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Argentina

Headlines

Social/Geo-strategic/Political News

- Argentine bank chief firing blocked
- Deposed Argentine Central Banker restored to office
- Uruguay denounces robberies, threats against its embassy in Argentina
- Argentine president condemns political moves against government
- Argentine president orders declassification of all military documents from 'dirty war' years
- Argentine president demands resignation of central bank president

Economic News

- Argentinean Markets Hit by Central Bank Fight
- Economy-Argentina: The Worst Is Over

Brazil

Geo-strategic/Political/Social News

- Fighter jets purchase is a political decision: Brazilian FM
- Brazil Coffee Output May Rise to Record 48.7 Million Bags
- The army blocks a truth commission
- Brazil's Serra Ready for Election Test, JPMorgan Says
- Brazil announces emergency aid to storm-hit regions
- Brazil truth commission arouses military opposition
- New Film May Sway Brazil's Vote on President

- Brazil swings back to Rafale
- Human rights minister threatens resignation

Economic/Energy/Environmental News

- Brazil to generate two mln jobs in 2010: labor minister
- Brazil cuts ethanol blend in gasoline to 20 pct
- Copenhagen summit showed importance of India: EU

Mexico

Social/Political News

- Mexico concerned about shooting death of citizen near U.S. border
- Mexican president says crime now 3rd priority
- Mexico archdiocese: Pro-gay marriage political party hates Church, wars on society
- Organized crime in Mexico
- Watching the Border: The Virtual Fence
- Mexico says immigration reform unlikely in 2010

Health News

- Canada to Loan Mexico 5 Million Swine Flu Vaccine Doses
- Canada lends Mexico five million swine flu vaccine doses

Venezuela

Geo-Strategic/Political/Social News

- Venezuela "not cooperating fully" with antiterrorism efforts
- Analyst says that future of Chávez depends on elections
- Bishops think that Venezuela has become a violent society
- Venezuelan Ambassador Highlights Benefits of Ties with Cuba
- Mercosur eludes Chavez as Paraguay demurs

- Venezuela Presents New Evidence of U.S. Violation of Venezuelan Airspace from Curacao
- Official source confirms Hugo Chávez's visit to Nicaragua
- US denies any plane entered Venezuelan airspace
- Chavez alleges incursion by US war plane
- Venezuelan VP: There is evidence of US incursion from Curacao
- Venezuela faces risk of energy collapse amid drought, posing threat for Chavez
- Venezuela rejects Colombia aggression
- Bilal, Venezuelan Vice President Discuss Cooperation Prospects
- Iranian government imports gasoline from Venezuela despite Parliament's reluctance

Economic News

- Chávez Devalues Currency Amid Oil Fall
- Venezuela's Chavez threatens to seize businesses
- Spain's FM: Spanish companies not hit by devaluation in Venezuela

Report Summary/Argentina

The president of Argentina dismissed the central bank's president from his seat when he refused to obey her order. The president Cristina Fernandez ordered to the central bank's president to pay external debts by using the international reserves but the central bank's president did not use that money to pay foreign debts. Later the judge restored the central bank's president by saying that it is unconstitutional as the president cannot dismiss him till the time the congress approves it. The dispute between government and the central bank caused decline of Argentina's economy. And the president Fernandez accused the opposition party that it is creating hurdles in the way of the government to stop it working.

The ambassador of Uruguay to Argentina told media that some of the confidential documents have been stolen from the Uruguay embassy by a result of the dispute on the cellulose plant on the border of both countries. The cellulose plant was to build on the border of Uruguay and Argentina but Argentina had claimed that the plant will pollute the water of the Uruguay River and brought Uruguay in the International Tribunal of Justice (ITJ) in 2006. The ITJ is going to review the case in this year.

Fernandez has given order to the military to bring before all the documents of Argentina's "Dirty War" from 1976-1983 dictatorship. The military personals committed many crimes against the leftists during the dictatorship as kidnappings of leftists and violated human rights. Now the president has ordered to bring all those documents before the public which gives the proof of military involvement in violating the human rights.

