

Report 101
PROJECT ON BUSINESS AND POLITICS IN THE
MUSLIM WORLD

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This week report dwells much on Yahoo/AP/Reuters News, New York Times. The report remains a compilation of strategic political, economic, socio-cultural and Geo-strategic issues around North America/Canada, Western Europe, Latin America/Southern Europe, Southeast Europe and Oceania. It obviously begins with a summary of the whole report, a breakdown of easily comprehensible short notes.

Headlines

US/Canada

- CIA attack a blow but won't stop anti-terror hunt
- Obama to address report on botched terror attack
- Obama orders up more air security, intel sharing
- Pentagon: More return to fight after leaving Gitmo
- Giuliani: No domestic terror attacks under Bush
- Republican Lugar Calls Cheney's Criticism of Obama 'Unfair'
- Analysis: Obama's buck-stopping goes only so far
- AP sources: Obama backs high-end health plan tax
- Obama refocuses on jobs after weak labor report
- US readies new Mideast peace push
- Liberals say they won't push for election
- Canada asks France for list of Swiss account holders
- Harper says disappointed in jobs data
- Canada jobs recovery stalls in December
- Canada report highlights Afghan rape, immolation

Western Europe

- Poll shows dissatisfaction with German government
- France to push for genocide panel in Paris court
- French at odds over putting poor into top schools
- Italian locals attack migrants, nine hurt
- Portugal parliament votes to permit gay marriage
- UK privacy concerns likely to impede body scanners
- EU members divided on use of airport body scanners
- 2 former UK govt ministers challenge Gordon Brown
- Germany investigating report on CIA hit team
- China to Swiss: Don't take Uighurs from Guantanamo
- German retail sales down two percent in 2009
- No change in UK interest rates expected
- Britain faces toughest cuts for 20 years: Darling

- Greece to send financial plan to EC early
- Spain says Greece should deal with its finances on its own
- EU to pursue climate deal through G-20
- How many presidents does it take to run EU?

Southeast Europe

Serbia

- Serbia files genocide claim against Croatia at ICJ
- Tadic: No need for Hague deal (6/1/2010)
- Serbia says authorities have lead on Mladic
- Vukcevic says Serbia actively looking for Mladic, Hadzic
- Serbia divided into seven statistical regions
- Serbia takes over CEFTA chairmanship
- Opposition parties in Serbia to seek early elections

Bosnia

- BiH becomes non-permanent member of UN Security Council
- Alkalaj says BiH not a terrorist threat
- Inzko warns RS against holding referendum

Kosovo

- UN Security Council to discuss situation in Kosovo
- Kosovo begins recount of Gjilan/Gnjilane votes
- Ferati: Decentralisation process in Kosovo nearly complete
- Kosovo's Sejdiu asks international community to help dissolve Serb parallel structures
- US KFOR personnel move to northern Kosovo
- Kosovo okays Orthodox Christmas visit by Serbia's Tadic
- Controversy after Serbian president visits Kosovo monastery

Solana says Albania, BiH to join Schengen soon

Romania's Vladescu threatens to resign over social security changes

Report: Bulgaria may block Turkey's EU membership

Croatia

- Bloggers: Croatia's Sanader, captain of a sinking ship
- Croatia's Kosor insists ruling coalition is stable

Report Summary

USA/Canada

Political Issue

President Obama has said he is least interested in firing or shifting blame on security officers for the information lapses amid the failed bombing of a US airplane. The president however said America had the necessary intelligence but due to the dearth of connection of the information, the event was allowed to happen. Therefore Obama has ordered intelligence sharing within the intelligence community to abate repetition of similar botched incident.

Obama administration has mentioned that no blame shifting will surface or eventual firing of security officer after the failed allegedly plane attack, yet his administration continues to see more blows from the republicans. Recently, former New York major Rudy Giuliani said there was no attack on American homeland during Bush, a statement that raises lot of questions. Such statement shows the political tactics of the two major parties in shifting blames. GOP strategist Mary Matalin also recently said the Bush administration "inherited the most tragic attack on our soil in our nation's history," implying that the 9/11 attacks resulted from mistakes by the Clinton administration.

Yet Obama administration has received an antidote to republican criticism from Richard Lugar, the top Republican on the Senate Foreign Relations Committee that such critique of Obama is unfair.

President Obama believes the media has been successful in selling more of disaster than good accomplishments of the administration. Whatever the situation, he reluctantly remind Americans that a tone of praise should once be given to him and should also remember his administration is only suffering from the wound of the past administration.

There is conflicting report that one in five released Gitmo inmates return to battlefield as enemy against the U.S. This insinuation is disputed by independence human right group, although such view is very much championed by the republican, therefore daunting the commitment of Obama's administration to close the prison down. The report came amid intelligence lapses in the US spy agency warranting an abortive supposedly terror attack.

In Canadian political history, prorogation meaning the constitutional suspension of parliament has been done more than 100 times, but attempt by the ruling minority conservative government to do same has drawn fierce criticism from the opposition and from editorialists. The government hopes that suspending the parliament will avail it opportunity to refocus and place the country in the right direction.

Economic Issue

Creation of jobs and clean technology jobs that can be outsourced is again gaining President Obama's attention after his Christmas holiday was disrupted by a security incident, which held the nation to ransom recalling the incident of 9/11. Joblessness has been on the rise in the United States amid the financial crisis, though certain data are suggesting that things are getting slowly better and picking pace.

Canada unsuccessful attempt to track the names of about 300 Canadian having accounts in Swiss Bank might soon be successful if the French authority shares information. Ottawa is trying to crack down on tax avoiders, as the latter take the advantage of Swiss bank secrecy laws to hide assets and dodge taxes.

Canadians are yet to stand free from the shock of the financial recession as joblessness surges than expected, an embarrassment and disappointment for the

conservative ruling party. Prime Minister Harper's government has vowed to slow down stimulus measure but maintaining such status-quo will be a matter of time, because his government has to prove to the people that the country can recover at the earliest period and more importantly for the sake of forthcoming election.

Social/Humanitarian Issue

Report that came before the Canadian Press has shown that substantive number of Afghan women and young girls have been sexually abused but the social stigma surrounding it makes reporting less known. Such incidents have led to self immolation by many of the victims, meanwhile girl schooling is said to have improved the more around the country.

Food, Environment and Energy Issue

Geostrategic Issues

Assurance of winning the game all the time does not hold in warfront because the least expected can take the supposedly war mighty. The huge lost incurred by the CIA recently in Afghanistan signals that the CIA cannot always win its covert game all time. It was a big shock to the spy agency, yet it hope to further hunt on militants in all corners of Afghanistan and Pakistan.

At the start of the administration, Obama sang the song of hope in resolving the Middle East crisis like many other American leaders have done in the past. But the manner with which the state of affairs in the region goes makes the concern wary among Arabs, whether anything substantial will surface. Nonetheless, the Obama administration has reiterated its commitment to make both the Israeli and Palestine return to the negotiating table; however this will be unaccomplished without the support of Arab and European leaders.

Western Europe

Political Issue

The over due establishment of a criminal court to prosecute genocide and crimes against humanity in France has been welcomed by human right groups. France is concerned about the Rwanda genocide and there is growing cry that many of those involved in the crime are now taking refuge in France. Nevertheless, French soldiers are said to be complicit in the crime.

The British national election will soon be around the corner and as polls suggest, it is unlikely that the ruling Labour Party wins the election. This insinuation among other problem facing the Brown's led government is making certain party members worried about his administration and thus wants what they rejected at palace coup.

It has struggled to make the Lisbon treaty a reality, creating permanent EU president yet the EU is still having three presidents all of who believe they have their role to play. Having a single louder voice as hoped by the permanent president is unlikely as EU members are not ready to do away from the rotational presidency which in fact gives some clout.

A new poll shows that German Chancellor Angela Merkel's new centre-right government faces wide public dissatisfaction after a stumbling start that has been dominated by squabbling over planned tax cuts

Economic Issue

German retail sales fell by around 2.0 percent in 2009 from the previous year, meanwhile consumption fared better than Europe's biggest economy in general. "Private consumption has been an important cushion of the recession," Economists warned that consumption began to slump heavily in the second half of the year and that Germany could soon find itself in a consumer recession.

There is little assurance that the Bank of England will change its record low 0.5 percent interest rate very soon. The low interest rate was implemented as monetary stimulus programme after Britain was hit by the global financial meltdown. The fact of the matter is that the British economy is yet to regain its stamina thus government hopes to maintain the status-quo and as reports have shown that consumers are continuing to pay off debt rather than borrow to keep spending. Chancellor Alistair Darling has also confirmed that Britain will prioritize cutting spending and borrowing down, this he believes is good for the economy till it recovers.

Greece a southern European country is among the most affected European countries by the global financial crisis. The economic shock has been so troubling for the political stability of the country. Moving towards economic recovery the government is sending a proposal to the European commission for a bailout, which Spain holding the rotational presidency has refused that nothing should be expected from the bloc, instead Athens should deal with its problem itself.

Social/Humanitarian Issue

France in recent times is witnessing different types of public debate among which is the debate for determining French identity which has caused public outcry particularly among the immigrant community and socialist politicians. More recently is the debate whether to open up French elitist schools for the less privilege by creating a quota system, which is receiving an unsettled reaction both from the exiting beneficiary and the to-be benefited.

Anti-immigrant sentiment is likely to rise amid the clashes involving native Italians and illegal foreign workers in the southern town of Rosarno, Italy. The workers

claimed they were ill-treated, paid less and more recently gun shot by mafia farmers. The incidents have created a great public concern because of the vandalization that erupted.

Security dilemma holds the British security enforcement agency whether to use the full scanner machine at British airports. One the machine will be helpful in revealing hidden explosive and consequently enhance airline safety. Two, despite the usefulness of the machine there is growing concern that the use of the machine will violate British and European law which prohibit the display of under 18 genitalia, even though the British prime minister has shown great interest for the operation of the machine in response to failed suspected attack. The ball now lies with the British parliament to decide if to repeal the law or close its eye for the machine usage

Same dilemma surrounds the European parliament mulling the health and privacy factor of the full scanner if approved. Meanwhile it appears individual EU members are taking the bull by the horn by trying to beef up security at individual airport. Aviation experts from the member states now must assess whether body scanners can fit into EU legislation, any significant action on the issue would have to be taken by the European Commission, and approved by the parliament.

Scriptural account informs us the extent to which same-sex conduct caused the extinction of a whole generation. But similar practice is increasingly becoming a legalise conduct particularly in the western world. Portugal a predominately catholic country has joined Belgium, the Netherlands, Spain, Sweden and Norway, Canada, South Africa, and six U.S. states, where same-sex marriage is legal. This comes to light through a parliamentary bill passed by 125 votes to 99.

Do not welcome Chinese Uighurs inmates from Gitmo prison was the strong message sent by the Chinese government to its Swiss counterpart. On one hand the Swiss government is showing green light that the decision to close down Guantanamo prison is welcomed in Switzerland but the kind of inmates to be accepted remains a question as regard the Chinese demand. The latter wants the Chinese Uighurs to be handed over to China, where they are more likely to be imprisoned, tortured and even killed.
Food, Environment and Energy Issue

EU top officers are hoping to use the G20 as another platform to formulate global deal on global warming and climate change. This will be an in-lieu effort for the failed U.N. climate conference in Copenhagen, Denmark, which according to developing nations was an unaccomplished summit.

Southeast Europe

Political Issue

Political divide in Serbia politics has somewhat been dragging the country behind. Serbia is one of the Balkan countries where the frequency of elections is alarming, as opposition parties are seeking for another election.

The legal and political showdown between Croatia and Serbia delineates attempt that wound of the past will continue to haunt the region. Croatia has submitted a petition before the ICJ accusing Serbia of genocide, meanwhile the Serbian authority is also prepare to do same, but might retract that if Croatia withdrew hers.

High Representative Valentin Inzko is of the view that referendum is not an option for deciding the continuous presence of foreign prosecutors in Bosnia, a view strongly championed by the Republika Srpska (RS) prime minister. Inzko believes it will only divert attention away from the economic problem facing Bosnia.

Kosovo recently went through municipal elections which were generally successfully yet not totally free from irregularities. Some regions have gone for re-elections and counting in underway. The important aspect of the election was the significant participation of Kosovo Serb. The latter's participation has been criticised by Serbia but the parties that participated in the election believe such will give them more autonomy in disputed independent Kosovo.

Former Croatian Prime Minister Ivo Sanader in recent times was one of the most popular politicians in the country who maintained a high rating before exiting the office six month back. He has been dubbed by bloggers in the country as a captain of a singing ship, because he deserted the country amid high economic and political problem and when he was most needed. He is accused of exiting to safe his face from accusation even though after his exit there has been lot of criticisms and his rating has plummeted.

Economic Issue

Serbia increases its status in the region last week as it assumes the chairmanship of the Central European Free Trade Agreement (CEFTA) for 2010. The agreement, which was signed on December 19th, 2006, unites Serbia, Bulgaria, Romania, Montenegro, Croatia, Moldova, Macedonia and Albania.

Social/Humanitarian Issue

Apprehending fugitives Ratko Mladic and Goran Hadzic, both accused of war crime has been one of the major concerns of the Serbian government. The ICJ although lauds Serbia effort to arrest the criminals, nonetheless presses Serbia further to step up its effort.

The visit of Serbian President Boris Tadic to the Decani monastery in Kosovo for Orthodox Christmas has raised dust within Kosovo. According to the Kosovo authority Tadic was allowed not as officer but as individual and asked not to make political statement, which he was reported to have violated as he downplayed Kosovo independence when speaking with a journalist.

Food, Environment and Energy Issue

Geostrategic Issues

The Israeli government is making attempt to expand the scope and tentacles of al-Qaeda as the Israeli foreign minister Avigdor Lieberman said Bosnia is "the next destination," a potential breeding ground for terrorists for al-Qaeda and other Islamic extremist groups to establish operations, pointing to areas populated by Bosnians and Albanians. Bosnian Foreign Minister Sven Alkalaj rejected such insinuation.

According to Euobsever's report, Bulgarian Minister without Portfolio Bozhidar Dimitrov is suggesting that if Ankara refuses to compensate for the people displaced in early 20th century, Sofia will use its membership of EU to block Ankara's integration into the regional bloc. Sofia is demanding for 14 billion euros for the property of its citizens who were forced to leave Turkey in 1913. Such amount is demanded as Turkey holds the status of the 16th largest economy. This political drama might of course damage relations between the two countries and this also meant that Ankara still have a long way to go on its EU accession.

Report Details

US/Canada

WASHINGTON – The use of pilotless drones was supposed to minimize U.S. casualties in the campaign to hunt and kill militants. But the deaths of seven CIA employees along the Pakistan-Afghan border has exposed an unfortunate truth: Drone strikes depend in part on good tips gathered through old-fashioned spycraft that sometimes goes terribly awry. The deaths in Afghanistan last week were a severe blow to the expertise and talent pool of the CIA in a little-understood country where its spies are now most at risk. But the U.S. isn't pulling back on covert operations to hunt terrorists in Afghanistan and Pakistan and will go on taking chances on human tipsters. The United States struck back at militant targets in Pakistan on Wednesday with explosives apparently launched from an airborne drone — the latest of five such responses since the bombing that killed several top CIA operatives at a secretive eastern Afghan base reportedly used as a key outpost in the effort to identify and target terror leaders.

The past week's drone attacks were a lethal message that the Obama administration views its airstrikes as too effective to abandon, even though they are unpopular with civilians and the U.S.-backed governments in both Afghanistan and Pakistan. The apparent strikes killed at least 13 people in an area of Pakistan's volatile northwest teeming with militants, who are suspected of directing the suicide attack last week across the border in Afghanistan. The bomber, a Jordanian doctor identified as Humam Khalil Abu-Mulal al-Balawi, apparently was a double agent — perhaps even a triple agent — who had been considered a key asset. Al-Balawi was invited inside the outpost facility bearing a promise of information about al-Qaida's second-in-command, presumed to be hiding in Pakistan. Charles Faddis, a former agency case officer, said it was a major strike to agency operations in Pakistan and Afghanistan. "CIA is a small outfit," said Faddis, who recently published "Beyond Repair," a scathing assessment of the agency. "You don't lose this many people in one strike and not feel it acutely." A

message posted by a top al-Qaida leader Wednesday on jihadist Internet forums praised the bombing and said it was to avenge the deaths of a Pakistani Taliban leader and two al-Qaida figures: Baitullah Mehsud, Abu Saleh al-Somali and Abdullah Saeed al-Liby, respectively. Terrorist watchdog groups disagreed over whether the message, signed by al-Qaida's No. 3, Sheikh Mustafa Abu al-Yazid, was claiming responsibility for the attack.

WASHINGTON – The public is getting its clearest look at the government missteps that allowed a suspected terrorist to slip through post-Sept. 11 security and threaten lives on American soil. The White House on Thursday planned to make public a declassified account of the near-catastrophe on a Detroit-bound flight on Christmas Day, and President Barack Obama was to address the nation about its findings and recommendations. Obama was also to reveal new steps intended to thwart terrorist attacks, as he promised earlier in the week. No firings over the December security debacle are expected — for now, at least. For an administration rocked by the breach of security, the day was meant to be a pivot point from an incident that has dominated attention. "In many ways, this will be the close of this part of the investigation," White House press secretary Robert Gibbs said Wednesday. In an interview published Thursday by USA Today, national security adviser Gen. James Jones said people who read the report will feel "a certain shock." Elaborating, Jones said, "The man on the street ... will be surprised that these correlations weren't made" between clues pointing toward a threat from Umar Farouk Abdulmutallab. Even though the 23-year-old Nigerian man was in a database of possible terrorists, he managed to fly from Nigeria through Amsterdam to Detroit with an explosive concealed on his body.

For nearly the last two weeks, Obama and his team have spent an enormous amount of time responding to the near-disaster. The White House is eager to start moving public attention back to its efforts to expand health care and boost the economy, while careful to say Obama will be monitoring security improvements. Abdulmutallab was indicted Wednesday on charges of attempted murder and other crimes for trying to blow up an airliner. His father had warned U.S. officials that Abdulmutallab had drifted into extremism in the al-Qaida hotbed of Yemen, but that threat was never identified fully by intelligence officials, a breakdown that has drawn intense, candid criticism from the president himself. Still, even with whatever details and improvements are revealed Thursday, questions will remain. Senate committees plan hearings later this month.

WASHINGTON – Hundreds of law enforcement officers are being trained as federal air marshals to ramp up security as the Obama administration tries to prevent a repeat of the near-catastrophic attempt to blow up an airliner bound for Detroit on Christmas Day. President Barack Obama ordered the U.S. intelligence agencies to do a better job of recognizing serious terror threats and sharing information with those who can disrupt a plot as quickly as possible. The White House on Thursday released a declassified summary of a two-week review that began when a 23-year-old Nigerian man allegedly tried to blow up a Northwest Airlines flight from Amsterdam to Detroit with an explosive hidden in his underwear. Officials received fragments of information as early as October about an alleged terror recruit they later learned was Umar Farouk Abdulmutallab. Although intelligence officials knew that an al-Qaida operative in Yemen posed a threat to U.S. security, they did not increase their focus on that threat and did not

pull together fragments of data needed to foil the scheme, the review found. Obama announced about a dozen changes designed to fix that, including new terror watch list guidelines, wider and quicker distribution of intelligence reports, stronger analysis of those reports, international partnerships and an interagency effort to develop next-generation airport screening technologies.

Extra air marshals — one of the additional layers of security ordered for air travel — will add to the more than 4,000 already in the system, officials familiar with the classified strategy said. Obama has also called for enhanced screening technology to detect explosives and other dangerous materials terrorists could try to sneak onto an airplane.

