret trials those who had taken to the internet to speak out against government policies or write about peaceful political activities. Police have rounded up dozens of dissidents across China since online messages from abroad urged pro-democracy gatherings inspired by the “Jasmine Revolutions” in the Middle East, as well as flooded sites of would-be demonstrations with heavy security. Xinjiang is already tightly controlled and heavily policed due to simmering discontent among the Muslim Uighur people who call the region home. Many chafe at Beijing’s rule. The regional capital, Urumqi, was rocked by ethnic violence in 2009 which killed nearly 200. Beijing has subsequently turned its attention to boosting development there and providing greater job opportunities. “If we want long-lasting stability, we must ensure the people can really enjoy and benefit from the fruits of reform and opening up,” Zhang said of the country’s reforms begun three decades ago, which have propelled China to become the world’s second-largest economy. Zhang replaced the long-serving Wang Lequan. Wang was the target of public anger for his handling of the Urumqi riots. Zhang also suggested that Xinjiang’s 21.6 million people –almost two-thirds of whom are minorities- needed to become more a part of mainstream Chinese society. “This region must be a scientific one; the people must be modern citizens,” Zhang said. Xinjiang is strategically vital to China. A vast swathe of territory, it holds rich oil and gas deposits and borders Afghanistan, Pakistan, India and Central Asia. (Reuters)

SEVEN) – GBAGBO TAKES FULL CONTROL OF COCOA PRODUCTION, EXPORT

Le président ivoirien sortant Laurent Gbagbo a décrété lundi la prise de contrôle par l'Etat de l'achat et de l'exportation de cacao, dont le pays est premier producteur mondial, alors que ces activités étaient jusque-là dominées par des multinationales. Engagé dans un bras de fer avec Alassane Ouattara, reconnu président élu par la communauté internationale après le scrutin de novembre, Laurent Gbagbo tente ainsi de contrer la paralysie de la filière cacao, entraînée en particulier par les sanctions économiques de l'Union européenne, notamment l'embargo de fait sur les ports d'Abidjan et San Pedro (ouest), premier port d'exportation de cacao au monde. Selon une ordonnance lue sur la télévision publique RTI, « l'achat du café et du cacao aux producteurs et aux groupements de producteurs s'effectue » désormais « exclusivement par l'Etat sur l'étendue du territoire national ». Cet achat s'opère « suivant un prix déterminé par l'Etat en début de chaque période de vente », indique le texte. « L'exportation des produits de la filière café-cacao est effectuée par l'Etat, par toute personne morale mandatée par l'Etat ou titulaire d'un agrément en qualité d'exportateur », stipule encore l'ordonnance. « Les exportateurs agréés s'approvisionnent en fèves de cacao et en café vert auprès de l'Etat ou de toute personne morale mandatée par l'Etat », précise-t-on. Pour couper les vivres à son rival et le forcer au départ, M. Ouattara a ordonné fin janvier l'arrêt des exportations de cacao, un appel respecté par les grands négociants et chocolatiers, privant du coup le régime Gbagbo d'importantes ressources. Le café et le cacao représentent 40% des recettes d'exportations de la Côte d'Ivoire et environ 20% de son PIB. Alors que la crise post-électorale a été marquée depuis mi-février par une flambée de violences, à Abidjan et dans l'ouest en particulier, la bataille se poursuit parallèlement sur le terrain économique. La prise de contrôle de la filière cacao par le gouvernement Gbagbo intervient après la réquisition en février, ou « nationalisation », de deux filiales ivoiriennes des banques françaises BNP Paribas et Société générale. Le pouvoir en place avait pris cette décision après le quasi-effondrement du secteur bancaire, les banques commerciales ayant toutes fermé après la rupture entre la banque centrale ouest-africaine (BCEAO), qui reconnaît M. Ouattara, et le régime Gbagbo. Seules les banques publiques restent en activité. La crise politique a déjà entraîné une profonde crise économique et sociale, avec une hausse des prix des denrées et des craintes de pénurie de carburant notamment, tandis que nombre d'entreprises sombrent, multipliant licenciements ou mesures de « chômage technique ». (AFP)

INDUSTRY ALARMED BY GBAGBO GRAB AT IVORIAN COCOA A move by Ivory Coast's Laurent Gbagbo to take the cocoa sector into state hands triggered alarm on Tuesday as industry officials feared a huge financial hit if it meant their stocks in country would be seized. Exporters said they were seeking urgent clarification on whether a late-night decree issued on Monday covered 475,000 tonnes of unexported beans in storage since a power struggle strangled supplies from the world's top grower. "If it doesn't affect our existing stocks it could be less dramatic. But if it does, it is a catastrophe," said one Ivorian sector source, who like others declined to be named on security and commercial grounds. At market prices that have been pushed to near 32-year highs, stocks of Ivorian beans held in deteriorating conditions in warehouses around the main ports and elsewhere are worth some \$1.8 billion. They account for over a third of the annual crop. The Ivorian cocoa sector has been paralysed by international sanctions and the aftermath of a disputed November election that has killed hundreds and brought it to the brink of a civil war. Gbagbo has defied calls to step down after U.N.-certified results showed him the poll loser. Monday's decree appeared to be a bid to maintain a grip on his government's main source of revenues, needed to pay army and public sector wages. But industry players said the near-collapse of the local banking system and the logistical demands involved in bringing beans to world buyers could thwart Gbagbo's aim of installing the state as sole purchaser and exporter of the crop. "The problem is, how are they going to pay the farmers for the cocoa given that the country has barely any banks or money left?" asked an Ivorian sector source, who like others contacted declined to be named on commercial and security grounds. One option would be for Gbagbo to hand out "IOU" notes to farmers instead of cash payments – a risky move that could severely hit his popularity if the loans were not paid back. **QUALITY CONCERNS GROW** A second industry source questioned how the state would handle the transport, conditioning and storage of beans even before they were made ready for export. "From afar it all looks easy. But there is a huge machine behind each kilo of cocoa that comes to port. Does the government have the time, the means and the manpower to do all that in the time required?" Under the decree read out on state TV late on Monday, the state would purchase beans from farmers at a set price and would then seek to get it to world markets, replacing the role of exporters who have widely followed a call by rival presidential claimant Alassane Ouattara to suspend supplies. "The export of products in the coffee and cocoa sector are to be carried out by the state, by those mandated by the state, or holders of an exporter's licence under terms determined by the decree," state television said. Ouattara's camp warned that any exporter cooperating with Gbagbo would lose their licence on the arrival of any Ouattara government to power. "He (Gbagbo) is obviously in a difficult