The year 2009 went worst for Argentina's economy as its GDP declined 4.5% in this year which is a large fall. The reason behind it is considered the international financial crises which affected Argentina's economy just like other countries. But now it is considered that Argentina's economy will grow as rain fell in this year in a high amount which will boost its agriculture sector i.e. a huge source of Argentina's economy. Argentina could produce just 61 million tons agricultural products in 2009 due to drought which are expected to increase up to 83 million tons in 2010. The president Fernandez said that employment rate will also raise as compare to the previous years, more people will get jobs.

Report Summary/Brazil

The president of Brazil told media that Brazil is going to buy air fighter jets from France this year. Brazilian government made decision to make a deal over the purchase of fighter jet plans hence it was having two more choices from two other countries that are Sweden and USA but it preferred France. The foreign minister of Brazil told that this deal would not be the only strategic but political as well. In spite of expensive jets, the president Lula is making deal with France due to his close ties with the French president.

Unlike Argentina and Chile, Brazil is still struggling to bring the army officers who were involve in violation of human rights during 1970s dictatorship in Brazil. Several Brazilians who belonged to left wing were burnt, tortured, killed and displaced by the army government in 1970s. To sentence the involved army officers the Brazilian government has established a Truth Commission by which the judges could be able for the accountability. The chiefs of Brazil's army, air force and navy have threatened that if this commission works, they will resign from their posts. They argued that if the commission is made for the military officers then it should also be for the left wing criminals.

Despite Brazil, Argentina and Chile has made the trial of their army officers and sent them to prison who were involve in violation of human rights in their countries during military regimes. But in Brazil the defense minister and army lobby is a great hurdle in it and the human rights' minister has also threatened that if the truth commission remained fail in working, he will resign from his post. So it the establishment of the truth commission is becoming a complex issue.

According to a poll conducted by Datafolha the current president's nominated candidate for the presidential election Rousseff got 23 percent votes while Serra got 37 percent votes' favor. Serra is the governor of Sao Paulo state in Brazil and considered that he will bring reform in economic system of Brazil while Rousseff who is the cabinet secretary of President Lula got favor by President Lula's reforms as by granting homes to poor class and other social welfare projects.

Brazil's southeastern towns were hit by storms last week which created a great loss of lives and property. To recover the property and infrastructure loss the government has announced 130 million reais (74.7 million U.S. dollars) funds as an emergency aid. This money will be distributed among the victims of flood and storm; and to build their houses and other infrastructure of the towns.

Brazilian film industry has released a film on the current president Lula's life that how he was elected the president of a country from the labor class to a union leader then after losing three times in elections he was elected as the president of Brazil. The producer claims that this movie is based on facts. An analytical report tells that this movie is more political than entertainment because the presidential elections are not farther and this will attract more sympathies of people by which president Lula can be successful to get favor of his presidential candidate Ms. Rousseff. But the producer argues the purpose of his movie is not to run the campaign of the president Lula but just entertainment.

The first president of European Union told that the climate change conference at Copenhagen has brought us near the other countries by which we came to know the importance of other developing countries as India and Brazil. He said we have to think and review our policies that how can we come close to the other global players.

The agriculture minister of Brazil told that Brazil may cut bio fuel mixed gasoline from the fixed amount due to rains which affected harvesting. Brazil is the world's largest maker of sugarcane based ethanol but it has limitize the ethanol making from 27 to 25 % temporarily.

The labor minister of Brazil told that Brazil has created 2 million formal jobs for its citizens and its economy is increasing intensely. It is expected that the year 2010 would be the best year of Lula's administration regarding economic policies. The told that Brazil's industrial sector is progressing quickly which proves that Brazil is out of international financial crises.

Report Summary/Mexico

The U.S-Mexico border patrol police has shot down a Mexican on U.S border near Arizona. Mexican government has demanded for the justification of his killing and according to the U.S government he was crossing the border illegally. The border crossing issue between U.S and Mexico is a very sensitive issue as around 10% people of 106 million population of Mexico live in U.S.A; and according to an estimate 80% of them are illegal immigrants.