While Obama promised improved security, however, his solutions were laced with bureaucratic reshuffling. Americans might be surprised that the government was not already taking some of the steps Obama ordered. For instance, he directed the intelligence community to begin assigning direct responsibility for following up leads on high-priority threats. Obama himself hinted at the difficulties of improving intelligence and security against a terrorist network that devises new methods as fast or faster than the U.S. can come up with defenses. "There is, of course, no foolproof solution," he said. "We have to stay one step ahead of a nimble adversary." Underscoring Obama's assertion that no one individual was responsible for failing to thwart the attack, the administration's report noted that Abdulmutallab's name was misspelled in one instance, leading the State Department to conclude he did not have a valid U.S. visa when he did. In another instance, the suspect's name was in a massive government database of suspected terrorists, but it was never moved to a list that would have ensured additional screening before he boarded the airplane in Amsterdam. The White House is anxious to resolve and move beyond the issue, which threatens to damage the president politically and distract further from his agenda. s"When the system fails, it is my responsibility," Obama said.

WASHINGTON – One in five terror suspects released from the Guantanamo Bay prison 8u8;’uhas returned to the fight, according to a classified Pentagon report expected to stoke an already fierce debate over President Barack Obama's plan to close the military prison. The finding reflects an upward trend on the recidivism rate, although human rights activists who advocate closing the prison have questioned the validity of such numbers. Early last year, the Pentagon reported that the rate of released detainees returning to militancy was 11 percent. In April, it was 14 percent. The latest figure was 20 percent, according to a U.S. official, who spoke on condition of anonymity because the report had not been declassified and released. Critics of the reports say there is so little information in the assessments that they are nearly impossible to verify independently. Civil rights advocates say the number of fighters suspected of or confirmed as returning to the battlefield is likely to be much smaller. According to a senior administration official, the White House has not been presented with information that suggests that any of the detainees transferred during the Obama administration has returned to the fight. Meanwhile, Republicans say the rising number suggests the U.S. detention facility at Guantanamo Bay, Cuba, cannot be closed because that would mean either releasing hardened terrorists back into the fight or moving them into U.S. prisons, which many Americans oppose. "Guantanamo remains the proper place for holding terrorists, especially those who may not be able to be detained as securely in a third country," Senate Republican leader Mitch McConnell said Tuesday. Although Obama

said Tuesday that he still wants to close the detention facility, Defense Department press secretary Geoff Morrell suggested Wednesday that such plans were on hold. Congress has put severe limits.

WASHINGTON – Former New York Mayor Rudy Giuliani set off a tempest about terrorism Friday with his claim that this nation "had no domestic attacks" under President George W. Bush. Giuliani somehow neglected to mention the Sept. 11, 2001, terrorist attacks as he was contrasting President Barack Obama's handling of terrorism with that of Bush in light of the failed Christmas Day attempt to blow up a Detroit-bound flight. The Sept. 11 attacks toppled New York's World Trade Center, killed nearly 3,000 people in New York, Washington and Pennsylvania and earned Giuliani accolades as "America's mayor." The Republican said of Obama on ABC's "Good Morning America" that "what he should be doing is following the right things that Bush did." While saying he believes Obama "turned the corner" on understanding the nature of terrorism when he publicly declared the U.S. at war, Giuliani added that Obama has plenty of room to improve on terrorism. "We had no domestic attacks under Bush," Giuliani said. "We've had one under Obama." That statement set off waves of protest in the blogosphere. And it echoed a recent claim by former Bush press secretary Dana Perino. GOP strategist Mary Matalin also recently said the Bush administration "inherited the most tragic attack on our soil in our nation's history," implying that the 9/11 attacks resulted from mistakes by the Clinton administration. Bush replaced Clinton in the White House on Jan. 20, 2001, or almost eight months before the al-Qaida sponsored attacks. When Giuliani was questioned later Friday about his statement, he explained to CNN's Wolf Blitzer that he misspoke. "I usually say we had no domestic attacks, no major domestic attack under President Bush since Sept. 11," he said. He said after all the warnings of more attacks that came immediately after Sept. 11, many were surprised that this country avoided another major terrorist attack. Giuliani said: "I did omit the words 'since Sept. 11.' I apologize for that."

Jan. 9 (Bloomberg) -- Richard Lugar, the top Republican on the Senate Foreign Relations Committee, called President Barack Obama's handling of recent terrorism threats "strong," disputing former Vice President Dick Cheney's criticism. "It's unfair," Lugar said in an interview for Bloomberg Television's "Political Capital with Al Hunt," airing this weekend. "I think the president is focused." Cheney, who frequently has led Republican attacks on the Democratic president since leaving office a year ago, told Politico on Dec. 29 that Obama "is trying to pretend we are not at war" with a "low-key response" to the Dec. 25 attempt to ignite a bomb aboard a flight to Detroit. To the contrary, Obama has demonstrated "firmness" and "decisiveness," Lugar, who represents Indiana, said. "That's been the antidote to the criticism." Still, the U.S. may be focusing too much on Afghanistan at a time when al-Qaeda is finding havens in other hot spots such as Yemen and Somalia, Lugar said. Umar Farouk Abdulmutallab, the 23-year-old Nigerian indicted in the Detroit plane plot, allegedly received his training in Yemen. "I suspect that we will have to try to think through why we went to Afghanistan," Lugar, 77, said. After eliminating the al-Qaeda training camps there, the U.S. undertook "nation-building" beyond traditional development aid, he said. Projects such as advancing democracy, ensuring girls can attend school and promoting agriculture to replace poppy

cultivation, while laudable, have cost “tens of thousands of people, hundreds of billions of dollars,” he said. Progress Falls Short “And now we find even Afghanistan is not exactly making the progress we hoped,” Lugar said. U.S. intelligence agencies have heeded the potential threats from unstable states such as Yemen and Somalia, and will have to do more to understand the origins of terrorist attacks and why young Muslims get involved, Lugar said. “We have to see the comprehensive nature of this, how many countries have potentially failing governments or very weak governments in which al-Qaeda could” have some influence, Lugar said.

WASHINGTON – He says "the buck stops with me," but nearly a year into office, President Barack Obama is still blaming a lot of the nation's troubles — the economy, terrorism, health care — on George W. Bush. Over and over, Obama keeps reminding Americans of the mess he inherited and all he's doing to fix it. A sharper, give-me-some-credit tone has emerged in his language as he bemoans people's fleeting memory about what life was like way back in 2008, particularly on the economy. "Yes, we can"? Try "Yes, I have." While candid about what he called his team's "screw-up" in the botched Christmas airliner attack, Obama has made a point of underlining all the good he believes his government has done, too. "Our progress has been unmistakable," Obama said as the new year began. "We've disrupted terrorist financing, cutting off recruiting chains, inflicted major losses on al-Qaida's leadership, thwarted plots here in the United States and saved countless American lives."

Yet every time Obama tries to offer a dose of perspective like that, he faces the reality that people live in the moment. On terrorism, Americans are less concerned about quiet successes than troubling failures, especially one that evoked harrowing memories of Sept. 11, 2001. On the economy, people prefer good news now, not updates on how things are gradually getting less bad. The way Obama sees it, the problems he took on — recession, war, health care, a warming planet — were always too huge and complicated to fix that fast. So he emphasizes progress by taking people back to where he began. Which means taking them back to Bush. "I don't need to remind any of you about the situation we found ourselves in at the beginning of this year," Obama told people at a Home Depot stop last month. And then he reminded them anyway, detailing a nation in financial free fall when he took office. The economy now is both groaning and growing. Gloomy employers just slashed another 85,000 jobs in December, but Obama rarely misses a chance, as he did again Friday, to remind people that, hey, remember the job erosion at the start of the year? About 700,000 a month. That is true, but it doesn't matter much to the man or woman who is out of work, a point Obama concedes. He's not just trying to give people context. He's trying to shore up his standing and his party's, hoping voters will let it all sink in during this big congressional election year. An overwhelming majority of people say 2009 was a bad year for the country, according to the latest Associated Press-GfK poll. As Democrats head toward midterm elections trying to hang onto control of the House and Senate, half of Americans still think the country is headed in the wrong direction. Obama needs to show that he gets results. And so he describes a year of overlooked achievement since his predecessor left town, addressing a range of problems: hate crimes, tobacco advertisements toward children, pay disparities for women, abuses by credit card companies and many more. In other words, change from Bush.

WASHINGTON – President Barack Obama signaled to House Democratic leaders Wednesday that they'll have to drop their opposition to taxing high-end health insurance plans to pay for health coverage for millions of uninsured Americans. In a meeting at the White House, Obama expressed his preference for the insurance tax contained in the Senate's health overhaul bill, but largely opposed by House Democrats and organized labor, Democratic aides said. The aides spoke on condition of anonymity because the meeting was private. House Democrats want to raise income taxes on high-income individuals instead and are reluctant to abandon that approach, while recognizing that they will likely have to bend on that and other issues so that Senate Majority Leader Harry Reid, D-Nev., can maintain his fragile 60-vote majority support for the bill. House Speaker Nancy Pelosi and four committee chairmen met with the president Wednesday as they scrambled to resolve differences between sweeping bills passed by the House and Senate. The aim is to finalize legislation revamping the nation's health care system in time for Obama's State of the Union address early next month. Despite the dispute over the payment approach, Pelosi, D-Calif., emerged from the meeting expressing optimism. "We've had a very intense couple of days," Pelosi said. "After our leadership meeting this morning, our staff engaged with the Senate and the administration staff to review the legislation, suggest legislative language. I think we're very close to reconciliation."

Congressional staff members stayed at the White House into the evening to continue work, and a conference call of the full House Democratic caucus was scheduled for Thursday. Obama is taking a more direct role than ever, convening Oval Office meetings Tuesday and Wednesday of House Democratic leaders. The House and Senate bills are alike in many ways. Both impose first-time requirements for almost all Americans to purchase health insurance, providing subsidies for lower- and middle-income people to help them do so, though the subsidies in the House bill are more generous. Both establish new marketplaces called exchanges where people can go to shop for and compare health insurance plans. Both would ban unpopular insurance company practices including denying coverage to people with pre-existing health conditions. Differences include whom to tax, how many people to cover, how to restrict taxpayer funding for abortion and whether illegal immigrants should be allowed to buy coverage in the new markets with their own money. The House bill covers about 36 million uninsured Americans over 10 years, costing more than \$1 trillion, while the cheaper Senate bill covers about 31 million. House Democrats are steeling themselves to abandon establishment of a new government insurance plan opposed by moderates in the Senate, but in return hope to get the Senate to rescind insurers' antitrust exemption, make subsidies more affordable and agree to establishment of national rather than state health insurance exchanges, among other things. Obama has signaled his support for the House position on the subsidies and other areas, aides said.

WASHINGTON – His agenda altered by the Christmas bombing attempt, President Barack Obama pivoted back to the domestic economy on Friday, promoting new U.S. spending to create tens of thousands of clean-technology jobs. He outlined the initiative after a weak government jobs report raised new questions about the sustainability of the recovery. "It's clear why such an effort is so important. Building a robust clean energy sector is how we will create the jobs of the future, jobs that pay well

and can't be outsourced," Obama said in late-afternoon economic comments at the White House. Obama spoke after the Labor Department said the U.S. jobless rate was unchanged at 10 percent in December, following a decline the previous month. But the government's broader measure of unemployment — which includes people who have stopped looking for work or can't find full-time jobs — ticked up 0.1 percentage point to 17.3 percent. That, plus the larger-than-expected loss of 85,000 jobs in December, put new pressure on the administration to step up job creation. "The road to recovery is never straight," Obama said, although he added that the trend is pointing toward an improving jobs picture. Riveted for the past two weeks on terrorism, the White House has been eager for a subject change. And Friday's remarks were an attempt to return national attention to Obama's domestic agenda, particularly jobs. As long as the focus remains on terrorism, Obama is vulnerable to criticism that he isn't aggressively addressing the jobs crisis — potentially damaging politically for Democrats in this year's midterm elections. Polls show that jobs are the No. 1 concern of Americans. At the same time, the constant focus on the botched Christmas Day attempt to blow up an airliner bound for Detroit — and U.S. intelligence failures surrounding the episode — has offered Republicans an easy opportunity to keep pounding Obama for national security lapses. The president used Friday's release of the unemployment numbers to try to turn the page. Obama announced \$2.3 billion in tax credits — to be paid for from last year's \$787 stimulus package — that he said would create some 17,000 "green" jobs. The money will go to projects including solar, wind and energy management. He also called for an additional \$5 billion in spending for clean energy manufacturing, an idea being promoted by Vice President Joe Biden. Such initiatives are "an important step toward meeting the goal I've set of doubling the amount of renewable power we use in the next three years with wind turbines and solar panels built right here in the U.S. of A.," Obama said.

WASHINGTON — The Obama administration is gearing up for a fresh attempt to relaunch stalled Israeli-Palestinian peace talks after the effort hit a dead end last year. In a flurry of meetings in Washington and in European capitals this week and next, senior administration officials will explore new approaches to bringing the two sides together. The new tack would include preparing letters for Israeli and Palestinian leaders that would lay out the endgame and guarantee U.S. support for a negotiated end to the conflict. Secretary of State Hillary Rodham Clinton offered no details Wednesday about the renewed U.S. commitment, but she and Mideast envoy George Mitchell will see Egyptian and Jordanian officials in Washington this week. Egypt and Jordan are essential to the peace push as they are Israel's only Arab neighbors to have fully recognized the Jewish state. The discussions began in earnest Monday — the first working day of the new year — when Clinton met with the prime minister of Qatar, whose country is among numerous Arab states the U.S. is asking to support the process. "We're going to be even more committed this year, and we're starting this new year with that level of commitment and we're going to follow through and hopefully we can see this as a positive year in this long process," Clinton told reporters after the meeting.

President Barack Obama's attempt to restart the negotiations during his first year in office began with much fanfare with the appointment of Northern Ireland peace broker and former Sen. George Mitchell. But it failed amid Israeli-Palestinian recriminations and Arab reluctance to back the process without significant concessions from Israel.

Clinton and Mitchell are scheduled to meet at the State Department on Friday with Egyptian Foreign Minister Ahmed Aboul Gheit, Egyptian intelligence chief Omar Suleiman and Jordanian Foreign Minister Nasser Judeh. "Judeh will stress the importance of relaunching negotiations between Palestinians and Israelis under a clear and time-bound plan that addresses final status issues between the two parties, achieves a just and lasting peace and establishes an independent Palestinian state," the Jordanian Embassy in Washington said Wednesday. Following those talks, Mitchell will travel Sunday to Paris and Brussels for meetings with his counterparts from the so-called Quartet of Mideast peacemakers — the U.S., the European Union, the United Nations and Russia — and European diplomats before a trip to Israel and the Palestinian territories later in the month, U.S. officials said.

OTTAWA (Reuters) – The Liberal Party signaled on Friday it would not try to topple the minority Conservative government, despite Prime Minister Stephen Harper's unpopular decision to have Parliament suspended until early March. "You can't have an election each and every time you have difficulty in Parliament," Liberal leader Michael Ignatieff said as he slammed Harper's decision to delay Parliament's return from the Christmas break to March 3 from January 25. The opposition parties tried to bring the government down in October, just a year after the last election, but this provoked a backlash from voters that set the Liberals back in opinion polls. Ignatieff says he got the message. "Canadians want Parliament to work -- as they clearly stated to me in the fall, 'We don't want an election,' and I listened to that," he said.

Because they hold only a minority of the 308 seats in the House of Commons, the Conservatives need the support of at least one opposition party to remain in power. The Liberals are still several points behind the Conservatives in public opinion polls, but the gap has narrowed in the wake of Harper's decision to suspend Parliament. The suspension, known as prorogation, is constitutionally allowed and has been done more than 100 times in Canadian history, but this time it has drawn fierce criticism from the opposition and from editorialists.

OTTAWA (Reuters) – Canada will formally request that France share information it possesses about Canadians with bank accounts in Switzerland that may help Ottawa crack down on tax avoiders, Revenue Minister Jean-Pierre Blackburn said on Friday. Blackburn said authorities in France have confirmed to him that they have information on Canadians. Ottawa has been trying unsuccessfully to obtain the names of Canadian clients of Swiss bank UBS whom it suspects of taking advantage of Swiss bank secrecy laws to hide assets and dodge taxes. Blackburn said it was "not good news" for Canada that a Swiss court ruled on Friday that it was illegal for a financial regulator to have ordered UBS last year to hand over the files of nearly 300 clients to U.S. officials. But he said Canada would continue to press for the information it needs.

OTTAWA (Reuters) – The recovery in Canada's job market stalled in December as employers unexpectedly cut 2,600 jobs after hefty hiring in November, another sign the economic revival will be sluggish rather than in leaps and bounds. The data released by Statistics Canada on Friday showed the unemployment rate remained unchanged at 8.5 percent, as forecast in a Reuters poll. The job losses, which followed a 79,000-job

gain in November, are small enough to be considered a flat reading but disappointed the market consensus of a 20,000 increase. The Canadian dollar fell immediately after the report but economists focused on evidence the economy is holding on to gradual gains made over the past few months. "This is consistent with an economy that is on the mend but at a relatively moderate pace," said Don Drummond, chief economist at Toronto-Dominion Bank. The Canadian dollar fell as low as C\$1.0386 or 96.28 U.S. cents, from C\$1.0314 or 96.96 cents just before the report. The currency fully regained the lost ground 90 minutes later, however, after U.S. data showed 85,000 job losses in December. It touched C\$1.0306, or 97.03 U.S. cents after that report. The Bank of Canada is likely to shrug off the worse-than-expected numbers when it sets interest rates on January 19. It is widely expected to keep its benchmark interest rate at an all-time low of 0.25 percent until mid-year. "It reinforces their commitment to remain on the sidelines," said Paul Ferley, assistant chief economist at the Royal Bank of Canada. But the report keeps pressure on Prime Minister Stephen Harper as his Conservative government prepares its next budget, to be presented on March. 4. Harper has vowed not to slow down on stimulus measures until 2011 and has said, in his view, the recession is not truly over until unemployment numbers come down.

Prime Minister Stephen Harper said on Friday he was disappointed at the decline in employment in December, but expects improvements in 2010. Statistics Canada data on Friday showed the recovery in the labor market stalled in December as employers cut 2,600 jobs, and the unemployment rate held steady at 8.5 percent. Analysts had expected the creation of 20,000 jobs in the month. "In terms of the unemployment numbers today, obviously we're disappointed that unemployment is down slightly," Harper told reporters in a televised news conference. "That said ... if you look over the past two or three months, we are seeing stabilization in our labor force."

OTTAWA (Reuters) – Rape occurs all too often in Afghanistan and is under-reported, but more victims are agreeing to report the incidents, a Canadian government report on Afghan human rights has concluded. "Rape is widely believed to be a frequent occurrence, though its true extent is concealed by under-reporting owing to the social stigma attached to it," stated the 2008 report, publicized on Thursday. "There does, however, appear to be signs of increasing willingness on the part of victims to report rape, and on the part of the authorities to investigate and prosecute some cases." It cited President Hamid Karzai's call in 2008 for rapists "to face the country's most severe punishment," following a public outcry after a 12-year-old girl was raped in Sari Pul province. The report, released after an Access to Information request by the Canadian Press, said self-immolation by women is increasingly being used "to escape their dire circumstances". In Herat, it cited the head of the provincial hospital's burn unit as saying 80 women tried to burn themselves in 2008, many of whom died. It said the British-based group Womankind had determined that 87 percent of Afghan women complained of being victims of violence, half of it sexual. It said more than half of marriages involve girls under 16. On a positive note, it said that the number of girls in school had gone from near zero during Taliban rule to 2 million now, and total school enrollment had risen to 6 million from 1 million. Canada has had troops in Afghanistan since 2002 and currently has 2,800 soldiers there.