position, he's certainly upping the ante," said Jonathan Parkman, joint head of agriculture at Marex Financial. "He's putting pressure on the exporters ... They're between a rock and a hard place." (Reuters)

EIGHT) – 51 DEAD IN FRESH FIGHTING BETWEEN SOUTHERN SUDAN FORCES

Fighting between Southern Sudan's military and forces loyal to a southern rebel leader has killed 51 troops and dislodged the renegade army commander from his bush outpost, officials said Tuesday. Southern Sudan voted in January to secede from Sudan's north, but violence has flared in multiple locations across the south in the last two weeks, underscoring the challenges the region faces before it declares independence on July 9. The evicted rebel leader, George Athor, told The Associated Press by satellite phone that his forces withdrew from their base in the village of Korwai in the southern state of Jonglei. "We withdrew after it was dark because we ran out of ammunition and we could not expose our people without ammunition," said Athor, a former deputy chief of staff in the southern military who resigned from the military to run for state governor but lost the election and rebelled against the government. Col. Philip Aguer, the spokesman for the southern military, said the military took Athor's headquarters in Korwai as well as weapons and equipment. Asked about his location and if he was personally involved in the fighting, Athor replied: "I'm not hiding. The (southern army) knows my place very well." The southern army spokesman told the AP that the army did not know where Athor had withdrawn to, but said that the army had "stabilized the region" and was now conducting a "mop-up operation" and will soon provide casualty figures. An international official said 35 of Athor's men and 16 troops in the southern military died in the fighting Monday. Aguer said he did not have a death toll, and an aide to Athor offered only what appeared to be a wildly exaggerated toll. Southerners voted almost unanimously to separate from northern Sudan in a peaceful referendum in January. Now that the vote has passed, however, internal differences among southerners are resurfacing in the form of insurrections that the government worked to contain before the January vote. The U.N. has a mandate to observe and monitor armed groups and protect civilians under imminent threat of physical violence, but its troops have not always been able to fulfil that mission since the independence referendum, when a series of violent attacks began. Last month fighting between the southern army and Athor's forces killed more than 200 people, mostly civilians. U.N. troops did not visit the scene of the attack until several days after it was over. Days before the referendum, Athor's forces accepted a cease-fire with the southern army, but less than a week after the official results of the vote were announced, fighting resumed between the two sides. Monday's fighting comes on the heels of violence in Upper Nile state on Sunday that killed more than 50 people. That fighting involved the southern army and another militia force which Athor has claimed is loyal to him. (AP)

NINE) – EU TO OBSERVE THE APRIL ELECTIONS IN NIGERIA

The European Union is deploying an Election Observation Mission (EOM) to Nigeria for the April 2011 elections, scheduled to take place over a period of three weeks, including National Assembly (April 2nd), Presidential (April 9th) and State House/Governor elections (April 16th). MEP Alojz Peterle has been appointed as Chief Observer. Mr. Peterle, a former Prime Minister of Slovenia, is making his first visit to Abuja. He will lead the EOM that will assess pre-election preparations and campaigning across the country, voting, counting and tabulation of the results for each election as well as the post-election period.

The core team of experts composing the EOM already settled in the country at the end of February. In his capacity as Chief Observer, Mr Peterle is visiting Abuja on March 8th and 9th to introduce the mission to the Nigerian authorities. Mr Peterle was a former Prime Minister and Minister of Foreign Affairs in Slovenia. As an MEP, Mr. Peterle is member of the Foreign Affairs Committee. The EOM core team will be joined by 52 long term observers by mid-March, followed by a group of 60 short term observers at the end of the month. In all, the EU EOM will have more than 120 observers in the field.

A Delegation of the European Parliament is expected to join the mission for the Presidential election scheduled for April 9th.

At the end of the electoral process, the EU EOM will issue a preliminary statement followed by a final report containing its findings and recommendations for the authorities. The EU EOM is independent from any EU institutions and the Member States.

TEN) – SOMALIA: RISING HUMAN COST OF AU MISSION

On Feb. 19, the morning after Uganda's presidential elections, Michael Muhamuza called home and spoke to his cousin and his brother; a regular check-in with the family. The 25-year-old was calling from Mogadishu, where he was part of the Ugandan contingent deployed under the African Union Mission to Somalia (AMISOM). "He would call at least twice a week," said Mwijukye Mugisha, his older brother. "That day he called early in the morning as we were milking the cattle. He told us, please pray for me, anything can happen any time here in Somalia."