Mexican president has redefined his priorities to be done as he was talking on a television show that to reduce poverty and create jobs would be his top priorities then the fight against organized crimes. Mexico's poverty level has increased as compare to the previous 4 years and now there is need to give relief to people by creating job vacancies for them. Mexico has lost more in the war against drug cartels as almost 15,000 people have lost their lives but the cartels are still prevailing.

A bishop from Mexico has accused on Mexico's leftist Party of the Democratic Revolution that it has come before the society by favoring the same-sex marriage. The leftist party of the democratic revolution is the third biggest party of Mexico which is now under an accusation from the conservative class of Mexico. Mexico's Christian society is based on Catholic and evangelical Christians who cannot see passing this bill. Most of them are considering same sex marriage as against the social values of the Latin American culture.

It is said that the Mexican government is doing crackdown against the drug cartels which are week or easy to tackle as La Familia and the Zetas but the main and most important drug cartel is Sinaloa which is not much focused. Sinaloa is involved in smuggling narcotics, money

laundering and killing peoples but the problem in their crackdown is this that their members are residing in the mountainous area of Mexico where more forces are required to deploy which are not free yet and busy in other areas of Mexico against the drug cartels.

U.S government has planned to make a virtual fence on U.S-Mexico border to stop the illegal immigration of Mexicans to United States and to stop drug smuggling. The fence will cover almost 2000 miles border and towers would be adjusted on different places. Radars and cameras will be fixed on that towers and a monitoring team will be observing the movements on border. If the monitoring team find any kind of suspicious activity, they can inform the nearest patrolling police so like this the system can be effective. Prior this U.S president Bill Clinton was interested in making wall on this border but later president Bush passed the bill of virtual fence.

Mexican ambassador to United States said that the immigration reform not seems possible this year due to midterm elections and economic situation. He was telling that by passing this immigration reform, 11.8 million Mexicans in United States will get benefit of it. he also said that unemployment is a big hurdle in passing of this immigration law. Even the illegal immigrants will register themselves for immigration's legal status and they will be the legal residents automatically.

The health minister of Canada reported that Canada is providing five million doses for the vaccination of swine flu. Canada is much concerned of the vaccination for swine flu as pandemic happened in the world and it started vaccination to its peoples as yet now 33 million people of Canada has been vaccinated of swine flu i.e. almost half of its total population. Due to this disease 400 Canadians have been died.

Report Summary/Venezuela

According to an US department of State's report Venezuela is not cooperating fully to combat terrorism in the world. Venezuela is alleged of supporting some leftist rebel groups in Colombia and increasing relations with Iran. Due to its policies, a US senator has requested his government to include Venezuela in the terrorism supporting countries' list as Cuba, Syria, Sudan and Iran are in that. Even terrorism is also increasing within Venezuelan border as killings of people have been routine cases in the border areas on Venezuela. So it means Venezuela has becoming a violent society.

By watching all these reports German analyst has told that Chaves is surrounded in a lot of domestic problems as economic instability, electricity problems and terrorism etc and if it remained fail to overcome all these issues then socialist revolution in Venezuela is in danger. US is also trying fully to bury the influence of socialism in the country and Chaves is trying to win the elections on September 26.

Venezuelan ambassador to Cuba recently visited a Cuban city and told that how both countries can be beneficial for each other by increasing ties. He visited many historical places and met with different classes of the country and aware them with the benefits of coming close to each other. He also said that the relationships can be bind in the fields of education and health as well. And after a few days Venezuelan president Chaves is also going to visit Nicaragua to make some bilateral agreements in different fields.

Venezuela's permanent entry into Mercusor has been a tangled issue in Paraguayan congress. Argentina, Brazil and Uruguayan congress has approved Venezuela's entry into Mercusor but not Paraguay. Chaves' aggressive behavior and policies are criticized by the senators which are not allowing him to become the member of Mercusor. But the Paraguayan president is agree for Venezuelan membership by following Lula's decision that Chaves inside Mercusor is better than outside. Now this issue will be discuss again in Paraguayan congress in next month again. Other than this Bolivia, Chile, Colombia, Ecuador and Peru are associate-member of Mercusor.