Western Europe

BERLIN – A new poll shows that German Chancellor Angela Merkel's new center-right government faces wide public dissatisfaction after a stumbling start that has been dominated by squabbling over planned tax cuts. The ARD television poll, released Thursday night, found that only 28 percent of respondents were satisfied with the government's work, and 67 percent were either "less satisfied" or altogether unhappy. The conservative Merkel started her second term Oct. 28, heading a new coalition with the pro-business Free Democrats that aimed to focus energetically on stimulating the recovery of Europe's biggest economy. Instead, there has been constant public bickering, in particular over the wisdom of launching big income tax cuts next year.

PARIS – France wants to speed up the way it prosecutes genocide and crimes against humanity, creating a special investigative unit in a Paris court as more suspects allegedly linked to Rwanda's genocide are turning up in the country. Human rights advocates say the French move is welcome, though overdue in a country long criticized for harboring foreign despots and for cushy relations with strongmen in its former African colonies. Justice Minister Michele Alliot-Marie and Foreign Minister Bernard Kouchner announced plans Wednesday to create a special judicial investigative service for crimes against humanity and genocide committed abroad. The "judicial center" would handle such crimes that involve anyone — French or not — who lives in or travels to France, Justice Ministry spokesman Guillaume Didier said.

"The homeland of human rights, France will never be a sanctuary for those behind genocide, war crimes, or crimes against humanity," the ministers wrote in a column in the daily *Le Monde* newspaper. They are planning to establish the service as part of a legal reform bill to be presented in parliament in the first half of the year.

The ministers wrote that the goal is to speed up judicial treatment of war crimes and genocide cases, which can drag on for years. The unit — a sort of judicial task force — would pool resources and create a one-stop-shop for genocide claims that are currently filed in courts across France. French investigators of genocide or claims of war crimes abroad face problems because information often is scattered geographically, the ministers said. Many cases are complex and require technical expertise. The ministers said the proposed investigative section would not seek to compete with the "universal" jurisdiction of the International Criminal Court in The Hague, Netherlands, but would rely on national jurisdictions authorized as part of the 1998 Rome Treaty that created that court, Didier said. Alain Gautier, president of the Collective of Civil Parties for Rwanda legal action group, said French judges are now examining 16 separate lawsuits linked to the Rwanda genocide. In one recent case, the group in November accused Charles Twagira — now a doctor and pastor based in the northeastern city of Rouen — of crimes against humanity and genocide. "The rising number of pending cases, notably involving more than 15 Rwandans awaiting trial, is prompting us to act quickly," the ministers wrote in the newspaper. Separately, Rwanda has maintained that French soldiers there bore responsibility for the slaughter of minority Tutsis by Hutu extremists. The Justice Ministry says the new judicial investigative unit would respond to any claims of genocide — whether from inside France or from abroad.

PARIS – France is facing a dilemma: Should the government force its most prestigious schools, those that produce presidents, prime ministers and CEOs, to be less elitist about the students they let in? Government ministers, intellectuals and activists clashed this week over whether to set quotas to ensure more low-income students can attend a handful of "grandes ecoles," university-level institutions seen as the country's premier path to prosperity and power. The government, pressed to ease social tensions and persistent class divides in a country whose motto includes the word "equality," proposed that the schools give 30 percent of spots to students on financial aid.

The body that oversees the publicly funded schools, the Conference des grandes ecoles, shot the plan down. Quotas, they said, would dumb the system down, threatening its whole raison d'etre by crippling the competitiveness of top French schools and their graduates in the international marketplace. "Do you think we could improve the level of our world champion handball team if we required that there were a certain percentage of people with a particular characteristic? The answer is no, of course," wrote the conference's president, Pierre Tapie. Education Minister Luc Chatel said he was "shocked" by the schools' rejection of quotas and said he was determined to see the measure through. He said the current system "produces only social inequality."

Connections made at France's premier universities are key to landing jobs, including at the highest levels of French politics and business, and prove fruitful throughout careers. About 6 percent of post-secondary students go to France's 220 grandes ecoles, which include the HEC business school and the Ecole Polytechnique engineering school. The system was born in 1747 to train top engineers, and today access is meant to be based purely on merit.

Yet passing the demanding entrance exams require years of preparation and knowledge of the French education system that students from working class or immigrant families often lack. At the grandes ecoles, the student body is "very, very white" and many students already know each other before they are admitted, said Arnaud Riegert, who tutors high school students from disadvantaged neighborhoods. His pupils include white, Arab and black youth from around the country trying to get into top universities. Riegert, who has attended two of the grandes ecoles, says reform is overdue. "It is a very good thing that they are opening a debate," he said. But he says quotas are not the answer. He says the tough exams and admission process are the biggest problem, and that the grandes ecoles should reach out beyond the handful of prep schools that traditionally provide most recruits. "There are pupils with good potential who have no knowledge of what a prep school is," he said. President Nicolas Sarkozy, who did not attend a "grande ecole" himself and is the son of a Hungarian immigrant, has encouraged more diversity in top political levels. But quotas make many in France bristle. The FIDL, a federation of high school student unions, said Wednesday that quotas would "cast suspicion on graduates of the top schools who come from poor neighborhoods, as soon as one could imagine that they were recruited because of their social origin and not their abilities."

ROME (AFP) – Residents of an Italian town beat with iron bars, shot at and ran over immigrants, wounding nine -- two seriously -- in a second night of racially charged violence, authorities and reports said. The clashes in the southern town of Rosarno, which erupted Thursday during a protest by mainly African farm labourers, had injured 18 policemen and 19 foreigners in two days, authorities in Reggio Calabria province said.

Around 100 locals armed with batons and metal bars, and some carrying clubs and cans of petrol, had meanwhile set up a barricade late Friday near a place where many immigrants meet, Italian news agency ANSA reported. Nine busses with police escorts later evacuated around 250 immigrants in the early hours of Saturday as locals applauded. In separate incidents on Friday, two immigrants were beaten and seriously wounded with iron bars, media and officials said. One of the wounded was admitted to hospital for brain surgery. Two other immigrants were shot in the legs with hunting shotguns and five more were deliberately run over by vehicles driven by locals, they said. They were lightly hurt. Police arrested the occupants of one of the vehicles, ANSA said, quoting investigators. Police reinforcements had been sent to the area, said police chief Antonio Manganelli, as Italian President Giorgio Napolitano called for "an immediate end to the violence". The violence broke out Thursday when hundreds of immigrants, most of them Africans employed illegally as farm labourers, demonstrated after some of them had been shot at with an air rifle, ANSA said. Demonstrators set fire to cars and smashed windscreens before police intervened, leading to a scuffle that left several of the demonstrators wounded, ANSA said. The disturbances continued on Friday with about 2,000 immigrants holding a sit-in in the centre of Rosarno while Italian residents blocked roads and occupied the town hall. While 250 immigrants were evacuated early on Saturday to an emergency shelter located at Crotona, some 170 kilometres (105 miles) away, some 500 were still holed up on another building in the town, according to ANSA. Police were staying in the town to ensure the immigrants don't return and residents don't burn down any buildings. Earlier Friday the UN refugee agency's spokeswoman in Italy Laura Boldrini told AFP the body feared an "immigrant hunt" in Rosarno.

LISBON, Portugal – Portugal's parliament passed a bill Friday that would make the predominantly Catholic nation the sixth in Europe to permit gay marriage. Conservative President Anibal Cavaco Silva is thought unlikely to veto the Socialist government's bill, which won the support of all left-of-center parties. His ratification would allow the first gay marriage ceremonies to take place in April — a month before Pope Benedict XVI is due on an official visit to Portugal. Right-of-center parties opposed the change and sought a national referendum on the issue, but their proposal was rejected and the government's bill was passed by 125 votes to 99. Gay rights campaigners applauded from the galleries, hugged and kissed outside the building and ate wedding cake. "This law rights a wrong," Prime Minister Jose Socrates said in a speech to lawmakers, adding that it "simply ends pointless suffering." Socrates said the measure is part of his effort to modernize Portugal where homosexuality was a crime until 1982. Two years ago his government lifted Portugal's ban on abortion, despite church opposition. Gay marriage is currently permitted in Belgium, the Netherlands, Spain, Sweden and Norway. Canada, South Africa and six U.S. states also permit it. The bill removes a reference in the current law to marriage being between two people of different sexes. "It's a slight change to the law, it's true," Socrates, the prime minister, said. "But it is a very important and symbolic step towards fully ensuring respect for values that are essential in any democratic, open and tolerant society: the values of freedom, equality and non-discrimination." Like neighboring Spain, which introduced same-sex marriages four years ago, Portugal is an overwhelmingly Roman Catholic country and previous efforts to introduce gay marriage ran into strong resistance from religious groups and

conservative lawmakers. Paulo Corte-Real, head of a lobby group called Lesbian, Gay, Bisexual and Transsexual Intervention, said Portugal had become a pioneering country in gay rights. "This is a historic moment. We just hope (the bill) gets ratified quickly," he said. Socrates said a referendum was not necessary because the gay marriage proposal was included in the Socialist Party's manifesto in last September's general election, when it was returned to power.

LONDON – Britain's government wants to quickly deploy full body scanners at U.K. airports to fight an expanded terrorist threat, but privacy concerns — and fears that children may be exploited — seem likely to slow the plan. Privacy campaigners and children's rights groups say the technology, now being tested at Manchester Airport, violates British and European law by producing sexually explicit images of children. They say the machines cannot be allowed because they can clearly show a child's genitalia when a boy or girl walks through the airport scanners, which are designed to reveal concealed liquids, explosives or weapons to assure the safety of commercial air travelers. Ian Dowty, legal adviser to Action on Rights for Children, said he believes it would be a criminal offense to operate the scanners or to direct anyone to operate them if they are used to produce images of children under the age of 18. "If anything produces an indecent image of anyone under 18, that is unlawful and is in fact a criminal offense," he said. "As we've seen on the Internet, these machines clearly show genitalia, that in our view must result in an indecent image by any definition." He said any new security apparatus must comply with British law as set by Parliament and that it is up to the legislature to consider whether to change the law to allow the new generation of full body scanners to operate.

Prime Minister Gordon Brown has called for greatly expanded use of the machines in response to the thwarted Christmas Day attack on a plane preparing to land in Detroit after flying from Amsterdam. Officials believe the suspected bomber's explosives — sewn into his underwear — would have been picked up by the person operating the scanner. Home Secretary Alan Johnson said Monday afternoon that the first scanners should be set up at London's Heathrow Airport within three weeks. He said more sniffer dogs would be deployed and more passenger profiling would be considered. Johnson also said all U.K. airports would be required to have trace equipment capable of detecting explosives in the air by the end of this year — but cautioned that no single technology would be 100 percent successful against terrorists. Britain's Transportation Department has promised to develop a "code of practice" governing body scanner use that would address privacy concerns. Terry Whittock, vice president of scanner-maker Rapiscan Ltd., said it is very likely the machine would have detected the explosives being carried on board. "We can't say for certain that it would have stopped this threat, because we don't have access to all the information, but there is a very high expectation that it would have," he said. "That is exactly what it was designed to deter." Others, including a British lawmaker, have said the machine would not have been useful in spotting the explosives intended for use over Detroit. "The machines amount to little more than gimmickry, and the government is going to face a huge legal obstacle," said Simon Davies, director of Privacy International. "It can't identify a substance, it can only identify an abnormality, and the rest of it is human judgment."

BRUSSELS – European nations were divided Thursday over the need to install body scanners at European airports, with some EU member states playing down the need for beefed up security measures. The United States, Britain and the Netherlands already have announced plans to install the scanners amid growing worldwide security concerns following the attempt to blow up a U.S. airliner flying from Amsterdam to Detroit plane on Christmas Day. Washington is seeking enhanced security measures on all trans-Atlantic flights heading for the United States. On an average day, the lucrative North Atlantic route is crisscrossed by more than 800 passenger flights. But ahead of a meeting Thursday of EU aviation security experts, Belgium's secretary of state for transport Etienne Schouppe described such enhanced measures as "excessive," saying security requirements at European airports are already "strict enough." Until now, the EU has allowed member states to decide on whether to use body scanners at airport checkpoints. In 2008, the EU suspended work on draft legislation regulating the use of body scanners after the European Parliament demanded a more in-depth study of their impact on health and privacy. Since the attempted terrorist attack on Dec. 25, the EU has been reevaluating its security regulations. Aviation experts from the member states now must assess whether body scanners can fit into EU legislation, officials said.

Any significant action on the issue would have to be taken by the European Commission, and approved by the parliament, officials said. The process could take several months even if all member states agreed on the need for scanners. Schouppe said the European Union should adopt a joint approach to the use of body scanners. "We must have a common position for all European Union members states so that there is a real transparency between measures taken on the European side and the U.S. side," he said in an interview with APTV. "I must say that I have the feeling that (the Americans) are exaggerating. I don't know what kinds of controls they were using previously, but here, in Belgium and in the large majority of European airports, security controls were strict enough," he said. EU spokesman Fabio Pirotta said no decisions would be taken at Thursday's meeting. "The experts will only take stock of the overall security situation," Pirotta said.

In Italy, Interior Minister Roberto Maroni said he expects to see scanners at least at Rome's Leonardo da Vinci airport and Milan's Malpensa hub. Maroni was attending a meeting of Italy's top civil aviation officials on Thursday to discuss increased airport security. Italy's Foreign Minister Franco Frattini said privacy was a "fundamental right" for passengers, but "the right not to blow up on an airplane is a more important right."

LONDON – British Prime Minister Gordon Brown fought off a challenge to his leadership Wednesday from two senior figures in his Labour Party as the party moved quickly to quash the revolt. But the challenge exposed a badly divided party months before a national election that polls predict it will lose. Two former Labour Cabinet members sent a letter to fellow Labour lawmakers calling for a secret ballot on Brown's leadership. Geoff Hoon and Patricia Hewitt said in the letter that grumbling about Brown's performance was dividing the party at the worst possible time. "Many colleagues have expressed their frustration at the way in which this question is affecting our political performance," they said in the letter, which they released to the media. "We have therefore come to the conclusion that the only way to resolve this issue would be to allow every member to express their view in a secret ballot," they wrote, referring to the Labour

lawmakers. Hewitt said the letter was "not an attempted coup," but would not say whether she would back Brown if a vote were held.

Labour officials and most senior ministers moved to shore up Brown's position. Several Cabinet ministers traipsed before TV cameras to declare their support for the prime minister. Home Secretary Alan Johnson, seen as a possible successor as premier, said: "Gordon Brown is the best man to lead the Labour Party." "I respect Patricia and Geoff a great deal but I do not support their proposal," Johnson said.

Foreign Secretary David Miliband said he supports the re-election of a Labour government led by Brown, and Labour's deputy leader, Harriet Harman, said party members were united in their determination to see Brown lead the party to victory in the election. Business Secretary Peter Mandelson said Brown "continues to have the support of his colleagues and we should carry on government business as usual."

Brown's supporters said a leadership vote would make the party look divided and dash any hopes of an election win. The prime minister's office downplayed the significance of the letter, saying Brown "is relaxed and getting on with his job."

BERLIN – German authorities are looking into allegations raised in an American magazine that a CIA hit team targeted an al-Qaida suspect in Hamburg in a post-Sept. 11 operation that was never carried out, officials said Wednesday. According to the report in Vanity Fair's January issue, the team was sent to target Mahmoud Darkazanli, a German-Syrian businessman. Darkazanli has been accused in Spain of being an al-Qaida figure and was close to the Sept. 11 hijackers who lived and studied in Hamburg.

The article focused on Erik Prince, who founded the defense contractor Blackwater USA, and alleged that Prince had a hand in training the team. It said the team notified neither the German government nor the Hamburg CIA station that it was working in the city, and followed Darkazanli for weeks before the assassination was called off. George Little, a spokesman for the CIA based in Virginia, declined to comment on the case. Though the magazine hit newsstands at the start of December, Hamburg prosecutors decided Monday to look into it after a local newspaper picked up on the allegations, said spokesman Wilhelm Moellers. "It is just a general assessment," he said. "We're talking about newspaper reports at the moment — we are not conducting any sort of an investigation into known or unknown suspects."

He added that, even if the story proves to be true, prosecutors will still have to evaluate whether any crime was committed. In comments on Germany's ARD television Tuesday night, Darkazanli said he was "speechless" at allegations there was a contract out on him, but said he often noticed surveillance. Darkazanli was questioned by German police shortly after the Sept. 11, 2001, attacks on the United States after it emerged that he moved in some of the same circles as the hijackers. Among other things, he appeared in a 1999 wedding video with two of the three suicide pilots who lived and studied in Hamburg. He appeared on U.S. suspect lists after Sept. 11, but denied any links to Osama bin Laden or the attacks. He was never charged in Germany. In October 2004, he was arrested in Hamburg on a Spanish warrant accusing him of involvement with al-Qaida.

GENEVA – China warned the Swiss government Friday against accepting two Guantanamo inmates as part of President Barack Obama's effort to close the detention center, calling them terrorist suspects who should face Chinese justice. In a sharply

worded statement, the Chinese Foreign Ministry said the pair of ethnic minority Uighurs posed a serious security threat to China, and to Switzerland if it were to offer them a new home. Switzerland is hoping to curry favor with the Obama administration after last year's drawn-out dispute over wealthy Americans who hid billions of dollars from the Internal Revenue Service in Swiss bank accounts. The Alpine nation agreed in December to accept one Uzbek inmate held for over seven years at the U.S. military prison at Guantanamo Bay, Cuba, following other European nations, including France, Hungary, Ireland, Italy and Portugal, that have agreed in recent months to accept detainees. But it has yet to make a final decision on the two Chinese Uighurs, the Swiss Justice Ministry said in a statement. Chinese tensions with the ethnic Uighurs in the Western region of Xinjiang have long been high, and Beijing is highly sensitive to any separatist inclinations. The Chinese statement Friday to The Associated Press followed a private warning it sent to the Swiss government, and said the two Uighurs that have been selected by Swiss migration officials for possible relocation are "terrorist suspects." Beijing said they were members of a group called the East Turkistan Islamic Movement, their names are included on a U.N. sanctions list, and they should be handed over to China. "We oppose the U.S. passing the terrorist suspects to a third country by ignoring the strong opposition of China," said the statement. "We also oppose any countries accepting these suspects," it said, adding that Switzerland should avoid damaging "overall Sino-Swiss relations." Uighur activists say the inmates could be imprisoned, tortured and even killed if they are returned to China. The Swiss Justice Ministry said it wouldn't reveal the names of the inmates.

FRANKFURT (AFP) – German retail sales fell by around 2.0 percent in 2009 from the previous year, an official estimation said Thursday as consumption fared better than Europe's biggest economy in general. "Private consumption has been an important cushion of the recession," ING senior economist Carsten Brzeski commented, though he noted that retail sales figures were often revised later. Economists warned that consumption began to slump heavily in the second half of the year and that Germany could soon find itself in a consumer recession. The federal statistics office's provisional figure is based on data from the first 11 months of the year. At constant prices however, the drop was expected to be between 2.5 and 2.7 percent, the Destatis office said. That is nonetheless better than a contraction of around five percent forecast for the overall economy last year, its worst slump since World War II.