That was the last time the family heard from Muhamuza, a private in the Uganda People's Defense Forces, registered as No. R/A 214782. A day after the phone call, the family heard on the radio that an unknown number of soldiers serving with the African Union Mission in Somalia (AMISOM) had been killed in the Somali capital.

Peacekeeping operations

AMISOM was created in January 2007 by the AU's Peace and Security Council to back Somalia's Transitional Federal Government (TFG). Uganda was the first country to deploy troops, three months later. Uganda still provides more than 5,000 of the AU's 8,000 troops in Mogadishu.

The mission has not prospered. Four years on, Al-Shabaab and Hizbul Islam, the militant Islamist groups opposed to AMISOM and the TFG, have consolidated control over much of south-central Somalia and parts of the capital.

Al-Shabaab has not only bottled the transitional government in a small part of Mogadishu, regularly shelling AMISOM positions and mounting attacks on government officials, it fought a separate Ethiopian force to a standstill, ultimately driving it out of the country in early 2009. In July 2010, Al-Shabaab further demonstrated its power with a pair of deadly bombings in the Ugandan capital, Kampala, killing 75 and injuring scores more. Ej Hogendoorn, Horn of Africa Project Director for the International Crisis Group, told IPS that Ugandan and Burundian troops are "in a catch-22". The ICG is a non-profit organisation that works to resolve and prevent conflict; in February it published a report that argued the TFG is too corrupt and inept to ever govern Somalia. Hogendoorn says the transitional government has failed to put forward a vision for the country, build up its own armed forces or even counter Al-Shabaab's characterisation of AMISOM as foreign occupiers.

It's a bad set of choices they have got on their plate... AMISOM could expand its presence in Mogadishu – and in the battle [beginning Feb. 19], that's what they were up to," he says. "It is by far the most capable force in Mogadishu. But as it expands its security perimeter, it exposes its troops to Al-Shabaab which explains why they suffered most casualties."

Two weeks ago, the AU mission launched an offensive against Al-Shabaab in Mogadishu. AMISOM's commander, Major General Nathan Mugisha, told a Mar. 5 press conference in Nairobi that AU forces had captured significant new territory in the capital, including retaking the former Ministry of Defence building and seizing trenches the Islamists used to resupply their front lines.

He declined to give official figures for casualties on either side, but according to the Associated Press, unnamed diplomats in Nairobi said that 53 peacekeepers – mostly Burundian – died in the offensive.

Lacking a strategy

Combined with undetermined civilian casualties, the deaths of so many peacekeepers in the space of a few days – the Ugandan military had lost 37 soldiers in the previous four years – take the shine off any gains. Recent refugees interviewed by Human Rights Watch in northern Kenya describe indiscriminate violence against civilians by both Al-Shabaab and AMISOM, especially in intensified fighting since the bombings in Uganda last year.

Since then, Ugandan President Yoweri Museveni has been drumming up support for an increase in troop strength. Along with other leaders in the regional Inter-Governmental Authority on Development in Kampala, he proposed AMISOM's mandate be shifted from peacekeeping to more aggressive peace enforcement – this was rejected by the United Nations Security Council.

Hogendoorn doubts that a military offensive can succeed without a matching political strategy. The ICG report warns that the TFG's failure to make alliances with other groups is a dangerous sign. The transitional government gets along with neither local authorities in places that are successfully running peaceful areas in the north and centre of the country like Xeeb or Puntland, nor with clans in the south and centre that could be natural allies.

The status quo is untenable, says Hogendoorn. "I should mention that Al-Shabaab is not stupid. They realise

they have time on their hands. They have tried to increase the price of [maintaining] UPDF and Burundian forces through inflicting as many casualties as possible, and of course with the Kampala bombings. They would like to force AMISOM to withdraw.”

Maintaining Uganda’s involvement

News about Ugandan casualties receives little media attention. The war in Somalia barely featured in Uganda’s recent presidential elections. While the opposition called for a withdrawal after the bombings last year, they and most of the public have since fallen in line with the government’s argument that abandoning the mission could further destabilise Somalia and pose a terror threat to Uganda. The government usually frames the troop deployment as necessary because the AU and the U.N. want them there.

But it’s people like Muhamuza and his grieving family who are paying the full price for an incomplete strategy. He only joined the army a year and a half ago, spending a year in training before his posting to Mogadishu.

“I had objected to him joining the army,” said his brother. “In fact he left home stealthily and joined. When he came to tell me he was to be deployed in Somalia, we had fears.”

More operations like the February offensive could sharply increase the casualties, and turn a spotlight on how the mission is being handled and undermine support in countries contributing troops.

For now, Private Michael Muhamuza’s family faces holding a funeral without a body. The AU mission fights on towards a hazy objective. Somalia continues without a government worthy of the name.

ELEVEN) – COAL PRODUCTION IN MOZAMBIQUE WILL INCREASE 1000% THIS YEAR

The coal production in Mozambique will increase 1000% this year according to the government of Mozambique plans. This will be mainly due to the investment of new international investors in Mozambique.. These will be mainly in the region of Tete (Brazilian Vale and Australian Riversdale Mining).

Total estimate production is 2 Million Tons, being 750.000 Tons of metallurgical coal from Moatize. In Benga, Riversdale Mining forecasts 1 Million Tons of metallurgical coal.