Venezuela has alleged Netherlands that it is allowing USA to attack on Venezuela from its land. The parliamentarians have also supported Chaves on this issue and protested with Hague. But the Netherlands government clarified that it cannot allow any country to use its land to attack on any other country and to attack on Venezuela by US Air Force from Netherlands is not possible. US Air Force is using Netherlands land just to stop drug activities but not to attack on any country. But yesterday president Chaves told media that US planes flew from Dutch land and crossed Venezuela's boundary twice and the US government has denied it that it do not cross any country's border.

The vice president of Venezuela said that we have evidence of US air boundary violation. After that the vice president met with Syrian minister of Information and told him that their relations are not limited till commerce and trade only but also broadened than this as Venezuela will always support Palestinians and against the illegal occupation of Israelis there.

It is analyzed that electricity shortage in Venezuela can be a political issue and affect vastly on Chaves' presidential elections. Due to the shortage of rains the water in Guri dam is in very little quantity which cannot produce a proper quantity of electricity as it is needed. Guri dam is the world's third largest dam but due to shortage of water all plants are not working and not producing electricity. Venezuela's malls and offices are working for few time and only in day time as in the absence of electricity these malls and offices are not able to work fully.

Venezuelan government has told media that Colombian government has given its seven air bases to the US military to attack on Venezuela. Venezuela has protested with the Colombian government strictly and even it has finished the trade with Colombia as a threat and said till the time Colombia do not send US Air Forces back to their country and take back its air bases, Venezuela will not start trade with it. on the other hand Colombian government has clarified from itself that its military bases are in control of USA just to stop and limitize the drug activities in the region and to make the Latin America pure from drugs but not to attack on Venezuela or any other country.

Venezuela Iran relations can be observed after the sanctions on Iran as just after the sanctions on Iran from international community and USA, Venezuelan government has supported Iran as it is supplying Venezuelan gasoline to Iran. In the last visit of Chaves to Iran he said to supply 20,000 bpd gasoline to Iran. this is the proof of binding relationship between the both countries.

Due to the fall down in the oil prices at international level, Venezuela's currency also fall down and it is considered the worst fall down in Venezuela's currency since 2005. Venezuela already has Latin America's highest inflation rate, at 25 percent in 2009. The businessmen are

getting the benefit of this devaluation of currency and the president Chaves conveyed them that the government will seize the business of such businessmen who will raise the prices by taking the benefit of temporary devaluation of currency. The Spanish Foreign Minister has told that the Spanish companies have not been affected by the devaluation of currency in Venezuela nor these were affected due to economic crises in Argentina.

Detailed Report/Argentina

A judge has ordered Argentina's fired Central Bank chief to be restored to his post, a day after President Cristina Fernandez removed him in a bitter fight over control of the bank's reserves.

Central Bank president Martin Redrado returned to the institution shortly after the decision, which suspended the emergency decree dismissing him. He had angered Fernandez by refusing an order to use reserves to pay off debt and then rejecting her demand that he resign, saying only Congress has the power to remove him.

Earlier on Friday, the same judge, Maria Jose Sarmiento, ruled that Fernandez cannot touch the autonomous bank's reserves and suspended her order until lawmakers consider the plan.

The standoff between the Central Bank chief and president has rattled Argentina's financial markets and led to opposition charges that the government is seeking to undermine the bank's autonomy.

Interior Minister Florencio Randazzo said the government would appeal the ruling on the use of reserves, telling Radio 10 that the constitution clearly gives it the right to issue its emergency decree.

There was no immediate official reaction to the decision reinstating Redrado.

Fernandez is seeking to tap about \$6.6 billion in reserves to help cover \$13 billion in international debt falling due this year. The plan would create a special debt-payment fund from Central Bank reserves currently totaling nearly \$48 billion.

Fernandez defended the measure at a public appearance Friday, saying it would keep Argentina from paying "fat profits" to speculators.