A key factor supporting consumption was the less-than-expected rise in unemployment, in large part the result of government subsidised short-work schemes, from which around one million workers benefit at present. The retail sector federation HDE and many economists are prudent regarding 2010 meanwhile, because unemployment is expected to climb despite a pickup in exports and industrial output. In November, retail sales lost a steep 1.1 percent from their level the previous month, according to seasonally adjusted figures released by Destatis. Brzeski termed the November figure "a setback." UniCredit counterpart Alexander Koch said the fourth quarter of last year would show a decline and added: "A consumer recession in the second half of 2009 is in the cards. "The early Christmas shopping period didn't bring a boost to retail sales - quite the contrary," he noted.

LONDON – The Bank of England's rate-setting committee is not expected to change its record low interest rate or monetary stimulus program but rather wait for clearer evidence on the health of the economy when it ends its two-day policy meeting on Thursday. Analysts forecast the Monetary Policy Committee will keep its base interest rate at 0.5 percent when it announces its decision at 12:00 GMT (07:00 EST), and say any change in the 200 billion pounds (\$320 billion) program of asset purchases — called "quantitative easing" — is unlikely. Recent signs that Britain emerged from recession in the fourth quarter have yet to be confirmed by official data, and reports have shown that consumers are continuing to pay off debt rather than borrow to keep spending.

The Bank cut the key rate to half a percent a year ago as Britain reeled from the global credit crisis, and has kept it there since. Analysts credit the lower rate with making it possible for many people with variable-rate mortgages to hold on to their homes even as unemployment rises and many other workers have been put on reduced hours.

The decision in November to invest another 25 billion pounds in quantitative easing revealed a split among the nine members, with one member opposing any expansion and another advocating a larger increase. Last month, the committee was unanimous in voting for no change in the program. The bank has said it will complete the current asset purchase program, which expands the money supply by essentially creating new money, by early February. Economists don't expect any change in the size of the program until then. Interest rates, meanwhile, are expected to remain at the current record low level well into 2010 as Britain makes a slow recovery out of its worst downturn since World War II. Stephen Lewis at Monument Securities said the MPC faces a difficult first half of the year, with a national election due by June and the impact of quantitative easing still uncertain. "Committee members are in the same boat as other forecasters in not knowing for sure whether, as 2010 progresses, the downward pressures on U.K. demand will overwhelm incipient signs of recovery," Lewis said in a research note.

"They can have no clear idea how one of the most important variables bearing on the outcome, namely, fiscal policy, is likely to develop from here." The latest data released Wednesday from the Chartered Institute of Purchasing and Supply bolstered hopes that the U.K. had emerged from recession in the fourth quarter, which would make it the last major economy to return to growth. The CIPS activity index for Britain's services sector, which accounts for 70 percent of gross domestic product, stood at 56.8 in December; a reading above 50 indicates growth. Lenders have reported an increase in house purchase mortgages approved in recent months and average house prices have risen, though suspicions persist that improvements are an artificial product of a depressed market in which low numbers of houses are for sale. On the down side, consumer confidence dropped in December, the Nationwide Building Society said Wednesday. Only 34 percent of the survey sample expected the economy to be better in six months time, compared to 41 percent in November.

LONDON (AFP) – Chancellor Alistair Darling warned on Saturday that Britain faces its toughest spending cuts in two decades if Labour wins this year's general election. Darling also confirmed to The Times that there would be a budget before the election, which must take place by June. That will quash speculation that Prime Minister Gordon Brown is preparing to call an early election. Darling said in an interview that severe spending restraints were "non-negotiable" if he is to bring down the 178 billion

pound budget deficit. "My priority is to get borrowing down. Once recovery is established, we have to act," he said. "The next spending review will be the toughest we have had for 20 years... to me, cutting the borrowing was never negotiable. Gordon accepts that, he knows that." Darling told the newspaper that voters supported his effort to balance the books. "Most people know that public spending has doubled over the last 10 to 12 years, so we are coming off a much higher base," he said. "We are not talking about a situation where we have already cut to the bone." Darling was speaking after two former ministers, Geoff Hoon and Patricia Hewitt, launched a failed attempt to unseat Brown. Opinion polls suggest the Conservatives will win the general election.

BRUSSELS, Belgium -- Greece will soon be submitting its plan to restore its financial stability to the European Commission (EC) for approval. Amelia Torres, spokesperson of EU Economic and Monetary Affairs Commissioner Joaquin Almunia, said on Monday (January 4th) that due to the country's grave situation, it will be asked to send its plan earlier than other bloc members. Their submissions are due at the end of the month. Reuters quotes unnamed Greek Finance Ministry officials as saying that the plan will be discussed during a joint visit by EC and European Central Bank experts, who are expected to arrive in Athens on Wednesday.

MADRID, Spain -- The current holder of the rotating EU presidency, Spain, said on Thursday (January 7th) that Greece should not expect a bailout from the 27-nation bloc and must instead deal with its ailing finances itself. Secretary of State for European Affairs Diego Lopez Garrido stressed that each country is responsible for its own budget. In Athens, government officials said that experts from the European Commission and European Central Bank -- who are now visiting Greece -- have asked them to provide a more specific three-year plan to restore financial stability. The plan is to be submitted by the end of the month. Unions have warned that they will launch strikes early next month if the measures are too tough.

MADRID – The EU said Friday it will pursue a new deal on global warming through the Group of 20, since last month's U.N. climate conference of nearly 200 nations led to unwieldy negotiations that didn't accomplish much. Herman van Rompuy, the new EU president, said halting global warming remains a key target for the Europeans whose proposal for ambitious pollution cuts by 2020 found no takers at the December climate conference in Copenhagen. "The European Union must continue to be the driving force" of the global climate change debate, said Van Rompuy. The EU leaders will meet Feb. 11 to discuss where to go next. Van Rompuy spoke in Madrid, where he was meeting with the bloc's two other top executives: Spanish Prime Minister Jose Luis Rodriguez Zapatero, who is assuming the rotating EU presidency, and Jose Manuel Barroso, the European Commission chief. "We need to change our negotiating strategy," Spanish Minister of Foreign Affairs Miguel Angel Moratinos said. He did not elaborate, but Spanish officials said the EU is keen to pursue a climate deal through the G-20, rather than the United Nations. A senior EU official also said such a summit could produce a meaningful agreement, without having heads of state meet through the night to bicker over the wording of such a deal, as they did in Copenhagen. The official spoke on condition of anonymity because he said such a move is still being debated by the bloc.

The Group of 20 is an international body that meets to discuss economic issues. Its members — 19 countries with some of the world's biggest industrial and emerging economies, plus the European Union — represent about 90 percent of the world's gross national product, 80 percent of world trade and two-thirds of the global population.

MADRID — Europe spent years trying to create the post of EU president. Now it has three. On Friday, the EU's three top executives took the stage together for the first time at a news conference that critics say makes a mockery of the bloc's stated goal to streamline its decision making process. Spanish Prime Minister Jose Luis Rodriguez Zapatero this month assumed the rotating EU presidency weeks after Belgian Herman Van Rompuy became the bloc's first permanent president. The EU also has another president in Jose Manuel Barroso, the European Commission chief. As they stood together at the Spanish leader's office complex, the three were peppered with different versions of the same question: Who, exactly, is in charge? All of them, it turns out.

In the EU "there is not one man or one woman who decides," said Van Rompuy. "We each have a role." Perhaps, but it was all not supposed to be this way. The EU harbored lofty ambitions to give Europe a bigger voice on the world stage in forcing Europe to embrace a reform treaty that gives it a full-fledged president — despite repeated "no votes" in member state referendums. Now, while it's possible the EU will try to speak louder, it is doubtful its message will be heard any clearer amid a potential cacophony of leaders' voices competing for attention. With the November selection of Van Rompuy, the former Belgian prime minister, the EU ostensibly fulfilled its dream of creating an executive that would finally give the world somebody to call when it wanted to "speak to Europe." But the decision by EU leaders was widely criticized. Few even in Europe had ever heard of the bland, professorial Van Rompuy — who appeared to have been picked over heavyweights like Britain's Tony Blair because he was the least offensive candidate to all. This week, a further twist became apparent: While the EU has a new permanent president it still hasn't gotten rid of its rotating six-month presidency, which Zapatero assumed on Jan. 1. Adding to the confusion is Barroso's role as European Commission president. He is responsible for running the EU's day-to-day agenda and has become accustomed to shaking important hands across Europe and in Washington, Moscow, Beijing, Brasilia and New Delhi.

The rotating presidency has been an EU fixture since the late 1950s and the holder has often played a vital role in acting as an arbiter on contentious issues ranging from farm subsidies to the very contours of the EU's once ambitious reform plan.

Ironically, the confusing wealth of presidents is a legacy of hard-fought reforms to overhaul EU institutions and decision-making powers after the bloc nearly doubled in size in 2004. The measures cut red tape, provided for simpler voting rules and gave the European Parliament a big say in shaping EU policies. But they also created Barroso's position and paved the way for Van Rompuy's unlikely ascension. The architects of the Lisbon Treaty — as the EU's reform blueprint is called — had envisioned the permanent EU president holding far greater clout than the EU's rotating presidency. But this week, Zapatero put that notion to rest — making clear he has no intention of taking a back seat to Van Rompuy. "We need to play our role," Zapatero said. He said it will be Van Rompuy's task to prepare and chair summit meetings of EU leaders and "represent the EU abroad." But the rotating presidency, he told journalists, would be the EU's motor: It

"has to act as a factory of ideas and initiatives." As to Barroso, he said, "it remains the job of the European Commission's job remains to guarantee compliance with the EU treaty."

Southeast Europe

BELGRADE, Serbia/ZAGREB, Croatia -- The government announced on Thursday (December 31st) it has decided to file a lawsuit against Croatia at the International Court of Justice (ICJ), claiming that war crimes were committed against Croatia's ethnic Serb population between 1991 and 1995. The decision was made after consultations between President Boris Tadic and Prime Minister Mirko Cvetkovic. In 1999, Croatia filed a genocide claim against Belgrade, demanding compensation for the human toll and material damage suffered during the 1991-1995 conflicts among the former Yugoslav republics. Croatia says the Serbian army killed more than 20,000 Croats in ethnic cleansing campaigns.

Serbia could withdraw its genocide lawsuit against Croatia if the other country agrees to do the same, President Boris Tadic said this week after Belgrade filed its case at the International Court of Justice (ICJ) in The Hague. "I am deeply convinced that, politically and legally, there is room for the dropping of both lawsuits before the ICJ and for this dispute to be rationalised," Tadic said. "We wish to avoid a confrontation of states, because that is in nobody's interest." Serbian representatives officially filed suit on Monday (January 4th), countering a genocide case brought by Croatia in 1999.

According to statements issued by the legal team that will represent Serbia, Belgrade will attempt to prove that the Croatian military is responsible for genocide against Serbs in Croatia during the 1991 to 1995 conflict. "Serbia has done everything to avoid this outcome, but it had no choice but to countersue Croatia for genocide," Serbian Foreign Minister Vuk Jeremic said after the submission of the case. He added, however, that Belgrade will attempt to preserve stability in the Balkans and to co-operate with Croatia in the European integration process. According to Radoslav Stojanovic, who headed Serbia's legal team in a genocide case brought by Bosnia and Herzegovina, the court proceedings in the new suit will require at least two years. In his view, Croatia and Serbia may eventually opt to settle out of court.

BELGRADE, Serbia -- The head of Serbia's national council for co-operation with the UN war crimes tribunal, Rasim Ljajic, said on Thursday (December 31st) that local authorities have an idea where fugitive Ratko Mladic may be but cannot speak about it. "If authorities continue to work like this, the arrest of Ratko Mladic is imminent," Ljajic said in an interview with the Belgrade daily Blic. Ljajic recently stepped down as head of an action team that is responsible for operations aimed to detain Mladic. He said he had been mistaken when he pledged that the former Bosnian Serb warlord would be apprehended by the end of 2009.

BELGRADE, Serbia -- War crimes prosecutor Vladimir Vuckevic said on Sunday (January 3rd) that authorities are searching for two remaining war crimes fugitives -- Ratko Mladic and Goran Hadzic -- 24 hours a day. Vuckevic predicted that the two will

be located and brought to justice this year. He also stressed that co-operation between his office and prosecution offices in the region is solid.

BELGRADE, Serbia -- A new regional structure for Serbia became effective on Friday (January 1st), separating it into seven statistical regions. The new map was approved without any remarks by the government of Prime Minister Mirko Cvetkovic and got a green light from the EU's statistical office, Eurostat. Under the new structure, the country will be divided into seven statistical units -- Belgrade, Eastern, Western, Central, Southern and the regions Vojvodina and Kosovo and Metohija.

BELGRADE, Serbia -- Serbia took over on Friday (January 1st) the chairmanship of the Central European Free Trade Agreement (CEFTA) for 2010. The agreement, which was signed on December 19th, 2006, unites Serbia, Bulgaria, Romania, Montenegro, Croatia, Moldova, Macedonia and Albania.

BELGRADE, Serbia -- The opposition Serbian Progressive Party (SNS) will take concrete steps to force early elections, leader Tomislav Nikolic said on Tuesday (January 5th). He noted that one possibility would be to launch a nationwide petition to collect signatures for the move. Nikolic added that his party will seek the early vote in order to receive the representation in parliament it truly deserves. Another opposition party -- New Serbia -- says it expects early elections as well. Deputy party president Dubravka Filipovski said Serbia needs changes and responsible rule that will fight corruption.

NEW YORK, United States -- Bosnia and Herzegovina (BiH) on Friday (January 1st) became one of the five new non-permanent members of the UN Security Council for 2010-2011. The country replaced Croatia as a representative of Southeast European countries over the next two years. The remaining four new members are Brazil, Lebanon, Gabon and Nigeria, which replaced Libya, Vietnam Costa Rica and Burkina Faso. Croatia's non-permanent membership in the Security Council began in January 2008.

SARAJEVO, Bosnia and Herzegovina (BiH) -- Foreign Minister Sven Alkalaj rejects his Israeli counterpart's suggestion that BiH is a potential breeding ground for terrorists, local media reported on Thursday (January 7th). Avigdor Lieberman said on Tuesday he has information that the Balkans are "the next destination" for al-Qaeda and other Islamic extremist groups to establish operations, pointing to areas populated by Bosnians and Albanians. Alkalaj reportedly has told Lieberman by phone that such statements harm the country's reputation and stressed that BiH is committed to fighting terrorism. International organisations have confirmed there are no terrorist cells or training camps in the country.

SARAJEVO, Bosnia and Herzegovina (BiH) -- High Representative Valentin Inzko on Wednesday (January 6th) warned that a referendum proposed by the Republika Srpska (RS) government is not within the entity's constitutional authority and violates the Dayton Peace Agreement. "The [Alliance of Independent Social Democrats] SNSD-led RS government is obliged to respect the Dayton Peace Agreement in its entirety and not challenge actions undertaken on the basis of Dayton and UN Security Council Resolutions," Inzko stressed. He added that talk of any referendum is an effort to divert

public attention from economic problems. Late last month, the RS parliament rejected Inzko's decision to extend the mandates of foreign judges and prosecutors working in BiH's courts. Lawmakers decided to hold a referendum on the issue after a new law on referendums is adopted

NEW YORK, United States -- The UN Security Council will discuss the situation in Kosovo on January 22nd, rotating presidency holder China announced on Wednesday (January 6th). The Council is to discuss a report by UNMIK chief Lamberto Zannier. The last session on Kosovo was held on October 15th.

PRISTINA, Kosovo -- The recount of votes in the municipality of Gjilan/Gnjilane started on Wednesday (January 6th) at the Counting and Results Centre in Pristina. Mayoral candidates from the two main parties, the Democratic Party and the Democratic League (LDK), finished neck to neck in the mid-December run-off. After receiving complaints mainly from the LDK, the Central Elections Commission (CEC) opted to recount rather than organise a third round of voting, as is being done in Prizren and Lipjan/Lipljane. The Gjilan/Gnjilane recount hit a snag early on, as observers from the LDK showed up only late in the day to protest the CEC's decision against a revote. Results of the recount are expected on Friday.

PRISTINA, Kosovo -- Minister of Local Government Administration Sadri Ferati said on Saturday (January 2nd) that most of the work in the decentralisation process has been completed, citing as evidence the participation of Serb community members in the recent municipal elections. Ferati added that progress has been achieved due to the Kosovo government's commitment to collaborating with EULEX, and with the support of other international partners. Speaking to TV 21, he announced that digitalisation of municipal administration services will take place in 2010

PRISTINA, Kosovo -- President Fatmir Sejdiu has asked EULEX and the International Civilian Office (ICO) to support authorities in their efforts to dissolve Serb parallel structures in Kosovo. Sejdiu met on Tuesday (January 5th) with EULEX chief Yves de Kermabon and ICO official Fletcher Burton to discuss the recent appointment of judges and prosecutors by Belgrade to the Serb parallel courts. "The Republic of Kosovo is committed to fully implementing the Ahtisaari plan, which also includes the dissolution of parallel structures. It is the obligation of Kosovo institutions to co-operate with international partners and undertake all necessary actions to fulfil this obligation," Sejdiu said, adding that there is only one judicial system and any attempt to violate this is illegal. ICO spokesperson Andy McGuffie agreed, saying Kosovo has its own legal structure and actions to weaken it are unacceptable.

PRISTINA, Kosovo -- US soldiers under KFOR are replacing a Turkish military unit in northern Kosovo on Tuesday (January 5th). The US army unit will be deployed in a KFOR camp near Leposavic, the NATO-led force said in a statement, describing it as a regular and planned rotation of international military forces. Meanwhile, Slovakia says it is planning to withdraw 139 of its soldiers in KFOR and leave 20 soldiers to work in the intelligence services. "By the end of 2010, the motorised

unit which is serving in Kosovo under the NATO flag, could return home. There is no longer a need for the multi-national group centre in which our soldiers are serving," Slovak Defence Minister Jaroslav Baska said. The Slovak soldiers have been in Kosovo for 11 years. NATO plans to reduce the number of KFOR soldiers from 15,000 to 10,000 by the end of January.

PRISTINA, Kosovo -- The government has granted Serbian President Boris Tadic permission to visit the Decani Monastery in celebration of Orthodox Christmas on Thursday (January 7th). Deputy Prime Minister Hajredin Kuci said on Tuesday that the visit will be of a religious character, adding "Tadic should not misuse this understanding ... and make political statements." Tadic insists he can visit Kosovo without the permission or invitation of Kosovo institutions. Local media reported that Tadic sought permission instead from international institutions in Kosovo

Serbian President Boris Tadic spent Orthodox Christmas on Thursday (January 7th) at the Decani monastery in Kosovo, saying that residents needed "reconciliation between peoples". "As the Serbian president, I am sending a message of peace in Decani to everyone everywhere on behalf of the Serbian citizens, on behalf of the state of Serbia and on my own behalf, believing that peace is needed more than anything in this common region we live in. It is particularly needed by all the people sharing a common fate in this Balkan, very difficult and complex region," Tadic said. Kosovo authorities announced that they had allowed Tadic to visit Kosovo not as a state official, but as a man who wanted to visit the monastery on Christmas. Pristina claims there was an agreement that Tadic would not make political statements during his visit, which he allegedly violated.

However, his office said Tadic had made no agreements with the Kosovo government, rather, he notified EU authorities. Pristina representatives berated Tadic for answering a journalist's question by indirectly saying that Kosovo is part of Serbia. Tadic's controversial statement was that he would not want to see "only Serbia, meaning Kosovo as well, in the EU, but all countries of the South-East European region integrating into the EU as soon as possible". Xhavit Beqiri, spokesperson for Kosovo President Fatmir Sejdiu, said that with such statements Tadic "is narrowing the paths of co-operation and movement". "As much as he tried to show restraint this time, Tadic could not avoid saying that Kosovo is allegedly part of Serbia, even though he knows full well he was in a different country, the Republic of Kosovo, which is an independent and sovereign state," Beqiri told Belgrade-based news agency Beta.