TWELVE) – GADDAFI FORCES INCREASE PRESSURE ON REBELS

Les forces de Mouammar Kadhafi ont accentué mardi la pression sur la rébellion, bombardant par air et terre des positions dans l’Est de la Libye et combattant les insurgés à l’Ouest, au moment où les appels se multipliaient pour une zone d’exclusion aérienne. Ses forces tentent de stopper la progression vers l’Ouest des insurgés qui contrôlent la région orientale pétrolière ainsi que certaines localités de l’Ouest, lançant une opération de reconquête avec ses chars et avions contre les opposants moins bien armés. L’aviation a bombardé la ville pétrolière de Ras Lanouf, base la plus avancée de l’opposition dans l’Est, faisant un blessé et touchant un immeuble. La banlieue ouest du port, à environ 300 km au sud-ouest de Benghazi, a été pilonnée et trois personnes ont été blessées, les rebelles parlant d’un déluge de feu. A l’ouest de Tripoli, l’opposition contrôlait Zenten mais la ville était encerclée, selon un témoin français. Les forces loyalistes ont lancé parallèlement un assaut sur Zawiyah, le bastion des insurgés le plus proche de la capitale, selon un ancien responsable libyen qui a fait défection, Mourad Hemayma. « Kadhafi veut prendre (Zawiyah) avant mercredi. La communauté internationale doit agir », a-t-il affirmé, joint au téléphone au Caire par l’AFP. Il a indiqué que des membres de sa famille avaient été tués dans la ville (40 km de Tripoli), assiégée par des chars. « Zawiyah est visée par une attaque d’envergure. Les civils sont attaqués directement », selon un site de l’opposition. Le gouvernement a démenti le bombardement de Zawiyah. (AFP)

THIRTEEN) – LIBYA CENTRAL BANK GOVERNOR RESURFACES IN TURKEY

Le gouverneur de la Banque centrale libyenne, clé des finances du régime de Mouammar Kadhafi et objet d’intenses recherches internationales, a refait surface en Turquie, a annoncé mercredi le quotidien britannique Financial Times. Farhat Omar Bengdara, recherché tant par les responsables libyens que par les diplomates et les banquiers alors que son pays est en proie à une insurrection armée, a révélé où il se trouvait dans un courriel adressé au quotidien, précise le Financial Times. Expliquant qu’il se trouvait à Istanbul, Bengdara a

écrit au journal qu'il avait été informé que le secrétaire libyen à la Planification et aux Finances l'avait remplacé à titre intérimaire à la tête de la Banque centrale. Les gouvernements étrangers sont impatients de savoir si ce haut personnage du régime est toujours un fidèle du colonel Kadhafi, son accès aux finances centrales de la Libye lui conférant un rôle-clé à l'heure où la communauté internationale a décidé de geler les avoirs du pays. Farhat Omar Bengdara a assuré au Financial Times qu'il continuait d'assumer ses responsabilités et qu'il n'était à l'étranger que pour mieux veiller aux affaires. Il affirme encore qu'il renoncera à ses fonctions après la crise et que le gel des avoirs libyens pourrait mener à un désastre humanitaire. Agé de 45 ans, ce haut responsable, originaire du bastion rebelle de Benghazi, est généralement jugé trop proche du régime pour faire défection, en dépit de ses ambitions réformistes en matière financière. (AFP)

FOURTEEN) – EU MULLS MILITARY/HUMANITARIAN MISSION TO LIBYA

The European Union is considering sending a military mission to Libya to help evacuation efforts and address the humanitarian crisis, the bloc's foreign policy chief Catherine Ashton said on Wednesday. EU military missions are launched within the bloc's Common Security and Defence Policy (CSDP). Speaking to the European Parliament, Ashton said the EU was looking "on a prudent planning basis" at a "possible CFSP engagement." "That engagement would be to support current evacuation and humanitarian efforts," she explained. Work on planning the mission – which would need careful analysis and "proper answers on questions of mandate, resources and objectives" – was "ongoing this week," Ashton said. The EU's top diplomat spoke ahead of a meeting of the bloc's foreign ministers on Thursday and of a summit on Friday, dedicated to the situation in North Africa, and specifically to Libya. She did not mention the possibility of imposing no-fly zone over Libya – an option under consideration by the international community, amid reports that Britain and France are preparing a United Nations Security Council resolution to authorize it. The EU has repeatedly urged Libyan leader Moamer Gaddafi to go. On Wednesday, Ashton did not reiterate that call, but pledged to "work to support the emergence of a new Libya, (with) democratically-chosen leaders and (where) people's rights are respected." Ashton also spoke about boosting support for Tunisia and Egypt, where democratic transitions have already started. Before they were toppled, the EU had long tacitly tolerated the autocratic regimes in both countries, in return for regional stability. Now the EU was convinced that "the emergence of democratic societies will help to sustain security and provide shared prosperity in our neighbourhood," Ashton assured. The EU foreign policy chief announced that she would fly to Cairo on the weekend to meet the head of the Arab League, Amr Moussa, and new Egyptian Foreign Minister Nabil al Arabi. (dpa)