"It's much better to use the reserves than to borrow at interest rates of 15 or 14%, when the reserves are barely earning 0.5 or 1%," she said.

Redrado was fired on Thursday after he refused to comply with that plan, saying he would wait for Congress to ratify the measure when it returns to session in March.

Buenos Aires, Jan. 8 (Xinhua) -- Deposed Argentine Central Bank President Martin Redrado was restored to office on Friday by an order of federal judge Maria Jose Sarmiento.

Argentine President Cristina Fernandez removed Redrado from office on Thursday by a presidential decree, as the banker refused to use the country's international reserves to pay external debts.

Judge Sarmiento also ordered to stop the use of the international reserves to pay the external debts. She said that her ruling will be valid till the Congress gives a sentence on the legality of the decree issued by Fernandez.

According to Fernandez's decree, Redrado was removed for amiss conduct and for not fulfilling his duties as a public officer. The decree also urged prosecutors to take "legal measures" against Redrado.

Fernandez appointed on Thursday BCRA's Vice President Miguel Angel Pesce as the bank's interim president.

According to the Argentine authorities, the country has some 13 billion U.S. dollars in debt due to expire this year while the BCRA has 49 billion dollars, 17 billion of which is disposable.

On Dec. 14, Fernandez's government created a Fund of Bicentenary for the Un-indebtedness and Stability, requiring 6.569 billion U.S. dollars from the Central Bank's reserves to pay external debts, which was rejected by Redrado.

Montevideo, Jan. 7 (Xinhua) -- The Uruguayan ambassador to Argentina said the robberies and threats against the embassy were believed to be motivated by a dispute over a plant at the border area between the two countries, local media reported on Thursday.

Uruguayan Ambassador to Argentina Francisco Bustillo was quoted by local weekly Busqueda as saying that some confidential files were found disappeared when several diplomatic suitcases were opened in the embassy.

Bustillo did not give more details about the incident, but suggested that certain people in the embassy who were familiar with the circumstances might be involved in the case.

Argentina and Uruguay have been in a dispute since 2006 over the establishment of a cellulose plant near a river bordering both countries.

In 2006, Argentina brought Uruguay to the International Tribunal of Justice (ITJ), saying that the cellulose plant would pollute the river.

The ITJ is expected to rule on the case between April and May this year.

The cellulose plant, which is located in the river basin of Uruguay River near Fray Bentos cities, 310 km northwest to Montevideo, was put into operation in 2007.

Buenos Aires, Jan. 11 (Xinhua) -- Argentine President Cristina Fernandez Monday condemned political moves aided by the country's justice sectors to impede the running of her government.

"There are clear, strong, very evident maneuvers to obstruct the performance of the state powers. It is very clear that the only thing (the opposition) wants is to set obstacles, to make politics with laws and to obstruct the government's management," said Fernandez during an event in the building of the National Bank in Buenos Aires.

Federal Judge Maria Jose Sarmiento suspended Friday a presidential decree to transfer 6.569 billion U.S. dollars from the international reserves to pay the country's external debt.

Sarmiento also ordered the restitution of Martin Redrado, governor of the Argentine Central Bank, who was deposed Thursday by the president for refusing to make the transfer.

However, the president reaffirmed the need of using the currency reserves to pay the external debt due this year, which the government hoped would pave the way for Argentina's return to international credit markets.

The country's economy -- Latin America's third largest -- is still struggling to recover from a massive default in 2001, which struck Argentina's finances and closed its access to international credit markets.

Legal experts are divided over whether lawmakers or the courts can overturn the presidential decrees, but Fernandez's opponents say the decrees are unconstitutional because the measures needed approval from the congress.

Buenos Aires, Argentina (AP) — Argentine President Cristina Fernandez has ordered the military to declassify all "dirty war"-related documents.

Fernandez says her decree is aimed at clarifying human rights abuses allegedly committed by the military during the 1976-83 dictatorship.