PODGORICA, Montenegro -- Albania and Bosnia and Herzegovina (BiH) will soon join the Schengen zone, former EU foreign policy chief Javier Solana said in an interview with Podgorica-based daily Pobjeda on Sunday (January 3rd). Solana stressed that regional co-operation and peace in the Balkans are critical to the region, and added that its prospects lie not in division but in European integration. He also welcomed the EU's decision to scrap the visa regime for citizens of Montenegro, Serbia and Macedonia last month, adding that Kosovo is on the path to visa liberalisation as well.

BUCHAREST, Romania -- Finance Minister Sebastian Vladescu threatened to resign Thursday (January 7th) unless parliament rejects the 9.5% reduction in the amount

workers are expected to contribute to social security, unexpectedly approved by a parliamentary committee. Furthermore, lawmakers supported a 12.7% increase in minimum pensions, though that contradicts the terms of the stand-by arrangement with the IMF. Vladescu emphasised that this is not the budget he had prepared, and he is perfectly willing to let someone else apply what parliament members have decided. Prime Minister Emil Boc agrees with him, saying budget resources are too scarce to allow an increase in pensions, combined with lower contributions

Turkish Foreign Minister Ahmet Davutoglu on Tuesday (January 5th) warned that Sofia's reported intentions to seek compensation for people displaced in early 20th century could harm bilateral relations. "Continuing friendship between Bulgaria and Turkey is in the interest of both countries. It would be of great benefit if statements that would harm this friendship are avoided," Davutoglu told a joint press conference with his visiting Brazilian counterpart, Celso Amorim. Davutoglu was responding to Bulgarian Minister without Portfolio in charge of Bulgarians abroad Bozhidar Dimitrov, who said Sofia intends to seek compensation of about 14 billion euros for the property of its citizens who were forced to leave Turkey in 1913. "Turkey is surely able to pay this sum, after all, it's the 16th largest economic power in the world," EUobserver quoted Dimitrov as telling the Sofia-based daily *24 Chasa* in an interview Sunday. "One of the three conditions of Turkey's full membership in the EU is solving the problem of the real estate of Thracian refugees." Sofia may block Turkey's EU membership bid unless it pays, the EUobserver reported on Monday.

In October 1925, the Treaty of Ankara was signed, addressing the rights of migrants from the two countries. Bulgaria's parliament ratified it in May 1926, but it was never implemented. Veselin Ninov, of the Bulgarian government's press office, told EUobserver that under the 1925 treaty, the Turkish government must compensate for the immovable properties of Bulgarian refugees. Noting that the issue was "more historical than political", he confirmed that his country might indeed resort to its right as an EU member to block its southern neighbour's accession progress if the issue is not resolved. "There is such an option," Ninov told EUobserver. "But this is just one of many other conditions of Bulgarian support for Turkish membership. There are also issues relating to energy and water management projects."

Six months ago things looked good for then Croatian Prime Minister Ivo Sanader. He was at the helm of the government as well as the Croatian Democratic Union (HDZ), which he led to two consecutive victories. Sanader's popularity during a six-year stint as prime minister remained high despite Croatia's major economic and corruption scandals. Yet he abruptly resigned in July for unknown reasons. His ratings plummeted within days and he faced widespread accusations of betraying and deserting the country in a time of need. It is no surprise, then, that Sanader's attempt at a political comeback failed. Successor Jadranka Kosor and a majority of party colleagues didn't want him to regain political influence. In a swift response to Sanader's criticism of the HDZ and the government at a unilaterally organised press conference, Kosor announced Sanader's expulsion from the party. Just as Sanader refused to give an explanation for his resignation, he was equally mysterious about the comeback attempt. The blogosphere instantly buzzed with speculation.

Marshal described Sanader as a "captain who has left the sinking ship". He explains, "the ship is nearly sunk, so the captain came back to finish it off."

But many believe that Sanader intentionally tried to execute himself politically. generally argues "the real reasons behind his actions will get their real political dimension only after the parliamentary elections, which will happen very soon."

Others offer conspiracy theories. nemonimus speculates Sanader's actions came as result of "a deal between the political elites and the creation of virtual chaos to provoke early parliamentary elections and by doing so, avert the public's attention from the problems Croatia will be facing in the near future".

However, many don't find it likely that Sanader's moves were staged. zoranostričzenalista asks "what could Sanader possibly gain from such an arrangement, except the fact that he lost his position as an honorary party president?"

ZAGREB, Croatia -- Prime Minister Jadranka Kosor reassured her government's coalition partners Tuesday (January 5th) that the Croatian Democratic Union (HDZ) is stable and stronger than ever. This follows the expulsion of former prime minister and honorary party president Ivo Sanader, which sparked fears of a split in the ruling party. Sanader was expelled from the HDZ after he announced his return to politics, six months after leaving it. Kosor also said she trusts Parliament Speaker Luka Bebić, even though he voted against Sanader's expulsion. Coalition partners expressed satisfaction with the way the HDZ dealt with Sanader's attempted political comeback, describing it as quick and decisive.

Oceania

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Usman Choudry

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Venezuela

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- The Hague rebuts Venezuela accusations
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- Venezuela begins 2010 with electricity rationing
- Venezuela to monitor energy saving measures
- Venezuela rejects "insolent" remarks of Alan García
- National Assembly to discuss potential Colombian attack
- Venezuelan business leaders fear energy rationing could plunge country into deeper recession
- Venezuela: The Electricity Crisis

Report Summary/Argentina

The government of Argentina is planning to get natural gas from Bolivia by constructing a pipeline of 70 kilometer. The pipeline will provide the natural gas to Argentina's Northern provinces. This is not the first time that the agreement between both countries is happening but it has been several times in past but this time the president of Argentina is going to visit Bolivia to make the agreement true soon.

Report Summary/Brazil

It was considered in Latin America that the policies of the new president of U.S shall be different than President Bush but Obama's policies disappointed many Latin America's major countries. President Obama tried to win the hearts of Latin American countries even the president of Brazil was titled that he is my man by Obama. US policies towards Latin American countries annoyed many Latin countries as Argentina, Brazil and Venezuela took their stance on Honduras' coup to not to recognize the election but president Obama's stance was different from them, also the US president is declaring Iran as an aggressive state but the major countries of Latin America are increasing their ties with Iran and opposing the idea of US; and the deployment of US army in Colombia has also annoyed Latin American countries. So it can be said that the new government of USA could not change the old behavior of Latin American countries towards USA which had created differences and gaps in the relations.

Henceforth, Brazil, India, South Africa and Turkey are emerging democracies of the world which prefer China and Iran over US. All this is due to the behavior of the US government towards poor countries especially its invasion in Afghanistan and Iraq. Even these countries seemed in a different alliance than US in December 2009 Copenhagen climate change conference. In last it can be resulted that US is losing the world as other

emerging democracies and economies are making their alliance with China to uplift their system with China rather than US.

The tour of the president of Brazil in Iran in June 2010 is also the part of its increasing relations with Iran as Brazil is favoring Iran's nuclear issue in spite of opposite opinion of US. The president of Iran also visited Brazil in the end of last year which also shows a trend of new alliance. Silva is also expected to visit China and Russia after his Iran tour.

Chile, Argentina and Uruguay have set a Truth Commission which will investigate the human rights crimes committed in military regimes of these countries in 1970s and 1980s. Now the problem is this that the military is becoming a big hurdle in it as the defense minister has given resign along with the chief officers of Brazilian forces. Almost 20,000 people were tortured and the 400 were killed by the political opponents during the 19-year military dictatorship.

The chairman of International Olympic Committee said that the year 2009 was very important for Brazil as one of its states Rio de Janeiro won the chance to host International Olympic Games of 2016. It was a very much pleasure time for the Brazilians and South Americans who are getting chance to host International Olympic Games first time even the president of Brazil shed the tears of joy when Rio was selected as host of 2016 Olympic Games.

The foreign trade secretary at the Brazilian Ministry of Development, Industry and Foreign Trade said that he hopes the trade between US and Brazil again will come in its position as it was in 2008. Brazil was the fifth largest exporter of its merchandise goods to US and sixth largest importer of American goods but as the economic recession prevailed the US, it affected the trade between both of the countries and decreased from 27.6 billion dollars to 15.7 billion dollars. As the trade between US and Brazil declined, China became the largest exporter of its goods to Brazil but now it is hoped that both countries will start their trade again as IMF reported that the economy of US will increase 1.5% more in this year. The ministry said that the year 2009 was the worst year of Brazilian export as its export declined to \$127.6 billion from \$172.9 billion which was in previous year.

The foreign minister of Brazil visited Turkey where he met his Turkish counterpart and both of the officials held a joint press conference. They agreed on a strategic partnership. Turkish foreign minister said that both Brazil and Turkey are having a similar stance on regional and global issues so they will work together on some international issues as climate change and nuclear issues etc. Also both agreed to work together on UN Security Council.

Kyoto Protocol does not bound Brazil to reduce gas emission but now Brazil has targeted to reduce gas emission till 38.9% till 2020 but recently its carbon gas emission is 51.9%. Brazil is strictly observing deforestation in its Amazon area to meet its target as it has also deployed army in Amazon. The government claims that deforestation in Amazon can be reduced till 80% till 2020 which is a great target to achieve. China has targeted 40 to 45% reduction of carbon gas emission and India will meet its target by reducing gas emission 20% as compare to 2005 level. Brazil even has created National Climate Change Fund which will run by the collection of taxes from its industrial sector.

Flood in Brazil in the coast of Rio de Janeiro state took the lives of almost 19 people, several received injuries and became homeless.

Report Summary/Mexico

Mexican students, electricity workers, vendors and women came out of their houses on the streets of their capital to protest against the unfair economic system and against the Mexican president Felipe Calderon. Almost 44,000 protestors in different places blocked the roads and the shop keepers shut their shops to participate in the protest. Police used the tear gases to control the protesters which annoyed them and a clash between protesters and police caused several injuries from both side. Actually the people belong to left wing while the president from the right so they are demanding Calderon to resign as he remained to run state well. SME (Mexican Electrical Union) is most active group in these protests.

A professor at the National Autonomous University of [Mexico](#) analyzed all the indicators shows that Mexico is losing in it war against drug cartels. no doubt some drug lords are killed or arrested and a dispute of leader is present among the cartels but in spite of all this the government could not get success to break their network since 2005 which is a long time. They are still using common people by killing them especially at the border state of US and Mexico. When the government give strength to its military action against them they take the life of any official as they have killed many government officials like member of the parliament, journalists, police and army officers or soldiers; and their last target are common people.

On the other hand the government officials are claiming to win this war against the drug cartels and they argue that the capture and killing of the important drug cartel leaders is the indication of this. Recently the Mexican forces has arrested a brother of a powerful drug cartel and according to the officials the arrested leader of cartel was not as much wanted as other who are arrested before but he was on 40th number in wanted list. He replaced his brother as the leader of a powerful drug cartel when his brother was killed by the forces. Dallas news resembled Mexican war against the drug cartels as United States' war against Al-Qaeda in which the enemy is not visible. It is said that Al-Qaida's claim is for "Islamic justice" but the cartels are running their business.

El Universal reported that the U.S. Drug Enforcement Administration warned the Mexican officials that the Mexicans can be under attack on the eve of New Year by a powerful drug cartel whose one leader is caught and second is killed by the forces. Mexican forces were deployed in different places and stayed them alert to tackle any kind of problem. Mexican officials told that whenever any leader is arrested or killed by the forces or police, the drug cartels remain very active to take revenge from authorities otherwise they make target to the common people just to create harassment in the society.

The transportation and communication ministry of Mexico reported that it has opened the oil ports of Mexico after a month as it was closed last month due to a cold weather on the Gulf of Mexico.

Mexican president claimed that since he took office in 2006 he has taken several measures to protect the health of Mexicans. He went in south of Mexico to inaugurate a hospital where he made a speech to defend his actions which are taken to promote good

health. He said when he took office the health budget was 18 billion pesos (1.3 billion dollars) but now it is 52 billion pesos (4 billion U.S. dollars) which is a clear increase. By using this budget 10.3 million people of Mexico are provided health insurance and almost 80% basic diseases are tackled.

Report Summary/Venezuela

The Venezuelan government has accused Hague to support US government by providing it its islands at Caribbean to assault on Venezuela. But the foreign minister of Netherland said that its country cannot allow any other country (including USA) to attack on any other country even Venezuela. But Venezuelan government is aggressive on USA every time.

The former president of Venezuela and introducer of democratic system in the country Rafael Antonio Caldera died on December 24 2009. He enjoyed two terms of his presidency then the current president Hugo Chavez succeeded him. It is said that his style of ruling was not different from Chaves and he was very active in politics since he was young. He also founded a movement for the middle class in 1946 which was named as the Social-Christian COPEL.

Venezuela has stuck in a huge load shedding problem of electricity in spite of an oil producing country. It just has a hydroelectric system to generate energy even by having storage of natural gas and oil. Now to control the problem some special notices and directions are told to the shop and industry owners; and they are asked to run their shops and malls in special times to run their business. It is said that load shedding of electricity will affect the business too much which will affect on Venezuelan economy. The economy is already declining as it declined 2.9 per cent in 2009 due to lower production of oil prices.

According to an estimate of the government, almost 18 billion dollars are required to meet the demand i.e. 16,500 MW. The minister of electric power has said that the government is designing a controlling agency which will control and save the energy by providing the alternative of it. But according to the estimate of StratFor sources, consumption is just 18 percent below production on a per capita basis, leaving a minimal ability to handle spikes in usage or dips in production. Reports estimate that nearly 9,000 megawatts would have to be added to the system to achieve the 1991 reliability levels.

Detailed Report/Argentina

Buenos Aires - (Dow Jones) - Argentina's government plans construction of a pipeline that would allow more imports of natural gas from Bolivia, the planning ministry said Monday.

Argentina is planning to increase its purchases from Bolivia to around 27.7 million cubic meters per day, up from the current six million, without any changes to the current pricing system, the planning ministry said.

The 70-kilometer pipeline would feed the new Northeast Pipeline, which will for the first

time supply natural gas to the northern provinces of Misiones, Corrientes, Chaco and Santiago del Estero. The government didn't provide a construction timeline.

Talks between Argentina and Bolivia over natural gas supplies have been on and off for a number of years.

President Cristina Fernandez is expected to travel to Bolivia soon and may sign the natural gas agreements.

Detailed Report/Brazil

(CNN) -- At least 19 people have died in Brazil after flooding caused by heavy rain, the government-run news agency Agencia Brasil reported Thursday.

The deaths occurred in Rio de Janeiro state in coastal southeastern Brazil. Nine of the deaths occurred in the city of Rio de Janeiro.

Nine people have been injured and 12 left homeless since the heavy rain started Wednesday, the news agency said, citing the nation's Civil Defense agency.

A mudslide occurred in the city of Mage, located across Guanabara Bay from Rio de Janeiro. Six people were left homeless there, but no fatalities were reported.

Brazilian President Luis Ignacio Lula da Silva will pay official visit to Iran in June 2010, [Trend News](#) quoted Iranian [MEHR News Agency](#).

According to the information, Lula da Silva will arrive in Iran in response to Iranian President Mahmoud Ahmedinejad's visit to [Brazil](#). Lula da Silva will also visit [Russia](#) and [China](#).

The Brazilian President is expected to visit countries of the [Middle East](#) in the nearest future. The exact date of the visit is unknown.

Washington - Just eight months ago, President Obama was calling Brazilian President Luiz Inacio Lula da Silva "my man" and suggesting that the South American country could become a leading U.S. partner in the region.

Since then, Brazil has criticized the U.S. approach to the coup in Honduras and warned the United States over plans to expand its military presence in Colombia.

U.S. officials, for their part, have complained about Lula's increasing efforts to form economic and political ties with a leading American adversary, Iranian President Mahmoud Ahmadinejad.

"Stop punishing him," Lula shot back a few months ago.

The differences with Brazil underscore how the Obama administration's Latin American relations have become marred by tensions and suspicions.

Polls indicate that Obama remains highly popular with Latin Americans, but his administration's relationship with some regional governments has been tested by a series of developments. Those include the June 28 military coup that toppled Honduran President Manuel Zelaya, a deal with Colombia giving the Pentagon use of seven bases for flights to combat drug trafficking and insurgency, stalled free trade deals, and Iran's growing ties with Brazil, Venezuela and Bolivia, among other Latin American countries. Another area of tension is the anti-drug fight. Although U.S.-Mexican cooperation remains broad, Central American and Caribbean countries are increasingly complaining that they receive less help than they need, and there are growing cries for the United States to do more to lessen demand at home, said Daniel Erikson of the Inter-American Dialogue, a think tank that specializes in Latin American issues.

Latin American leaders who hoped to move up the U.S. priority list have discovered that the new president, like his less popular predecessor, has most of his foreign policy attention focused elsewhere -- namely Afghanistan and Iraq.

"The administration created expectations that were enormous, but sooner or later reality was going to catch up," said Juan Carlos Hidalgo of the Cato Institute in Washington, D.C. "That's what happened."

It was always probable that the Obama administration would come into conflict with Venezuelan President Hugo Chavez and the allied left-leaning governments of Cuba, Bolivia and Ecuador. After some early praise, Chavez has been critical of Obama, declaring recently, in a message carried by state media, "the Obama illusion is over."

But the United States has had differences with governments closer to the center, too. These nations have been pleased with Obama's calls for closer consultation, and his moves to wind down the U.S. mission in Iraq -- a major element in the hemisphere's unhappiness with President George W. Bush.

But many governments were unimpressed with U.S. efforts to negotiate Zelaya's reinstatement in Honduras.

Brazil, Argentina, Venezuela and others have refused, despite U.S. urging, to recognize the Nov. 30 presidential election won by wealthy rancher Porfirio Lobo. The governments contend that supporting the new Honduran leadership could encourage coups in other countries.

In early December, the Honduran Congress voted that the coup that deposed Zelaya should stand, favoring a motion against reinstatement by a vote of 111 to 14.

A senior administration official, who asked to remain unidentified because of the sensitivity of the subject, said that "there is more consensus on the future of Honduras than it appears." He said he believes many countries share the view that the new Honduran government should include officials from both ideological poles, and expressed optimism that such a unity slate would be organized.

Another divisive issue is the 10-year deal signed Oct. 31 involving the bases in Colombia. Though it won't increase the number of U.S. personnel in the country, it raised

fears even among U.S. allies Chile and Brazil that the American military presence might spill over Colombia's borders. Lula asked for assurances that U.S. forces would stay put. In the case of Cuba, the Obama administration eased its opposition to the country's entry into the Organization of American States and made a limited gesture toward normalizing relations by reducing restrictions on Cuban Americans' travel to the island.

The consensus in Latin America calls for a complete lifting of the long-standing economic embargo.

"The general reaction was that it was too little," Hidalgo said.

The U.S. official said Latin American leaders have been sympathetic to Obama, recognizing "the enormous challenges this president faces, including the worst recession since the '30s."

Peter DeShazo, a former State Department official now at the Center for Strategic and International Studies, said many of the core U.S. goals would be unchanged -- increasing security cooperation, trying to reform governments, fighting poverty and developing economies.

"There will be greater continuity than a lot of people expected," he said.

"Those who expected a sea change were misleading themselves."

President Lula da Silva's advocacy of a truth commission to investigate human rights crimes committed by Brazil's military government (1964 to 1985) was strongly opposed the last week of December by the nation's military leaders.

Brazil Defense Minister Nelson Jobim and commanders of three military services offered their resignations December 23 rather than accept creation of the commission.