FIFTEEN) – NATO STUDIES LEGALITY OF NO-FLY ZONE WITHOUT UN ENDORSEMENT

The United States and its NATO allies are weighing the legality of imposing a no-fly zone over Libya without United Nations backing, The Washington Post reported on Wednesday, citing U.S. and European officials. With a U.N. mandate far from certain, countries considering some form of military intervention –the United States, Britain, France and Italy- are looking for alternative international support, the officials told the newspaper. The officials suggested international backing could come from regional blocs, such as the Arab League, the African Union or the European Union, and noted that NATO's air attacks on Serbia in 1999 came without U.N. authorization, the Post said. In addition to a no-fly zone, the United States and NATO governments are weighing a range of military options that would not require a U.N. resolution, such as the establishment of an air or naval bridge to carry humanitarian supplies to Libya and naval patrols to block arms shipments to the Libyan government, the newspaper reported. Britain and France are seeking a U.N. Security Council resolution for a no-fly zone to ground Gaddafi's aircraft and prevent him moving troops by air. Russia and China, which have veto power in the council, are cool toward the idea, which would likely require the bombing of Libyan air defenses. NATO military officials began briefing governments on Tuesday night on the proposed options that will be presented to defense ministers in Brussels on Thursday, the Post reported. A European diplomat told The Washington Post that Italy was willing to make its air bases available for no-fly operations over Libya if they were supported by the E.U. and the Arab League, which is due to meet on the Libyan crisis this week. "We need some signal from the region that the action was welcome," a European official told the newspaper. (Reuters)

SIXTEEN) – EU’S ASHTON MEETS GADDAFI OPPONENTS

Representatives of the Libyan opposition seeking endorsement for their rebel administration met the EU foreign policy chief on Tuesday and planned to speak at the European Parliament on Wednesday. Mahmoud Jibril, head of the crisis committee of the National Libyan Council set up in opposition to Muammar Gaddafi, and Ali Essawi, the council’s foreign minister, met Catherine Ashton in Strasbourg, an EU official said. “The meeting took place in a positive atmosphere and (Ashton) will reflect on what they said. She will continue to engage with them,” a spokesman for Ashton said. EU officials stressed the meeting did not represent an endorsement of the men or the opposition council, even though the European Union has called for Gaddafi to step down. “They are in Strasbourg, they requested the meeting, and (Ashton) is very happy to meet them as part of her strategy to gather as much information and as much fact as possible,” the spokesman said. “Information from Libya is very sketchy, we are very much reliant on media reports ... so we are in a listening mode at the moment and we are keen to listen to everybody.” The men were invited by the Liberals, a large political grouping in the European Parliament, to speak at a debate on Libya on Wednesday. Their presence coincides with EU countries’ efforts to make contact with Libya’s emerging opposition. **REBELS URGE RECOGNITION** An EU diplomat said France was working on arranging a meeting between the two Libyans and French Foreign Minister Alain Juppe in the next two days. Essawi was the Libyan ambassador to India but quit his post last month after Gaddafi launched his crackdown on protests. Jibril told the Liberals the best way the European Union could help his movement would be “to recognise the council as the sole legitimate representative of the Libyan people”. He called for support for the armed struggle against Gaddafi but said the opposition did not want intervention by foreign ground forces. Instead, he reiterated a call for a no-fly zone to prevent the use of warplanes against rebel forces. “Empowering the people to continue their armed struggle against Gaddafi can be done by different means,” he said. “No fly zone is one of them, supplying the peoples with arms.” The EU spokesman said it was too early to judge what the political mandate of the two Libyans was but said they were “two leading figures” of the emerging opposition council. A spokesman for the Liberals said the two would travel to Brussels where they were expected to meet some EU foreign ministers on the sidelines of a crisis meeting on Libya on Thursday. NATO defence ministers will also discuss Libya in Brussels on Thursday, including the possibility of imposing a no-fly zone. The opposition council, based in the eastern Libyan city of Benghazi, has also called for foreign air strikes to help dislodge Gaddafi, who has been in power for 41 years. The council named Jibril, who was involved in a project to establish a democratic state before the revolt began, to head its crisis committee on Saturday. (Reuters)

SEVENTEEN) – EU PARLIAMENT BACKS RECOGNITION

Le Parlement européen a demandé mercredi à l’Union européenne de reconnaître le Conseil national de transition (CNT) constitué par l’opposition au colonel Mouammar Kadhafi et de soutenir l’instauration d’une zone d’exclusion aérienne. Les chefs des grands groupes politiques du Parlement européen se sont prononcés en ce sens, mais avec des nuances, au cours d’un débat sur la situation humanitaire en Libye en présence de la chef de la diplomatie de l’UE Catherine Ashton, deux jours avant un sommet des dirigeants de l’UE à Bruxelles. « Nous devons commencer le processus de reconnaissance du Conseil national de transition comme représentant du peuple libyen », a réclamé le chef de file des Libéraux et démocrates Guy Verhofstadt, qui a fait venir à Strasbourg deux représentants de l’opposition libyenne. « Nous devons neutraliser le plus rapidement le pouvoir de Kadhafi de tuer les gens », a ajouté l’ancien Premier ministre belge. « Mme Ashton, nous vous demandons de reconnaître le gouvernement intérieur, car c’est la seule force qui peut amener la démocratie en Libye », a insisté le co-président des Verts Daniel Cohn-Bendit. « Kadhafi ne doit pas gagner, sinon c’est la fin de toute démocratie dans la région. Ce serait une prime aux dictateurs », a-t-il expliqué. « Et si Kadhafi doit perdre, les autres doivent gagner », a-t-il affirmé, plaidant lui aussi pour une zone d’exclusion aérienne et la fourniture d’armes à l’insurrection. Les représentants des deux grandes formations, le Parti Populaire européen (PPE, conservateurs) et les Socialistes, ont insisté sur la prudence et la nécessité de faire coiffer toute action par les Nations unies. « Nous ne pouvons pas rester insensibles devant les massacres (...) et nous devons agir de façon claire et nette », a insisté le représentants du PPE, José Ignacio Salafranca, en soulignant la nécessité d’une décision du Conseil de sécurité des Nations unies. « Nous devons avoir les idées claires », a pour sa part mis en garde le chef de file des Socialistes, l’Allemand Martin Schulz. « Nous avons le choix entre nos émotions, qui nous poussent à n’exclure aucune option, même les militaires, et le risque de prendre une mauvaise décision », a-t-il expliqué. « Une zone d’exclusion aérienne impose de détruire l’aviation de Kadhafi. Cela nécessite une décision du Conseil de sécurité, et elle doit impliquer la Ligue arabe et l’Union africaine », a-t-il soutenu. « C’est la seule solution si nous devons attaquer la Libye, mais n’avançons pas trop