The decree published Wednesday states that 25 years after the re-establishment of democracy in Argentina, "it is not possible to continue to keep such information inaccessible under the argument that it would threaten state security."

The decree adds that declassifying documents has become more necessary with the recent reopening of numerous human rights cases.

Thousands of leftists disappeared in what became known as the "dirty war" against political dissent.

Buenos Aires, Jan. 6 (Xinhua) -- Argentine President Cristina Fernandez on Wednesday requested the resignation of the President of the Central Bank of Argentina Martin Redrado, as he refused to use the international reserves to pay the external debt.

Redrado refused to make a guarantee found with the international reserves to pay the external debt of 6.569 billion U.S. dollars.

On Dec. 22, Fernandez signed and announced the Necessity and Urgency Decree (DNU) to create the Fund of the Bicentenary for the Un-indebtedness and Stability, aimed to guarantee the payment of the debt.

At that time Fernandez and Argentine Economy Minister Amado Boudou said that the fund was necessary to give certainty to the international markets.

However, immediately the opposition rejected the DNU saying that by Constitutional disposition "the Central Bank is autonomous," and refused to use the international reserves to pay the debt.

Later on Dec. 30, the Bi-chamber Commission for the Control of the DNU rejected the measure taken by Fernandez and it suggested that the issue be discussed at the beginning of the ordinary period to start on March 2010.

Due to Redrado's refusal to obey the decree of Fernandez, on Tuesday, Chief of the Ministers Cabinet, Anibal Fernandez told Redrado that Fernandez requested his resignation to the Central Bank.

Within all the controversy aroused for the DNU, the Argentine stock dropped 1.3 percent at midday after Fernandez requesting the resignation of Redrado. The activities began at 10 a.m. local time (1300 GMT) with 2,401.75 points, one hour later the Merval index dropped 1.73 percent to 2,360.25 points.

Redrado's term at the Central Bank finishes on Sept. 2010.

Buenos Aires—Argentina's stocks, bonds and currency lost ground Friday as a dispute between the government and the central bank took another turn.

The benchmark Discount sovereign bond in pesos due 2033 lost 2.3% to 108, yielding 11.52%, while the Buenos Aires stock exchange's Merval index was down 1.6% at 2350.74.

The U.S. dollar gained against the heavily managed Argentine peso, reaching 3.8025 peso up from 3.7950 pesos late Thursday.

Buenos Aires, Jan 6 , 2010 (IPS) - The year that has just ended was the worst for the Argentine economy since the 2002 and 2003 economic collapse. However, both government officials and economic analysts say the worst of the present crisis is over and that growth will return this year, in the light of improved internal and external conditions.

This is an encouraging forecast following a critical year. According to the government's budget for 2010, GDP grew only 0.5 percent in 2009, indicating virtual stagnation after six years of economic growth at an average annual rate of close to eight percent.

But the official picture is contradicted by more pessimistic assessments by a private group of experts. Economic consultants Orlando Ferreres and Associates estimate that GDP fell by 4.5 percent in 2009, while the firm Rubinstein and Associates put the decline at 4.2 percent.

In an interview with IPS, Marina Dal Poggetto, of the studio Bein and Associates, said GDP fell by 2.2 percent in 2009. "There was a strong contraction in the second quarter, when the full impact of the drought hit home, and recovery did not begin to be seen until September," the economist said.

"The worst of the crisis is clearly over, and for this year we forecast GDP growth of 4.8 percent," she said. "We foresee a good scenario, with things getting back to normal, and growth at least in the short term, but there is also uncertainty and there will be a fierce struggle over wealth distribution," she predicted.

According to Dal Poggetto, "the phenomenal capital flight in 2008 and 2009 (due, among other factors, to the clash between the government and farmers' associations over agricultural export taxes) has been stemmed." While there are no big investment plans for 2010, there is a "brighter" horizon, she said.

In its Preliminary Overview of the Economies of Latin America and the Caribbean, published in December, the Economic Commission for Latin America and the Caribbean (ECLAC) also predicts that Argentina will experience economic growth of four percent in 2010.