Brazilian officials announced plans to create the commission late last year, noting that Chile and its President Michelle Bachelet had set an example for other South American nations to follow (ST, [Dec. 16](#)).

Quoting a speech made by Bachelet, Brazil's human rights leaders said: "We don't want more bleeding from old wounds; we want them to heal, and only injuries thoroughly cleaned can heal."

Both Bachelet and da Silva were tortured during the U.S.-backed military regimes that ruled each country in the 1970s and 1980s, a time when CIA-approved military juntas ruled in most South American countries.

Chile, Argentina and Uruguay subsequently created truth commissions to investigate human rights abuses during that era, notwithstanding amnesty laws propagated by the military regimes. Bachelet, as president, supported creation of Chile's Historic Memory Museum and will sit on the museum's board of directors after stepping down as Chile's president in March 2010.

Creation of National Commission on the Truth is part of Brazil's National Human Rights Program, launched by President Lula da Silva to help identify those responsible for the alleged torturing of 20,000 people and the killing of 400 political opponents during the 19-year military dictatorship.

The text of the bill was drafted by Human Rights Minister Paulo Vannuchi, who said the purpose was "to rescue information of all that happened during the long period of dictatorial repression in recent Brazilian history."

Vannuchi said there is a possibility that human rights violators could be tried if the nation's Supreme Court accepts the administration's argument that international law and treaties (passed by Brazil's Congress during civilian rule) trump the 1979 Amnesty Law approved by the military regime's last ruler, Gen. Joao Figueiredo.

The human rights agenda endorsed by President da Silva includes a reference to the possibility of annulling "legislation remaining from the 1964/1985 period which is contrary to human rights guarantees."

Brazil's military in late December termed da Silva's human rights agenda "revengeful" since it does not include investigations of the left-wing armed groups that also committed human rights abuses against members of the military.

"If they want to see generals and colonels in the dock, let's also include Dilma (Rousseff) and Franklin Martins," said a retired general quoted by newspaper O Estado de Sao Paulo.

Martins is head of the presidential press office and Ms. Rousseff is Lula's cabinet chief and his chosen hopeful to succeed him as presidential candidate for October's election. Both allegedly belonged to armed left-wing groups under the military dictatorship.

Brazilian press report that when President da Silva rejected the resignations of Minister Jobim and the commanders of the Army, Navy and Air Force, he promised a "political" solution to the dispute and assured the Defense minister that his administration would not be the "spokesperson of measures that revoke the 1979 Amnesty Law."

The President's promise helped to cool tempers, but did not placate top military brass. "That's how Lula acts: he pushes the issue and kicks the crisis forward but we never manage to be freed from this menacing atmosphere," said a military quoted by the press.

Lula de Silva's presidential office did not comment on reports of a possible military crisis, but Human Rights Minister Vannuchi admitted that he had "discrepancies" with the Defense Minister.

"I was with President Lula da Silva on December 23rd and he didn't say anything about the issue," said Vannuchi, who downplayed talk of military unrest. "It like talking about thunder in a clear sunny day; it sounds as a storm in a glass of water," he said.

Meanwhile, Brazil's human rights groups said they were unhappy with Lula da Silva's handling of the issue and urged a more clear policy that would allow for trials of former military leaders, as has occurred in neighboring Argentina, Uruguay and Chile. The victims' groups insist the truth commission must have the power to investigate crimes, including the hiding or destroying of archives, to recommend criminal cases against suspects, and to send documents to courts. They urge that the proposed commission be called the Truth and Justice Commission rather than the Truth and Reconciliation Commission.

Brazil has never convicted anyone for participating in dictatorship-era murders and torture, and has refused to make military archives from the period public.

Likewise, U.S. courts have never entertained lawsuits dealing with U.S. support of human rights abuses carried out by Southern Cone military regimes during the final years of the U.S./Soviet Cold War.

Ever since 1945, the US has regarded itself as the leader of the “free world”. But the Obama administration is facing an unexpected and unwelcome development in global politics. Four of the biggest and most strategically important democracies in the developing world – Brazil, India, South Africa and Turkey – are increasingly at odds with American foreign policy. Rather than siding with the US on the big international issues, they are just as likely to line up with authoritarian powers such as China and Iran.

The US has been slow to pick up on this development, perhaps because it seems so surprising and unnatural. Most Americans assume that fellow democracies will share their values and opinions on international affairs. During the last presidential election campaign, John McCain, the Republican candidate, called for the formation of a global alliance of democracies to push back against authoritarian powers. Some of President Barack Obama’s senior advisers have also written enthusiastically about an international league of democracies.

But the assumption that the world’s democracies will naturally stick together is proving unfounded. The latest example came during the [Copenhagen climate summit](#). On the last day of the talks, the Americans tried to fix up one-to-one meetings between Mr Obama and the leaders of South Africa, Brazil and India – but failed each time. The Indians even said that their prime minister, Manmohan Singh, had already left for the airport.

So Mr Obama must have felt something of a chump when he arrived for a [last-minute meeting](#) with Wen Jiabao, the Chinese prime minister, only to find him already deep in negotiations with the leaders of none other than Brazil, South Africa and India. Symbolically, the leaders had to squeeze up to make space for the American president around the table.

There was more than symbolism at work. In Copenhagen, Brazil, South Africa and India decided that their status as developing nations was more important than their status as democracies. Like the Chinese, they argued that it is fundamentally unjust to [cap the greenhouse gas emissions of poor countries](#) at a lower level than the emissions of the US or the European Union; all the more so since the industrialized west is responsible for the great bulk of the carbon dioxide already in the atmosphere.

Revealingly, both Brazilian and Chinese leaders have made the same pointed joke – likening the US to a rich man who, after gorging himself at a banquet, then invites the neighbors in for coffee and asks them to split the bill.

If climate change were an isolated example, it might be dismissed as an important but anomalous issue that is almost designed to split countries along rich-poor lines. But, in fact, if you look at Brazil, South Africa, India and Turkey – the four most important democracies in Latin America, Africa, Asia and the greater Middle East – it is clear that none of them can be counted as a reliable ally of the US, or of a broader “community of democracies”.

In the past year, President Luiz Inácio Lula da Silva of Brazil has cut a lucrative oil deal with China, spoken warmly of Hugo Chávez, president of Venezuela, and congratulated Mahmoud Ahmadi-Nejad on his “victory” in the Iranian presidential election, while welcoming him on a [state visit to Brazil](#).

During a two-year stint on the United Nations Security Council from 2006, the South Africans routinely joined China and Russia in blocking resolutions on human rights and protecting authoritarian regimes such as Zimbabwe, Uzbekistan and Iran.

Turkey, once regarded as a crucial American ally in the cold war and then trumpeted as the only example of a secular, pro-western, Muslim democracy, is also no longer a reliable partner for the west. Ever since the US-led invasion of Iraq, opinion polls there have shown very high levels of anti-Americanism. The mildly Islamist AKP government has engaged with America’s regional enemies – including Hamas, Hizbollah and Iran – and alarmed the Americans by taking an [increasingly hostile attitude to Israel](#).

India’s leaders do seem to cherish the idea that they have a “special relationship” with the US. But even the Indians regularly line up against the Americans on a range of international issues, from climate change to the Doha round of trade negotiations and the pursuit of sanctions against Iran or Burma.

So what is going on? The answer is that Brazil, South Africa, Turkey and India are all countries whose identities as democracies are now being balanced – or even trumped – by their identities as developing nations that are not part of the white, rich, western world. All four countries have ruling parties that see themselves as champions of social justice at home and a more equitable global order overseas. Brazil’s Workers’ party, India’s Congress party, Turkey’s AKP and South Africa’s African National Congress have all adapted to globalization – but they all retain traces of the old suspicions of global capitalism and of the US.

Mr Obama is seen as a huge improvement on George W. Bush – but he is still an American president. As emerging global powers and developing nations, Brazil, India, South Africa and Turkey may often feel they have more in common with a rising China than with the democratic US.

Tampa, Jan 04: The voting public has honored President Luiz Inácio Lula da Silva as Olympic Personality of the year for his relentless dedication to the triumphant Rio 2016 Olympic bid. The contest was carried out at the end of 2009 by the Brazilian Olympic Committee (BOC)

Over 375 thousand internet users cast their votes for male and female athletes of the year and the winners were 50m and 100m freestyle world record holder, Cesar Cielo, and judoka Sarah Menezes, two-time world junior champion in the -48kg category. Six finalists were in the running for the honors.

BOC president and IOC member, Carlos Arthur Nuzman, said, "The year 2009 was very special for sports in Brazil, with great wins within and outside the competition venues. To turn into reality the Brazilian dream of staging an edition of the Olympic Games, we needed all possible support, from the Three Levels of Government to the members of the Rio 2016 Olympic Games Candidacy Committee.

"Now, all of us together will build up this dream."

On October 2nd Rio de Janeiro won the election to host the 2016 summer Games and make the first edition of the Olympics to be held in South America. Lula broke down in grateful tears of joy at the press conference in Copenhagen, Denmark after the final election.

Brasilia, Jan. 4 (Xinhua) -- Brazil is expecting the United States would in 2010 again become the top destination for the country's exports, a senior government official said on Monday.

But Welber Barral, foreign trade secretary at the Brazilian Ministry of Development, Industry and Foreign Trade, said he would not expect that the Brazilian exports to the United States this year would return to the 2008 level.

"In 2010, the United States can once again become the top destination for Brazilian exports," he said. "But we do not have the illusion of returning to the 2008 level."

Brazil exported 27.6 billion U.S. dollars worth of merchandise to the United States in 2008.

But the country's exports to the United States dropped 43.1 percent in 2009 when the global economic slowdown bit in. Brazil only sold 15.7 billion dollars worth of goods to the United States in the past year.

It was the first time since the end of World War II that the United States lost its status as top destination for Brazilian exports, though the Latin American country still bought more from the United States than from any other country in the world.

The United States has been Brazil's largest trading partner, buying one fifth of Brazil's exports and selling it one sixth of the American products.

The foreign trade secretary pinned his hope of increasing U.S. exports on improved economic performance in the United States which needs raw materials from Brazil.

"The activity of the industry is very closely tied to the performance of the economy as a whole. The growth of Brazilian exports depends heavily on how the United States will emerge from the crisis," said Barral.

The Brazilian Ministry of Development, Industry and Foreign Trade also pinned the hope of improved exports to the United States on an IMF projection that the U.S. economy will grow by 1.5 percent in 2010.

In 2009, China replaced the United States as the top destination of Brazilian exports as the Asian country bought 19.9 billion dollars worth of Brazilian goods, 3.5 billion dollars more than 2008.

The United States and Argentina were behind China as Brazil's second and third largest export destinations for the year.

Brazil's import from the United States reached 20.2 billion dollars. Its import from China and Argentina stood at 15.9 billion dollars and 11.3 billion dollars respectively.

Turkey and Brazil have agreed to implement together an action plan for strategic partnership, Turkish Foreign Minister Ahmet Davutoğlu said Tuesday.

Speaking at a joint press conference with his Brazilian counterpart Celso Amorim after their meeting in the Turkish capital, Ankara, Davutoğlu said Turkey-Brazil relations had improved significantly over the last years in both regional as well as global issues.

Davutoğlu said Turkey and Brazil would work together in the UN Security Council and Brazil made significant contributions to the Alliance of Civilizations project, adding that the two countries shared the same perspective on many global matters including climate change and nuclear issue.

"I believe that Turkey-Brazil relations would make major contributions to global and regional peace," Davutoğlu said adding that Turkey and Brazil had no political or economic problems between each other.

The visiting Brazilian foreign minister said on his part that Turkey played a major role in the world, adding that Turkey was also a significant actor in the Middle East.

Brazil's exports plunged by 22 percent in 2009, after a full decade of record growth, to hit \$152 billion (R1.114 trillion), the Industry and Trade Ministry announced on Monday.

Sliding exports meant the trade surplus was off by one percent, the worst showing in seven years, at \$24.6 billion, the ministry said.

After marking major gains since 2000, Brazilian exports in 2008 hit their record high, \$197.9 billion. But the global economic crisis has hit home in many ways.

Imports last year plunged by a similar 26 percent to \$127.6 billion, down from the record high \$172.9 billion the previous year.

Brazil's trade surplus saw its best year yet in 2006 when it topped \$46 billion. In 2007 it also was above \$40 billion after which imports started to surge thanks to a strong real. - I-Net Bridge

Representatives of the U.S. Department of State and Brazil's Ministry of Foreign Relations met in Washington, D.C., December 14th, for the fourth session of the U.S. – Brazil Economic Partnership Dialogue or EPD.

U.S. Under Secretary of State for Economic, Energy, and Agricultural Affairs Robert Hormats and Brazilian Under Secretary-General for Economic and Technological Affairs Pedro Carneiro de Mendonca led their respective delegations. The EPD provides a platform to advance a broad range of economic policy issues, including bilateral issues and U.S.-Brazil economic cooperation in third countries.

The EPD's objective is to review the economic and commercial relationship between the 2 countries and identify areas for broader bilateral cooperation. The EPD involves other government agencies as appropriate, with a view to increasing cooperation and understanding, and incorporating a strategic vision that broader economic dialogue can further social inclusion goals as both nations rise to the challenge of globalization.

This year's meeting addressed cooperative and collaborative efforts by the U.S. and Brazil in areas including promotion of competitiveness and innovation; agriculture and biotechnology; trade facilitation; investment; civil aviation; telecommunications; food security; and opportunities for partnership on development with third countries in the Western Hemisphere and Africa.

Both countries reiterated their commitment to continue their joint efforts with Haiti, Mozambique and Sao Tome and Principe. In Mozambique, the U.S. and Brazil have been working on agriculture and health projects. In Sao Tome and Principe, cooperation has led to multi-year funding for an anti-malaria project.

The U.S. and Brazil discussed cooperation to promote the economic and social development of Haiti, and noted, with satisfaction, the positive results that this kind of cooperation can generate.

The U.S. and Brazil recalled Brazil's signing of the South-South trilateral cooperation agreement with the International Labor Organization, aimed at the eradication of child labor. Brazil and the U.S. committed \$4 million and \$7 million respectively to this initiative.

The U.S. is committed to working with its partner Brazil in meeting the economic challenges facing both countries, the Western hemisphere, and the world.

Jan. 3 (Bloomberg) -- Brazilian banks may expand their portfolio of loans by as much as 25 percent this year as they increase financing for infrastructure projects, National Banking Association President [Fabio Barbosa](#) told [Folha de S. Paulo](#).

The country's loan portfolios grew by 15 percent last year to finance expanding consumer spending. Banks will likely focus on corporate loans to sustain Brazil's economic growth of 5 percent this year, Folha cited Barbosa as saying. He will step down as president of the association known as Febraban in March.

Consumer lending may grow as more low-income Brazilians have access to credit, Barbosa told Folha. Total lending growth this year likely won't return to pre-crisis levels of as much as 30 percent a year, he said, according to the Sao Paulo newspaper.

Brasilia, 4 January (Argus) — The Brazilian government has announced a goal to cut carbon intensity by up to 38.9pc by 2020. The cut will be measured against Brazil's average annual emissions between 1996 and 2005.

Brazil's emissions are growing at 10pc/yr and the cut will mean that their growth is limited to 6pc/yr. Carbon intensity measures the amount of CO₂ emitted for each unit of gross domestic product.

Environment minister Carlos Minc estimates that Brazil could surpass its goal, which is considered to be one of the most ambitious among developing nations. The fundamental challenge for the country will be to reduce deforestation, which is responsible for 51.9pc of Brazil's CO₂ emissions, according to a study released by the ministry in October. The same study concluded that cattle ranching produced 25pc of emissions, followed by the energy sector with 20pc.

The government's goal is to reduce Amazonian deforestation by 80pc by 2020, but Minc said that deforestation can be reduced by as much as 90pc. The government recently created the National Climate Change Fund, which will use tax revenues from the oil industry to reduce CO₂ emissions. The ministry estimates that Brazil's CO₂ equivalent emissions reached 1.9bn t in 2007.

China has offered to cut its carbon intensity by 40-45pc by 2020 from a 2005 baseline, while India has offered to cut its carbon intensity by a minimum of 20pc from 2005 levels by 2020.

Brazil's President introduced national legislation that will guide efforts to reduce projected emissions by 36.1 to 38.9 percent by 2020. This legislation comes on the heels of the COP-15 climate change conference held in Copenhagen earlier this month, and demonstrates Brazil's eagerness to make significant and immediate progress against global climate change.

Brazilian President Luiz Inácio Lula da Silva announced today the national climate change legislation to reduce projected greenhouse gas emissions by 36.1 to 38.9 percent by 2020. Roughly half the reduction would come from slowing Amazon deforestation, which accounts for more than sixty percent of Brazil's CO₂ emissions. The rest would come from improved energy efficiency in construction, farming, and industry. Brazil will also continue to rely heavily on sugar cane ethanol, which has been shown to have the best energy balance relative to other biofuels that are presently produced at scale.

Under the Kyoto Protocol, which expires in 2012, as a developing country, Brazil is not obligated to limit its emissions.

The implementation of this new policy will be detailed in February with the publication of a presidential decree to determine reduction ranges per economic sector and specific measures to be carried out. Throughout January, federal government technicians will conduct further studies aimed at bolstering the presidential text.

"Targets in figures are not enough, we must have the tools to will ensure our goals are achieved," said Carlos Minc, Brazil's Minister of the Environment.

The main objective of the National Policy on Climate Change is to ensure that economic and social developments are compatible with the protection of the climate system, and to promote the reduction of greenhouse gas emissions by encouraging the use of clean energy. The document also paves the way for implementation through federal, state and municipal administrations.

Other highlights include providing for the conservation and recovery of national biomes, consolidation and expansion of legally protected areas, and the development of the Brazilian Market for Emission Reductions.

The primary tools for policy implementation are the National Plan on Climate Change, the National Fund on Climate Change and the Brazilian National Communication under the United Nations Framework Convention on Climate Change.

The Secretariat for Social Communication (SECOM) of the Presidency of Brazil is responsible for coordinating the Public Relations activities for the government of Brazil.

Detailed Report/Mexico

On October 10, 44,000 electricity workers in Mexico, members of the county's most combative and independent union, SME (Mexican Electrical Union), were fired. The layoff became a catalyst for a movement deeply angry at both an unfair economic system and towards a president, Calderón, who used fraud to win the elections in 2006. On October 16, around 500,000 people marched in the capital in protest. On November 11, there were massive marches, road blocks, and strikes all across the country.

The November 5 decision to strike was taken at a massive meeting of the newly formed National Assembly of Popular Resistance, made up of around 400 unions, students, rural workers, indigenous groups, women's and gay rights organizations, and left and revolutionary political parties from across the country.

The meeting was meant to start at 5:00 PM, but at 4:45 the hall was already full and the streets outside were starting to fill up and block traffic. There was an atmosphere of excitement, support, and solidarity. In fact, "support" was the chant of the day as speakers from various unions declared that their union would march and strike. Each organization described how it would contribute to the campaign, how it would hold its own assemblies and print leaflets and hold rallies and marches in the lead up to the strike. On the few occasions when unions declared they would march, but not strike, everyone stood up and demanded, "Strike! Strike! Strike!"

The speaker from the telephone union detailed how they had donated food to the fired workers. The left parliamentary Party of the Democratic Revolution (PRD) spokesperson said the PRD had agreed to support all the SME decisions, and then donated 154,000 pesos (\$11,700).

University students said they would organize a range of political-cultural events and an "information week" to counter all the misinformation in the mainstream media, while a rural worker said the SME demands were their demands, but that they would also add the demand for food sovereignty. Even the association of retired people had a detailed and ambitious schedule of action to prepare for the national strike.