vite », a-t-il conclu. Le Conseil national de transition est dirigé par l'ancien ministre libyen de la Justice, Mustafa Abdel Jalil. La création d'un « Conseil national indépendant » de transition, représentant les villes tombées aux mains de l'insurrection, avait été annoncée par un porte-parole le 27 février. La Libye, à la différence de la Tunisie et de l'Égypte, ne dispose pas d'institutions bien établies, ni de société civile, de partis politiques et de médias indépendants. Cette absence rend difficile d'identifier de futurs dirigeants. (AFP)

EIGHTEEN) – OBAMA AND HIS TEAM MULL RESPONSES ON LIBYA

Preparing for the prospect of deeper international intervention, President Barack Obama and British Prime Minister David Cameron conferred Tuesday on the spectrum of military and humanitarian responses to Libya's worsening civil strife. The British leader bluntly said after the talk that the world cannot stand aside and let Moammar Gadhafi brutalize his people. In weighing the options, the Obama administration underscored that any authorization of a no-fly zone over Libya must come from the Security Council at the United Nations. "We think it's important that the United Nations make this decision – not the United States," Secretary of State Hillary Rodham Clinton told Britain's Sky News. The comment reflected Obama's thinking that any action intended to halt Libya's violence must carry the legitimacy and strength of an international coalition. Obama's top national security advisers were to meet Wednesday at the White House to outline what steps are realistic to pressure Gadhafi to end the violence and leave power, officials said. Clinton, national security adviser Tom Donilon and CIA chief Leon Panetta are among those expected to attend as Obama's team centered in on recommendations for him. The president himself was not expected to attend. Obama and Cameron agreed to press ahead on potential responses from the U.S. and its NATO allies, including the creation of a no-fly zone over Libyan airspace to keep Gadhafi from bombarding the rebels seeking to oust him from power, according to statements released from their offices. Other options including steeper surveillance, humanitarian assistance and enforcement of an arms embargo as Libya slips from Gadhafi's grip and into a civil war. "We have got to prepare for what we might have to do if he (Gadhafi) goes on brutalizing his own people," Cameron told the BBC. Cameron said his call with Obama was to talk "about the planning we have to do in case this continues and in case he does terrible things to his own people." The prime minister added: "I don't think we can stand aside and let that happen." (AP)

NINETEEN) - GADDAFI PLANE LANDS IN EGYPT WITH ARMY OFFICER ON BOARD

A private jet belonging to Libyan leader Moamer Gaddafi landed at Cairo International Airport on Wednesday, with on board an army general carrying a message for Egyptian authorities, officials said. A Libyan diplomat confirmed the presence of General Abdel-Rahman Ben Ali al-Zawi in Cairo, but did not provide any details. The Falcon jet left Libya and passed through Greek airspace at around midday, flying just south of the Mediterranean island of Crete, before arriving in Cairo. Greek newspaper reports said Greek Prime Minister George Papandreou had had a telephone conversation late Tuesday night with Gaddafi, who warned the West not to intervene in his country's affairs. "Greece is a friend of Libya and can pass on this piece of advice to the European Union," Libya's state-run Jana news agency quoted Gaddafi as saying. **MORE EMISSARIES FLY TO BELGIUM, PORTUGAL, MALTA-** Libyan government emissaries met Maltese officials on the Mediterranean island on Wednesday and then flew to Portugal, while another Libyan aircraft was on its way to Brussels via France, a Maltese official said. European leaders will meet in Brussels on Friday to discuss the uprisings in North Africa. **GADDAFI FORCES PUSH REBELS** Meanwhile, opposition forces in Libya said Gaddafi's forces were moving into Ras Lanuf to take back the oil-rich city from rebel hands, as part of an eastern push towards Benghazi - the first city to fall under rebel control. Fierce fighting between Gaddafi opponents and government forces has also taken place over the last days in the western city of al-Zawiyah, near the capital Tripoli, and in Ras Lanuf. The opposition has vowed to fight back, despite unconfirmed reports of deaths and injuries caused by air strikes and ground attacks by Gaddafi loyalists. "We have two options: Either freedom and access to development, or slavery under the feet of the tyrant Moamer Gaddafi," read a statement posted on the website of the rebels' National Council, based in Benghazi. The opposition said its forces could not reach Gaddafi's hometown of Sirte due to the presence of key military camps equipped with heavy artillery and guns stationed along the only roads that lead westward to the city. (dpa) (Reuters)

TWENTY) - EU TO ASK GADDAFI TO QUIT IMMEDIATELY

The European Union is set to call on Libyan leader Moamer Gaddafi to "relinquish power immediately," official documents showed Wednesday, though diplomats warned that its member states remain divided over plans to impose a no-fly zone. "Colonel Gaddafi must relinquish power immediately," reads a draft statement due to be approved at an EU summit on Friday and seen by the German Press Agency dpa. If adopted, the statement would be the most strongly-worded message the EU has delivered so far to the embattled Libyan leader, who is accused of having instigated a bloodshed to resist an insurgency that was entering into its fourth week. France and Britain have spearheaded efforts to have the United Nations Security Council approve a resolution authorizing the creation of a no-fly zone to force Gaddafi's air force onto the ground, but Germany has expressed reservations. **ON NO-FLY ZONE** A senior EU diplomat explained that while some countries from the bloc are convinced a no-fly zone would help prevent further bloodshed, others fear an Arab public opinion backlash against what could be seen as an act of Western interference. "We are divided. I would say it is not surprising, it is quite understandable," the diplomat said. "The debate has been going on in a rather strong way between member states." The official said it was "worthwhile looking" at other options, especially if predictions that China and Russia would block a UN resolution on the no-fly zone were to be proven true. Military action on Libya risked "looking like interventions in the past and be very much criticized," the EU source said, alluding to the Iraq war, which a United States-led coalition launched without UN backing, splitting the EU in the process. "Strong political backing, and maybe more" was needed from regional players, "particularly" the Arab League, which was expected to discuss the no-fly zone option on Saturday, the diplomat added. Earlier Wednesday, EU foreign policy chief Catherine Ashton said "prudent planning" had been started on engaging in a "humanitarian" military mission. But another EU diplomat stressed that this issue was unrelated to the no-fly zone question, since the EU mission would deal with the evacuation of non-Libyans and possibly with delivery of aid into the country. (dpa)

TWENTY ONE) - EU AND NATO TO MEET ON LIBYA AFTER DAY OF BATTLES

NATO and the European Union begin two days of talks on Libya on Thursday focusing on a possible "no-fly" zone after some of the fiercest fighting on the ground in almost three weeks of clashes. A Libyan insurgent said rebels had retaken the heart of Zawiyah, the closest city to the capital Tripoli, from forces loyal to Muammar Gaddafi on Wednesday, after it appeared to change hands twice during the day. The Pentagon said it was preparing a "full range" of military options for Libya, including a no-fly zone, with the plans to be discussed by NATO defence ministers at a meeting in Brussels. "NATO is not looking to intervene in Libya, but we have asked our military to conduct prudent planning for all eventualities," NATO Secretary-General Anders Fogh Rasmussen told Britain's Sky News. Italy, whose bases could play a critical role in any military action, has said it will back any decisions taken by NATO, the EU or the United Nations, clearing the way for U.S. naval forces based in Naples to be deployed if needed. U.S. Secretary of State Hillary Clinton has made it clear imposing a no-fly zone is a matter for the United Nations and should not be a U.S.-led initiative. However, Russia and China, permanent members of the U.N. Security Council, are cool to the idea, which could entail bombing Libyan air defences as a first step. EU foreign ministers also meet to discuss North Africa in Brussels on Thursday, with the focus on how the 27-country bloc can support the process of political transition in Egypt and Tunisia, while using sanctions and any other political means to apply pressure on Gaddafi to move aside. **SEEKING REFUGE FOR GADDAFI ?** Libyan government emissaries appeared to have flown to Brussels to talk to EU and NATO officials meeting on Thursday and Friday, Italian Foreign Minister Franco Frattini said, suggesting the situation was fluid. Portugal said a Gaddafi envoy met its foreign minister on Wednesday to explain Tripoli's view of the conflict and Greece said another would meet Greek Deputy Foreign Minister Dimitris Dollis on Thursday. A Libyan-born analyst said Gaddafi's inner circle had approached countries in Africa and Latin America about giving him refuge. "It's provisional, it's a testing of the waters, it's just preparing for the future," said Noman Benotman, who has contacts among Libyan security officials. "It may also be a deception, to try to unsettle the international community. But the contacts definitely happened." (Reuters)

TWENTY TWO) - PORTUGAL MINISTER MEETS GADDAFI ENVOY IN LISBON

An envoy from Libyan leader Muammar Gaddafi met Portugal's foreign minister on Wednesday to explain Tripoli's view of the conflict in the north African country, the Portuguese Foreign Ministry said. Portugal will chair the United Nations Security Council's committee on sanctions for Libya starting this week. "Foreign Minister

Luis Amado had an informal meeting in a Lisbon hotel with a Libyan emissary, on the request of the latter, in order to receive information on the situation in Libya," a Foreign Ministry statement said. The ministry did not name the envoy and did not provide further details of the meeting, saying only that it was "part of the preparation of the extraordinary meetings of the European Union Foreign Affairs Council and the European Council to be held in the next few days. A source in Brussels told Reuters the emissary was a moderate member of Gaddafi's government. Amado will travel to Brussels on Thursday to take part in the Foreign Affairs Council meeting that will discuss Libya. Portuguese Prime Minister Jose Socrates was one of only a few EU leaders who attended a European Union-African Union summit in Tripoli in December. (Reuters)

TWENTY THREE) - LIBYAN REPRESENTATIVE TO MEET WITH GREEK OFFICIAL IN ATHENS

A representative of Moamer Gaddafi's regime is to hold talks with Greek Deputy Foreign Minister Dimitris Dollis Thursday in Athens as European countries become increasingly alarmed about violence verging on civil war in Libya. The meeting with Mohamed Tahir Siala is to take place in agreement with EU foreign policy chief Catherine Ashton, who has discussed the situation in Libya with Foreign Minister Dimtris Droutsas, the Greek Foreign Ministry said. No statements are to be made to journalists after the meeting. News reports said the request for the meeting in Greece came via the Libyan embassy and similar requests had been sent to a number of other European countries. Prime Minister George Papandreou had a telephone conversation Tuesday night with Gaddafi, who warned the West not to intervene in his country's affairs. Local media reported that Gaddafi, who made the call to the prime minister, warned that "any violation of Libya's security or stability would necessarily have dire consequences for the security in North Africa, the Mediterranean rim and Europe." Papandreou is said to have stressed the need to resolve the situation in Libya to avoid a worsening humanitarian crisis and a possible civil war. Papandreou's father, Andreas, established close ties with Gaddafi and other North African leaders during his time as prime minister in the 1980s.