Martin Esparza, general secretary of the SME, was the last speaker. He told the meeting, "With this movement we're going to define what kind of country we want.... We have to advance and organize the people of Mexico.... We create the wealth and they socialize the losses.... We pay to import what the gringos don't want.... They're after our collective contracts and our unions," he concluded, talking of inequality, the need for dignity, and for organization.

The next morning, the National Autonomous University of Mexico (UNAM) students had already put large stickers calling for the strike all over the insides of the trains and there were banners in most faculties of the university calling for assemblies. The walls were covered with virtual articles on what had really happened to the SME workers.

According to a union statement, "On the night of October 11, 6,000 soldiers and militarized police took over the offices of Luz y Fuerza del Centro (LyFC), the state-owned corporation that provides power to Mexico City and some states in Central Mexico; the entity was liquidated by an executive order issued by Mexico's President Felipe Calderón. With the closure, 44,000 employers lost their jobs and 12,000 retired workers saw their pensions disappear.... The company was shut down to destroy its union...one of the most militant...which has been fighting against government attempts to privatize the energy industry."

Many workplaces held their own assemblies. High school and primary school students marched 10 kilometers on November 8, carrying placards such as "Don't steal my future." SME workers marched in the thousands in the capital on November 9 and 10.

The long anticipated march of November 11 was due to leave at 4:00 PM, but by 2:30 there were already thousands of people gathered.

The street vendors, which make up a growing army—as the unemployed look for alternative ways to stay alive—were selling corn, chips, and nuts from carts with posters for the strike taped all over them. When the march left, they pushed their carts along with it. One woman with an SME bandana and placard alternated between joining the chanting of the march and calling out, "Two gum packets for 5 pesos."

"I'm here to support the Mexican people. I'm one of those who doesn't support the government we have here," said a young worker, Bernardo Mejia. "I'm here to support the union," said Ana Laura Flores, a "wife of a worker" as she described herself. "I'm supporting the SME. I'm here for the solidarity more than anything," said university student Omar Vazquez.

"I'm an SME worker. I'm an electrical engineer and I was unjustly fired. This government is a sham. It's a government of thieves. They took our jobs unconstitutionally, violating our rights as workers and as humans," said Omar Ruiz.

An hour later, the march arrived at the huge Zócalo plaza, filling it to the point where an interesting system of lines of humans with hands on shoulders formed in order for people to move through the crowd. The march kept arriving for another two hours, while marches from six other locations also continued to arrive.

Organizers estimated that 200,000 people participated in the march, while La Jornada reported police estimates of 60,000. But that march was just one of many, with large marches taking place across the country and in outer suburbs, while workers and movement members blocked roads from 6:00 AM onwards.

University students closed off the roads leading to TV Azteca, one of the most right-wing TV stations in the country. There was a protest by the Zapatista organized "Other Campaign" in front of the U.S. embassy. Universities went on strike and students and teachers joined the march after their own protest on campus. The telephone unions went on strike. Some shops had signs saying they were turning off their electricity in solidarity, while many shops were closed. Miners sent a contingent to the main march and held other marches in seven of the main mining cities and towns. The National Organization of Administrative, Manual and Technical Workers of the National Anthropology and History Institute organized partial blockades of museums and archaeological zones around the country. La Jornada reported that 14 toll booth points were also taken over.

At one road block, on a main road to Puebla, one of the closest cities to the capital, national police dispersed the blockade with tear gas. La Jornada reported four injured protestors and three police. Eleven protestors were arrested and detained; some had been beaten. Mexican mainstream media the next day chose to highlight the tear gas incident with headlines of "Violence" and "Chaos." The Excelsior headlined "Patience Tested," and its biggest photo was of the tear gas. It talked about "children left without classes" and how "we can't see what Chiapas is protesting about, SME has nothing to do with them."

What the media did not want to talk about was a new solidarity that has formed and how the movement has gone well beyond a labor conflict, with many more youth participating than during the protests against the electoral fraud of 2006. An SME leader, Jose Hernandez, told me the mobilization was much bigger than any previous ones, but that it was less apparent as it was spread out in various places and times. "Up till now, we've heard of 16 marches in other states and just in the state of Michoacan for example, 11,000 schools went on strike, as well all the higher education institutions.... It's also necessary to consider the amount of disorganization and domination which the large part of the Mexican working class has found itself in. What happened today signifies, without any doubt, a leap in the consciousness of the Mexican working class. We need to be patient, but it seems to me that we're on the threshold of qualitative change."

(CNN) -- Mexico's arrest of drug cartel suspects has become fairly commonplace. On Thursday, it was six suspected members of La Familia, based in Michoacan. A day earlier, it was a man identified as a top leader of the ruthless Zetas.

Whether the arrests are making any difference in President Felipe Calderon's war on the narco traffickers is another question.

Some analysts see them as proof that Calderon was right to declare an all-out fight after taking office in December 2006.

"The most important thing is that the Mexican government is on the offensive," said Bernard Aronson, U.S. assistant secretary of state for inter-American affairs from 1989 to 1993. "They're not in a state of denial. They're getting going."

Other analysts are not so sure, particularly since more than 12,000 people have been killed since Calderon became president.

"It's really more of the same," said John Mill Ackerman, a professor at the National Autonomous University of Mexico. "This doesn't necessarily give me confidence as to the success of government strategy."

The war has unleashed an unprecedented carnage as rival drug gangs fight for territory and routes into the lucrative U.S. market. They're also fighting among themselves for leadership spots as former drug lords are arrested or killed.

Ciudad Juarez, on the U.S. border and the main battleground for the cartels, has already recorded 2,000 drug-related fatalities this year. Officials point out that most of those killings involve criminals doing each other in. That doesn't matter, some analysts say.

"Mexicans are paying a huge price," said Ana Maria Salazar, a television and radio political commentator in Mexico City. "The rest of the world does not understand the price that's being paid."

Still, Salazar said, the war needed to be waged.

"I'm not sure where this is going, but something had to be done," she said.

Wednesday's arrest of Carlos Adrian Martinez Muniz, identified as the No. 2 person for the Zetas drug cartel in the Monterrey area in northeastern Mexico, is an example of how far the traffickers have come.

In addition to various drugs and weapons, Martinez Muniz was carrying deposit slips for payments for up to 7,150 people in different Mexican states, the nation's Ministry of Defense said. It was not immediately clear who the payments were to: public officials, other cartel members or both.

Los Zetas, formed by former Mexican elite commando-type soldiers, consists mostly of former federal and local police. The U.S. Drug Enforcement Administration considers the group among the most advanced and violent of Mexico's drug cartels.

"The Zetas were originally hired killers to protect certain businesses. Now they are rapidly becoming the bosses," Salazar said.

Martinez Muniz was carrying 143 files, each containing between 30 and 50 envelopes with deposit slips inside made out to different people in various states.

"It is a lot of people," said Andrew Selee, director of the Mexico Institute at the Woodrow Wilson Center for Scholars. "It tells you that the networks of complicity are fairly extensive."

For Salazar, it shows that the cartels are more than "a bunch of thugs using violence to protect their turf." The cartels, she said, have evolved.

"It's very important to underline how these extremely violent organizations are transforming themselves and branching into other businesses," she said.

Then there's the issue of bribery and corruption.

Martinez Muniz's payoff ledger "emphasizes how these groups have become much more sophisticated, creating regional turf," she said. "They are systematically paying off public officials and others to take care of them and their structure."

Salazar said she believes a main reason Calderon started the crackdown was not just because of the harm drugs can have on society but also because of the corruption they can cause. Selee makes the same point.

"The problem is not the drug themselves," he said. "The main reason for going after the [drug-trafficking](#) organizations is that they are corrupting public life."

That's why, he said, "it's extremely important that the government begin to look at the links between the drug cartels and government officials."

If the payoffs were to public officials, Salazar wonders if the government will try to prosecute them.

"They have to do that to start debilitating these organizations," she said. "They can go against the drug cartels but are you going to go against the governors, the mayors? That's when we will suddenly understand the success of these policies."

Selee questions if the Mexican legal system is up to the task, saying the government has to "create the guarantees of rule of law, guarantees of due process."

In the meantime, he says, it's hard to tell how effective Calderon's offensive has been.

"I don't know what the long run will mean," Selee said. "Whether it will lead to a weakening of the cartels or other groups moving in."

But he's certain that "it's harder for the drug operations to move on the ground in the way they used to be able to."

Ackerman, the professor at the National Autonomous University of [Mexico](#), is not convinced.

"I don't see any clear indication that the Mexican government is winning this war," he said.

Neither does David Shirk, a fellow at the Wilson Center and expert on Mexico's drug cartels.

[Calderon's](#) decision to use the army to fight the cartels has militarized the situation and been unsuccessful in reducing violence, he said.

Mexico City (AP) -- The capture of a reputed kingpin following the death of his brother has knocked out most of a brutal drug trafficking dynasty after a Mexican crackdown on corruption stripped the Beltran Leyva cartel of many snitches within security forces.

Carlos Beltran Leyva was arrested in the Pacific coast state Sinaloa, where he and several of his brothers were born and allegedly started their gang. A judge ordered him held for at least 40 days while officials investigate possible charges of organized crime, the Attorney General's Office said in a statement Sunday.

His capture came just two weeks after his brother Arturo, known as "the boss of bosses" of the cartel, was killed in a shootout with marines at a luxury apartment in the city of Cuernavaca.

Carlos Beltran's arrest gave Calderon back-to-back victories in the drug war and underscored the government's determination to destroy the cartel despite the threat of reprisal attacks. Days after Arturo Beltran was killed, gunmen massacred the mother and three other relatives of the only marine who died in the Dec. 16 shootout in Cuernavaca.

Calderon vowed he would not be intimidated. However, authorities were far quieter in announcing Carlos Beltran's capture, waiting three days to make the arrest public in a terse statement Saturday night.

A third brother, Alfredo, was arrested in January 2008. At least one other Beltran Leyva brother, who officials say could be named Mario or Hector, remains at large. He is listed as one of Mexico's 24 most-wanted drug lords, with a \$2 million reward offered for his capture.

The downfall of Beltran Leyva brothers comes a year after a sweeping corruption probe led to the arrest of a dozen high-ranking Mexican officials accused of collaborating with the cartel. They included Mexico's former drug czar Noe Ramirez, who allegedly received \$450,000 a month from Arturo Beltran in exchange for sensitive information.

"The long suit of the Beltran Leyva was in intelligence, and they had lots of contacts with the intelligence officials," said George W. Grayson, a Mexico expert at the College of William and Mary in Williamsburg, Virginia. "They got the big shots ... who were on the take from the Beltran Leyva family, and that really was their strength."

Mexican officials in the past have described Carlos Beltran Leyva, 40, as a key member of the gang, but he is not on the government's most-wanted list and prosecutors have not revealed any significant current indictments against him.

"He's the lowest profile of the brothers," Grayson said. "The scuttlebutt is that Hector, who is still at large, is really the brains behind the outfit."

Chance and Mexico's intelligence system appeared to have led to Beltran Leyva's capture.

The Attorney General's Office said a citizen tipped authorities to the presence of an armed man in the Canadas neighborhood of Culiacan. Beltran Leyva gave federal police a driver's license that identified him as Carlos Gamez Orpineda, but when the police ran the document by Mexico's Center of Intelligence they learned it was false.

He later acknowledged he was Arturo Beltran Leyva's brother, the Public Safety Department said. Police said he was found with two guns and ammunition.

The Beltran Leyva brothers allegedly worked side by side with Joaquin "El Chapo" Guzman, the leader of the Sinaloa Cartel, before breaking away in recent years and seizing lucrative drug routes in northeastern Mexico.

While a victory for the government, the success against the Beltran Leyva brothers could empower the Sinaloa cartel and other rival gangs, Grayson said.

The Beltran Leyvas had increasingly relied for protection on the Zetas, a gang led by former soldiers-turned-hit men who also work with the Gulf cartel, he said.

"The Zetas may now move against the Beltran Leyva and take them over, saying, 'You are now taking orders from us, or we'll kill you,'" Grayson said. "The good news is you've got a bad guy behind bars. The bad news is that this may enhance the Zetas."

That possibility raises fears of even bloodier turf battles in a drug war that has already claimed more than 15,000 lives since Calderon took office in 2006.

In a possible sign of that fight, the bound, beaten bodies of two men were found Wednesday hanging by their necks from a highway overpass in the Sinaloa town of Los Mochis.

Nearby, a message was written on a piece of cardboard: "This territory already has an owner." The message appeared to be from the Beltran Leyva cartel.

Authorities have blamed the Zetas for killing the marine's relatives in retaliation for Arturo Beltran's death.

On Sunday, prosecutors in eastern Tabasco state, where the family was killed, announced the capture of three suspected Zetas who allegedly acted as lookouts during the attack. Four other alleged Zetas accused of playing secondary roles were arrested last week, but the killers remain at large.

Mexico City, 4 January (Argus) — Mexico's main offshore oil export terminal, Cayo Arcas, and onshore oil ports Dos Bocas and Coatzacoalcos reopened yesterday, according to the communications and transport ministry.

Cayo Arcas closed on 1 January and Dos Bocas and Coatzacoalcos on 2 January, because of a cold front moving across the Gulf of Mexico into the Caribbean, creating treacherous shipping conditions. The ministry's weather alert for shipping in the area is ongoing.

The following editorial appeared in the Dallas Morning News on Thursday, Dec. 31:

For years, many Americans have dismissed the battle between Mexico's government and drug cartels. Oh, those Mexicans, there they go again.

Ancillary problems, such as rising corruption and lawlessness resulting from Mexico's gangland free-for-all, have too often been shrugged off as the same old issues in a country that never quite seems to get its act together.

But this problem, funded largely by U.S. drug users, has rapidly transformed into a battle against a terrorist insurgency, and victory is every bit as important to Mexico's security as is America's battle against al-Qaeda. Defeat for Mexico means nothing less than a descent into chaos. This might sound alarmist, but the tactics being employed by Mexico's drug gangs, not to mention their spread into U.S. border cities, is truly cause for alarm.

"At the end of the day, the Mexican state, the rule of law, has to prevail," Ciudad Juarez security chief David Rivera Breton told The Washington Post. "The good guys have to win."

Those words bear re-reading to fully grasp the stakes for Mexico. Drug gangs are challenging the government for control. The violence and death has far exceeded what U.S. troops have faced in Iraq and Afghanistan. The deaths - from hangings, beheadings, dismemberments, executions - are no less hideous than al-Qaeda's twisted form of Islamic "justice."

Mexican President Felipe Calderon is being asked by lawmakers to reconsider his two-year effort, with U.S. backing, to militarize the drug war and retake the streets of such border cities as Ciudad Juarez. A multi-agency commission is studying whether the campaign has failed - even before a three-year, \$1.1 billion U.S. counternarcotics aid package has been fully delivered. Some prominent Mexicans ask whether its time to call a truce with the drug lords and reach a sort of "peaceful coexistence" accommodation.

Mexican and U.S. leaders must answer difficult questions about their next steps. Is this effort really failing? Is the U.S. aid package being delivered with the urgency it deserves? Was the mid-December raid that killed one of Mexico's top drug lords, Arturo Beltran Leyva, the kind of step required to halt this menace? And was the drug thugs' retaliatory response - the murder of the mother and three other family members of a Mexican Marine killed during the raid on Leyva's compound - a clear enough indication of why these terrorists must not be allowed to win?

Calderon has shown unprecedented guts in taking on this fight. Certainly, his militarization program is due for refinements. Protecting the identities of military and police personnel who participate in drug raids would be a very good start. But backing away from this fight must not be an option as long as thugs and terrorists are vying against the government for control of Mexico's streets.

New Year's Eve Warnings

The Mexican government received a warning from the U.S. Drug Enforcement Administration that Los Zetas was planning attacks on New Year's Eve, El Universal reported Dec. 30. The warning reportedly said attacks were planned in Michoacan, Nuevo Leon, Chihuahua, Sinaloa, Durango, Zacatecas, Mexico state, and the Federal District against civilian targets such as commercial buildings, bridges, public transportation and New Year's Eve celebrations. Additionally, STRATFOR sources reported Dec. 31 that Mexican soldiers were called back from vacation and put on high alert in Ciudad Juarez, Chihuahua state, after receiving information that Los Zetas was planning attacks.

However, not much materialized from this threat. The most notable violence that took place Dec. 31 was a string of early-morning explosions and thwarted attempts targeting automated teller machines around the country. No injuries were reported from the

incidents. [Such tactics have become common over the past year](#), and anarchist and anti-capitalist groups such as the “Subversive Alliance for the Liberation of the Earth, Animals and Humans” [have claimed responsibility for these types of attacks in the past](#).

It would be highly unexpected for a group like Los Zetas to conduct attacks against civilian targets such as those mentioned above. Violence is known to spill over into civilian areas, and gunmen exercise little caution when carrying out an operation in a public place, but explicitly targeting civilians unaffiliated with the drug trade would not fit in with past drug-trafficking organization (DTO) activity or long-term strategy. After all, these groups are in the business of making money (using the tactic of physical intimidation and extermination as a means to protect their assets), which requires a degree of complicity from the civilian population. Carrying out terrorist-like attacks against civilians would threaten that support and increase support for the government’s war against the cartels. The one exception we have seen to this strategy was the 2008 [Independence Day attacks in Morelia, Michoacan state](#), which met with harsh criticism from nearly all other DTOs — an indication that the cartels know full well the dangers of antagonizing civilians.

We have been expecting Los Zetas to conduct attacks on behalf of their allies in the Beltran Leyva Organization (BLO) to avenge the death of Arturo Beltran Leyva, but such attacks will in all likelihood be directed against the Mexican government and other cartels if the BLO believes another cartel provided the information that allowed the Mexican government to find and kill Arturo. There is no indication that Los Zetas or the BLO will shift their targeting philosophy due to the death of Arturo.

A BLO Arrest and New Leadership

One of the five Beltran Leyva brothers and a high-ranking member of the BLO, Carlos Beltran Leyva, was arrested Dec. 30 in Culiacan, Sinaloa state, according to a statement issued Jan. 2 by Mexico’s Public Safety Department. Police conducted a routine traffic stop on him while he was driving through Culiacan, and he was found to have a fake driver’s license. A subsequent search found weapons, ammunition and cocaine in his vehicle.

The arrest came just two weeks after his brother and leader of the BLO, [Arturo Beltran Leyva, was killed in a Mexican military operation](#) in Cuernavaca, Morelos state. The operation yielded a great deal of intelligence on the BLO organization — some of which may have led to the arrest of Carlos Beltran Leyva.

Following Arturo’s death, speculation emerged that Carlos may replace him as leader of the BLO. However, a Federal Police intelligence report released Jan. 4 stated that Hector Beltran Leyva (another brother of Arturo’s) has assumed the leadership of the BLO. The report also stated that Hector currently retains the loyalty of Edgar Valdez Villereal (aka La Barbie), the head of the BLO’s enforcement arm, contradicting earlier reports that Valdez had defected. It also stated that Hector had passed off his duties of money

laundering and other financial responsibilities to Carlos after Arturo's death. Carlos maintained a low-key lifestyle — an essential characteristic for a money launderer, and one found among other cartel figures with similar positions. As the money launderer, he would not necessarily travel with heavy protection that would attract attention.

This is a vital responsibility within a DTO, but it does not appear that Carlos had much time to involve himself in this role. Given this, it is unlikely that his arrest will impact the cartel's activities very much. The fallout from the death of Arturo Beltran Leyva will continue to be the dominant dynamic within the BLO and Mexico's security forces.

Dec. 28

- Police arrested five men in the municipalities of Tula de Allende and Tepeji del Rio, Hidalgo state. The men are suspected of killing three policemen and injuring two others during an ambush Dec. 27.

Dec. 29

- Municipal police in Tijuana, Baja California state, during a traffic stop arrested five gunmen suspected of working for Teodoro Garcia Simental. Police confiscated five firearms, about 700 rounds of ammunition and several military uniforms.
- Federal agents discovered an abandoned suitcase containing 11 kilograms of cocaine at the Mexico City International Airport. No arrests were made.
- Soldiers arrested former municipal policeman Luis Gilberto Sanchez Guerrero in Ensenada, Baja California state, for allegedly conspiring with Teodoro Garcia Simental to murder local security chief Julian Leyzaola Perez.
- Police discovered the decapitated body of a man in the municipality of Delicias, Chihuahua state. Authorities have not yet identified the body.

Dec. 30

- The bodies of two men were discovered hanging from an overpass in Los Mochis, Sinaloa state. One was subsequently identified as local musician Elio Alan Hurtado Quinonez. A message attributing the crime to "La Mochomera" was discovered near the bodies.
- Unknown gunmen traveling in two vehicles killed four people and injured three others in separate locations within the Refugio neighborhood in Gomez Palacio, Durango state.
- The body of an unknown man was discovered in a truck in the Ampliacion La Libertad neighborhood of Acapulco, Guerrero state.

Dec. 31

- Suspected thieves killed a state security officer traveling on a bus in the Gustavo A. Madero neighborhood of Mexico City.
- Unknown gunmen kidnapped journalist Jose Luis Romero in Los Mochis, Sinaloa state.
- Police arrested an unknown man in Mexico City after he threatened to detonate an explosive device in the Zocalo plaza. After taking him into custody, police determined he did not have any explosives.
- Unknown gunmen attacked the state government offices in Saltillo, Coahuila state.

Jan. 1

- A man claiming to be a policeman was injured by police after he tried to prevent the arrest of three suspected gang members in the Los Altos neighborhood of Monterrey, Nuevo Leon state. The man, identified as Javier Estrada Garcia, allegedly threatened police with a firearm and was subsequently shot.
- Police in Puerto Vallarta, Jalisco state, arrested six people suspected of shooting at a police patrol on Dec. 31.

Jan. 2

- The attorney general's office disclosed the arrest of a man identified as Gudiel Ivan Sanchez Valdez in the Pichucalco municipality of Chiapas state. Sanchez is suspected of participating in the murder of several family members of Melquisedec Angulo Cordova. Angulo was the Marine killed during the Dec. 16 raid on Arturo Beltran Leyva's apartment.

Jan. 3

- Six people reportedly were injured during a confrontation between former Mexican Electricians' Union workers and employees of the Federal Electric Commission in Teotihuacan, Mexico state.

Mexico City, Jan. 4 (Xinhua) -- Mexico has improved its government-funded health insurance to cover 10.3 million people, or almost one in every 10, by the end of 2009, the Mexican president said Monday.

The health insurance scheme, created in 2003 with an envisaged goal of universal coverage by 2012, covers treatment of 80 percent of the diseases that are most common in Mexico.

President Felipe Calderon said that every child born after his inauguration in 2006 now has health insurance.

The president made the remark while inaugurating a new hospital in southern Mexico.

Calderon said that budget spending on public health had increased to 52 billion pesos (4 billion U.S. dollars) in 2009, up from 18 billion pesos (1.3 billion dollars) in 2006 when he took office.

Mexico now has two major public health insurance systems - the Mexican Social Security Institute (IMSS) and the Institute of Social Services and Security for Civil Servants (ISSSTE).

The IMSS, created in 1943, attends to private-sector, formal, salaried workers and their families; the ISSSTE covers government employees and their families.

The Organization for Economic Cooperation and Development (OECD) estimated in 2004 that the IMSS covers approximately 40 percent of the Mexican population, while the ISSSTE covers 7 percent of the population.

By 2005, the Mexican government funded 45.5 percent of the country's health-care spending. Meanwhile, private insurers funded around 4 percent.

No figures were available for the current situation.

Detailed Report/Venezuela

Foreign Minister Maxime Verhagen has dismissed as unfounded Venezuela's latest statement accusing the Netherlands of helping the United States prepare an attack from Dutch islands in the Caribbean.

In a statement, Caracas says that the "belligerent US government, aided by the Netherlands, Aruba and Curaçao, is preparing an assault on the territory of the Venezuelan people". The Dutch minister described the allegation as "false, unfounded and pure fantasy".

The Netherlands has assured Venezuela previously that US troops are only using the islands of Aruba and Curaçao to combat the drugs trade. Minister Verhagen stressed once more that the Netherlands does not allow any country to use its soil to launch attacks against other countries. He also underlined that The Hague is keen to seek good relations with Venezuela.

Venezuelan President Hugo Chávez regularly lashes out at what he sees as US aggression. Recently the leftist leader has been including the Netherlands more and more in his accusations.

Caracas, Venezuela— Rafael Antonio Caldera, who helped establish democracy in Venezuela, went on to serve two terms as president and issued the pardon that allowed Hugo Chavez to rise to power, died Dec. 24 at age 93,.

Mr. Caldera died in the capital of Caracas, his son Andres Caldera said on television. He did not give a cause of death, but the former president suffered from Parkinson's disease for several years.

Although 20 years divided his terms, Mr. Caldera's manner of ruling was the same: Reserved, tough with political adversaries and inclined toward populism. He was also known for living simply and eschewing luxuries, and for integrity in a country where corruption is common.

And though he pardoned Chavez in 1994, he was later deeply at odds with Venezuela's current president.

Andres Caldera said the former president's relatives do not want the current government to play any role in commemorating him.

"The family has already discussed the matter, and we decided we will not accept any homage from the government of Hugo Chavez," he said.

Born in 1916 in the northwestern state of Yaracuy, Mr. Caldera obtained a political science degree at the Central University of Venezuela, entered politics in the 1930s and founded the Social-Christian COPEI party, a movement grounded in the middle class, in 1946.

Fully democratic presidential elections were held the following year, won by the novelist Romulo Gallegos.

But democracy collapsed and Mr. Caldera helped revive it as one of the three signers of the Punto Fijo pact, which organized elections after the fall of dictator Gen. Marcos Perez Jimenez in 1958.

Under the pact, COPEI and Romulo Betancourt's Democratic Action party shared power for nearly 40 years.

"One of the heroes of our civil democracy has disappeared," former presidential candidate and COPEI leader Eduardo Fernandez said, calling Mr. Caldera a great statesman committed to dialogue.

As president from 1969 to 1974, Mr. Caldera eliminated the remnants of leftist guerrilla movements by granting them a general amnesty. The period was also marked by lavish government spending of oil revenues on public works and a growing bureaucracy.

Two decades later, with Venezuela in turmoil following two failed military coup attempts in 1992 and the impeachment of President Carlos Andres Perez on corruption charges, Mr. Caldera won a new term in 1993 without the backing of COPEI, breaking the Punto Fijo power-sharing pact he had helped craft.

In office, Mr. Caldera soon confronted the nation's worst banking crisis, in which half of Venezuelan banks failed. He decreed price and currency exchange controls to surmount the crisis and focused on development in interior Venezuela.

Mr. Caldera led the country through relative stability, and also granted amnesty to a young army paratroop commander behind one of the coup attempts: Hugo Chavez, who four years later would be elected to succeed Mr. Caldera.

Chavez and the author of his release from jail had a testy relationship over the years, however.

In a 2003 newspaper interview, Mr. Caldera warned that violence could ensue if Chavez, using state resources, blocked efforts to hold a recall referendum on his leftist presidency. Mr. Caldera questioned the legitimacy of a new constitution under which Chavez has increased his power.

Chavez shot back that the comments "reflect the depths of desperation" that opponents to his rule had reached. He blamed Mr. Caldera and others for creating a corrupt system that left millions of Venezuelans to live in poverty.

Mr. Caldera is survived by his wife, Alicia Pietri, and six children.

Oil-rich Venezuela ushered in 2010 with new measures rationing electricity use in malls, businesses and billboards, as Hugo Chavez's government aimed to save power amid a crippling drought.

The new regulations came into effect January 1, with businesses required to comply with reduced consumption limits and authorities warning of forced power cuts and rate hikes if the measures are not followed.

A decree published on Christmas Eve states that commercial centers may operate from 11:00 am to 9:00 pm on the electricity grid, but beyond that establishments would have to operate off-grid, using their own generators.

Venezuela is flush with oil -- the country's primary export -- and natural gas, but relies mainly on hydroelectric generation to meet domestic energy demand.

With the country in a widespread drought, late last year Chavez announced a sweeping campaign to reduce widespread energy "waste," stressing that rationing was necessary to avoid a systemic "collapse."

Shopping centers in Caracas Saturday opened at the appointed new hour, although industry representatives called for extending the time frame, arguing that night-time energy consumption is less than 10 percent of the total.

The power crunch is expected to have an impact on a wide variety of businesses, including cinemas, casinos and bingo halls.

Establishments failing to comply with the measures could face outages for a period of 24 hours, and up to 72-hour suspensions "in case of recidivism," according to the decree.

The regulation also orders businesses to institute savings plans aimed at shedding consumption by at least 20 percent, a measure that will be evaluated monthly by the newly-created ministry of electricity.

Tariff surcharges of up to 20 percent could be imposed on violators.

Rationing is also to apply to lighted advertisements.

Introductory measures were evident in Caracas last month, with the neon signs that traditionally welcome Christmas left unlit.

The state-controlled aluminum and steel industries halted some of their production lines in order to reduce energy consumption by some 560 megawatts (MW).

Electricity demand in Venezuela is more than 16,500 MW, far higher than what is currently generated. Experts say the power sector requires 18 billion dollars in investment through 2014.

In 2009 there were four nationwide blackouts, with daily failures common in several cities.

The Minister of Electric Power said that government authorities are evaluating the policies. The government will establish a monitoring agency in the subsidiaries of the National Electric Corporation (Corpoelec) that will be responsible for enforcing the electricity saving measures.

On December 21, 2009, the government published a plan for energy saving in the Official Gazette No. 39,332 in order to prevent a power collapse in Venezuela due to the sharp decline in water levels at the Guri Dam.

The plan is aimed at saving at least 20 percent of energy compared with the consumption of the same month in the previous year in heavy industries with a demand greater than 5 megawatts (5MW) and of 2 megawatts (2MW) in the case of light industry, malls or stores and residential areas. The measures will be evaluated every month.

Failure to comply with government regulations will result in tariff overcharges.

Minister of Electric Power Ángel Rodríguez told El Universal that by the first half of January a monitoring team will be ready to enforce new regulations.

However, he added that "Corpoelec subsidiaries will be responsible for enforcing the power saving measures."

The Minister said that the Executive branch of government has not ruled out any other measures to lower consumption, but they will depend on the level of Guri Dam.

The Venezuelan government has rejected statements by Peruvian President Alan García, according to which the Bolivian President Evo Morales is verbally attacking Peru following instructions of President Hugo Chávez.

The Venezuelan government said in a statement that García's "insolent remarks" against Chávez, show not only "his submissiveness" to a divisive strategy in South America "promoted by the imperialist elites in the United States" but "confirm his contempt for the integration process, and particularly for the neighboring countries of Peru, as well as (his disdain) for the basic rules of peaceful coexistence and respect that must prevail in our region."

The Venezuelan government said that "the unworthy comments of President García do nothing but repeat the old practices of the oligarchies of the hemisphere, in which the leaders, far from serving their people, devoted their time to vice, idleness and the propagation of intrigues to generate hatred and discord."

The Committee on Foreign Affairs of the National Assembly will discuss on Wednesday a possible excuse given by the government of Colombian President Álvaro Uribe to justify an attack against Venezuela.

Lawmaker Roy Daza, the Chairman of the committee announced the session, following the statements made by President Hugo Chávez on December 28th, 2009 with regard to a possible Colombian attack, the state-run news agency Agencia Bolivariana de Noticias (ABN) reported.

At that time, Presidente Chávez warned of the possibility that the government of Álvaro Uribe prepared what he called a "false positive" operation, saying that it is feasible that the neighboring country could build a makeshift camp on the border and accuse the Venezuelan government of protecting rebel leaders. This would lay the foundations for an attack against Venezuela.

Caracas, Venezuela - Energy rationing imposed by President Hugo Chavez as a means of coping with a severe drought could worsen Venezuela's economic recession, business leaders warned Monday.

Noel Alvarez, president of Fedecamaras, the country's biggest business organization, predicted economic troubles "are going to increase" as the government pushes to cut electricity use by 20 per cent.

The economy shrank 2.9 per cent in 2009 - Venezuela's first recession since 2003 - as its all-important oil industry suffered a downturn due to lower production and crude prices. Inflation is running at about 27 percent.

A prolonged drought has drained hydroelectric dams that supply most of Venezuela's power. The government has begun rationing, including staggered electricity cuts in some states and partial shutdowns of the state-run aluminum and steel plants. Other measures include limiting the hours of shopping malls.

Alvarez said that before the government announced plans last month to reduce energy consumption by 20 percent; his business group was predicting the economy would contract again this year, by 2.3 percent.

"I think these numbers are going to increase" as the result of electricity rationing, Alvarez said, noting that some businesses are cutting working hours in half because of the power cutbacks.

Venezuela's retail sector, one of the country's leading employers, suffered an 8.2 per cent contraction last year.

Electric Energy Minister Angel Rodriguez denied that rationing would significantly hurt businesses, telling the local Union Radio broadcaster Monday that Chavez's administration "is looking for equipment to deal with the emergency."

The newspaper El Mundo quoted Rodriguez as saying the government is considering a total shutdown of aluminum and steel plants to reduce energy consumption.

Venezuela's electricity sector, already suffering from years of underdevelopment and overuse, has been impaired by a drought that has seriously impacted the country's hydroelectric power generation. The crisis has dire implications for the country's economic situation, and the government does not appear to have a comprehensive plan to address the challenge.

Venezuela is mired in an electricity crisis of skyrocketing demand and declining production capacity. The cause is a combination of factors that have conspired to bring the country to the brink of darkness. There has been no lack of creative ideas to stem demand and raise production, but true solutions to the crisis seem far off (or at least out of the hands of the government), raising serious questions about how Venezuelan President Hugo Chavez's government will handle the situation.

This is not the first time Venezuela has faced electricity shortages. In fact, the electricity system has been deteriorating for more than a decade. Things came to a head in 2008 and 2009 with several major electricity failures — including unplanned blackouts lasting several hours, and rolling blackouts that have lasted as long as 17 hours in some parts of the country.

Problems with Supply and Demand

Part of Venezuela's problem lies in a deteriorating production capacity. The drought conditions caused by the El Nino weather pattern have contributed to the problem. With about 73 percent of Venezuelan electricity coming from the Guri Dam, the reduction of water levels to historic lows as a result of the drought has caused the dam to shut down some of its operations, and has caused a great deal of concern. Government officials have stated that unless drought conditions improve, the dam could reach critically low levels in January, and be forced to make significant cuts in electricity production.

Colombia's decision to cut natural gas exports to Venezuela from 7 million cubic meters per day to 2.3 million cubic meters per day has further exacerbated Venezuela's woes. The decision was prompted by Colombia's own drought-related concerns, but certainly carries political implications at a time when relations between the two countries are at a serious low point. This reduction has forced some natural gas-powered electrical plants to run at reduced capacity, shift to using diesel fuel, or shut down completely.

Problems also exist on the demand side of the equation. Due to price subsidies and outright theft, Venezuela claims some of the highest per capita usage of electricity in all of Latin America — and usage continues to increase. National demand has skyrocketed, reaching record highs in 2009 of around 17 gigawatts, a 25 percent increase from five years earlier.

The rapid increase in demand has been coupled with — and in part driven by — a pervasive lack of maintenance and investment in infrastructure, has placed Venezuela's aging and increasingly inefficient electric grid under considerable stress. With little funding for maintenance and upgrades, Venezuela's electricity system is particularly vulnerable to inefficient transmission — where electricity simply gets lost — and electricity theft. Many users do not pay for the service at all, opting instead to tap electricity lines with improvised wiring systems. This practice is made easier by the fact that electricity producers do not have the resources to police the lines. For those who do pay for electricity, low fixed prices incentivize high usage levels.

A 1999 report by Venezuelan electrical industry experts anticipated these problems to an extent, and recommended adding an additional 1,000 megawatts per year to the electricity system. Some of this was achieved through the acquisition of 300 Cuban-manufactured electrical generation units. However, the cost of purchasing and operating the single-megawatt units was almost four times as expensive per kilowatt-hour as operating a major electrical plant. Even so, the government has only managed to achieve about 10 percent of the recommended additions, which leaves a very narrow margin between production and consumption. STRATFOR sources estimate that consumption is just 18 percent below production on a per capita basis, leaving a minimal ability to handle spikes in usage or dips in production. Reports estimate that nearly 9,000 megawatts would have to be added to the system to achieve the 1991 reliability levels.

Government Responses

The most forceful government response thus far has been to address the demand side of the problem with water and electricity rationing measures, which were announced in December 2009. The measures required 20 percent cuts from certain consumers, such as malls and casinos, and stated that consumers that failed to comply with the cuts would face fines or electricity shutoffs. The government has attempted to mitigate personal consumption levels by distributing energy-efficient light bulbs and prohibiting the importation of electrical devices. It has even considered changing the country's time zone to gain additional workday hours — a measure that would reverse the country's 2007 decision to align itself with the -4:30 GMT time zone.

Power cuts have led to dramatic production complications in the country's industrial sector. The metals industry has been particularly impacted, with Venezuelan aluminum producers Venalum and Alcasa cutting production by as much as 40 percent. Venezuelan steel maker Sidor has also shut down some of its operations. Government officials have openly speculated about the possibility of shutting down both industries entirely to save on electricity, something that could have grave consequences for the country's overall growth prospects. Despite these measures to force cuts in electricity usage, achieving a significant system-wide reduction will prove to be extremely difficult, as electricity providers lack the ability to enforce usage cuts or even payments on a wide variety of other consumers.

There is not much hope on the supply side, either. Though the government has promised to increase electricity production, it has failed to meet previously stated goals due to a lack of resources and organization. In 2008, for instance, the government set a goal of raising national generating capacity by 1,000 megawatts. However, only 700 megawatts of capacity was installed, over half of which was subsequently deemed unavailable due to maintenance issues and poor construction.

The government has gone so far as to promise to build a canal from the Amazon River to the Guri Reservoir. Even if the project were feasible — which it is not since the Amazon rain forest and Venezuela's own mountains are in the way — it would take years to complete. By that point, the effects of this year's El Nino would be long passed.

In the meantime, Caracas appears to be counting on an end to the drought as a solution to the crisis, but this is clearly only the most immediate cause. Systematic underinvestment in the energy sector, coupled with poor maintenance and high usage rates have pushed Venezuela's electricity grid to the point of breaking.

Political Consequences?

An improvement in the weather, a change in the time zone, electricity quotas and thousands of energy efficient light bulbs may effectively stabilize the situation in the medium term. However, the long-term prospects of the sector's survival are dim without a massive influx of rejuvenating capital. But Venezuela has enough money woes even in light of high oil prices, and a steady source of reliably managed cash may not be available.

With no comprehensive solution in sight, energy scarcity may be something Venezuela will have to get used to. A political response opposing the government is possible, but the opposition remains disunited and hamstrung, so its ability to use the electricity crisis as a platform to challenge Chavez is likely limited. In the long term, however, the electricity situation will contribute to the decline in the Venezuelan economy that started in 2009 and shows no signs of slowing. As the economy declines, so does the Chavez government's ability to meet its populist spending promises, which is a very serious long term threat to the regime.

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