TWENTY FOUR) - EU TO STEP UP LIBYA RESPONSE

BBC News reports that EU foreign affairs Chief Catherine Ashton has told MEPs that those responsible for the violence in Libya must be brought to justice.

The broadcaster says that Ashton was addressing a parliament plenary session in Strasbourg where MEPs called for a no-fly zone and for borders to be opened to refugees.

Ashton said the EU member states unanimously decided last week to freeze the assets and impose a visa ban of Gaddafi and 26 other Libyans with immediate effect and that the EU had to work to "support the emergence of a new Libya".

However, the Irish Times reports that European officials are worried that the enforcement of a no-fly zone or military actions may polarise Arab opinion against the western world.

Officials said contingency plans for the provision of "military assistance" to humanitarian relief efforts are being made in case the violence in the country escalates drastically.

The Wall Street Journal says that the EU will expand its sanctions against Gaddafi and the Libyan regime to include organisations controlled by his associates.

According to the paper, the sovereign-wealth fund, four other entities and one more person will be added to the sanction list, while EU officials also mull over the possibility of adding Libya's central bank.

The FT says that the new sanctions, set to commence tomorrow, are a sign that the EU is catching up with the pace of events in the Arab world.

The paper says that this move may have come too late to repair the EU's reputation in the Arab world following the low visibility of the external action service, and national governments offering words of support for autocratic regimes. (dpa)

TWENTY FIVE) - EU EXTENDS LIBYA SANCTIONS

Le Conseil de l'Union européenne a étendu jeudi ses mesures restrictives à cinq entités financières "de première importance" en Libye et ajouté un nom à la liste des personnes qui font déjà l'objet de mesures restrictives. "Les fonds et les ressources économiques des cinq entités en question seront gelés et un nom sera ajouté à la liste des vingt-six personnes qui sont considérées comme responsables de la répression violente

exercée contre la population civile depuis le 15 février et dont les avoirs sont gelés", a indiqué le Conseil, qui réunissait jeudi midi à Bruxelles les ministres européens des Affaires étrangères. Cette adoption fait suite à un accord trouvé mardi au niveau des experts des 27 gouvernements européens pour sanctionner en particulier la Banque centrale et un fonds souverain, la Libyan Investment Authority (LIA), selon des diplomates. L'homme d'affaires libyen Mustafa Zarti, serait le 27e individu visé par le nouveau train de sanctions, selon des sources diplomatiques citées par l'AFP. Soupçonné d'être l'homme de paille du leader Mouammar Kadhafi en Autriche, il a déjà vu ses avoirs en Autriche gelés. (See [Libya: EU extends restrictive measures to key financial entities](#)) (BELGA)

TWENTY SIX) - LIBYA COMBATS START AFFECTING OIL INSTALLATIONS

Les scénarios pessimistes sur les conséquences de la crise en Libye sur la production pétrolière du pays commencent à se réaliser: la production a chuté de 66% selon le régime dont les frappes aériennes ont touché mercredi une installation pétrolière. Le numéro un libyen Mouammar "Kadhafi montre ses véritables intentions. Soit il contrôle le pétrole, soit il se met à le bombarder", a déclaré jeudi Fethi Faraj, conseiller auprès de la compagnie pétrolière Agoco (Arabian Gulf Oil Company), l'un des producteurs de brut en territoire libyen. Il est aussi responsable du Comité civil, dirigeant Tobrouk depuis que la ville est tombée aux mains de l'insurrection qui contrôle la région pétrolifère de l'Est libyen. Tobrouk est situé à la frontière avec l'Egypte. Des raids menés par l'aviation du régime libyen à Ras Lanouf, à 650 km à l'est de Tripoli, un très important terminal pétrolier du pays contrôlé par les rebelles depuis vendredi, ont touché des installations pétrolières. "Ce que nous craignons depuis le début s'est produit avec le bombardement d'installations pétrolières par l'artillerie et les avions du régime Kadhafi", a déploré le porte-parole du Conseil national de transition mis en place par l'opposition, Abdelhafez Ghoqa. "Des puits de pétrole ont été bombardés, ainsi que des installations pétrolières", selon lui. Le chef de la Compagnie pétrolière nationale, Choukri Ghanem, a minimisé depuis Tripoli les dégâts, affirmant que seule une "petite installation de stockage", qui contenait 200.000 barils de diesel, avait été touchée et que la production n'avait pas été affectée. Il a toutefois reconnu que la production de pétrole avait été divisée par trois depuis le début de l'insurrection mi-février, passant de 1,6 million de barils par jour à 500.000 b/j. La Libye exporte la majorité de son pétrole vers l'Europe: l'Italie (32% de sa production), l'Allemagne (14%), l'Espagne (10%) et la France (9%) sont ses principaux clients. Selon l'agence JP Morgan, l'Europe, qui souffre d'une carence de 500.000 à 800.000 barils par jour en raison de la crise libyenne, pourrait se trouver dans une situation inconfortable si la pénurie venait à durer. Selon des analystes de Barclays Capital, même en cas de consolidation de la situation, "un retour (de la Libye) sur le marché mondial serait difficile, et peut-être lent". (AFP)

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