ECLAC stresses that in spite of considerable outflows of private capital, during 2009 Argentina was able to cushion the crisis with its trade surplus and substantial foreign reserves.

President Cristina Fernández said the crisis has been left behind, and Argentina "will have a very good year in 2010."

The budget assumes 2.5 percent growth in 2010, which is probably an underestimate, as has become standard in the Fernández administration and that of her husband and predecessor, former president Néstor Kirchner (2003-2007).

However, the International Monetary Fund (IMF) and some orthodox economists like Miguel Kiguel agree with the prognosis of low growth. Others, in contrast, like Dal Poggetto and a group of experts from different consultancy firms, predict GDP growth between three and four percent.

But all are agreed that the recovery of the global economy, and particularly the robust economic progress forecast for Brazil, will fuel higher exports and production in Argentina.

Argentina's giant South American neighbor, Brazil, is its main trading partner, and private analysts estimate that Brazilian GDP will grow by at least five percent in 2010.

Domestic factors, such as an end to a prolonged drought which will reinvigorate agricultural activity, will also boost growth in Argentina.

Dal Poggetto calculates that Argentina's total harvest will rise from 61 million tons in 2009 to 83 million tons this year, and the soy crop alone will increase from 33 to 52 million tons, thanks to the rains.

The recovery of agricultural output alone will account for much of this year's GDP growth, she said.

Another factor that will drive production is a new monthly family allowance of nearly 50 dollars per child paid out as of December to parents who are unemployed or work in the informal economy. The new cash payments will benefit the families of 3.5 million children, stimulating demand and adding half a percentage point to GDP growth.

In terms of employment, economists do not expect drastic changes. Unemployment increased in 2009 due to the global crisis, and the National Institute of Statistics and Censuses (INDEC), which has lost credibility since it was subjected to government intervention in 2007, quotes the current unemployment rate as 9.1 percent.

"Companies are not considering hiring people," said Dal Poggetto. Other economists say businesses have idle capacity which can be covered by underemployed workers already on the payroll.

Experts say one variable that should be watched closely is the inflation rate.

Economists Eduardo Levy, of Torcuato Di Tella University, and Dante Sica, of the consultancy firm Abeceb, say inflation will be the most pressing concern this year.

The official budget predicts that the consumer price index will grow by only 6.1 percent in 2010, but the experts estimate that it will rise to double digits.

Detailed Report/Brazil

Brasilia, Jan. 6 (Xinhua) -- Brazilian Foreign Minister Celso Amorim said on Wednesday in Geneva that Brazil's final decision on the purchase of 36 fighter planes will be political, local media reported.

"We will take into account the technical issues, but the final decision rests with the Minister of Defense and the President...It is not a purely military decision. It is a political decision," the minister told a news conference.

On Tuesday, the Brazilian Air Force announced it had completed the report on proposals by three companies: the Swedish Saab, manufacturer of the Gripen NG; the U.S. Boeing company, producer of the F-18 Super Hornet; and the consortium Rafale International, led by French company Dassault. But the result was not disclosed.

The related departments do not see eye to eye on what planes to buy. A Folha de Sao Paulo newspaper report on Tuesday said the Brazilian Air Force's first choice was the NG Gripen by Sweden's Saab, and not the government's pick, the French Rafale, which is more expensive.

In September last year, Lula indicated that the decision to purchase fighter jets would be political and strategic and the president expressed interest in acquiring the aircraft from the French consortium Rafale International.

"FAB [Brazilian Air Force] has the technical knowledge to make the evaluation. But the decision is political and strategic, and belongs to the president," he said.

President Lula will look into the issue next week when he returns to Brasilia after a short vacation in Bahia, a state in the northeastern part of the country.

Jan. 7 (Bloomberg) -- Coffee output in Brazil, the world's biggest producer, may rise to a record this year as trees enter the higher-yielding half of a two-year cycle, the Agriculture Ministry said.

Coffee growers will harvest between 45.9 million and 48.7 million bags in the coming April-September harvesting season, up from 39.5 million a year earlier, the ministry's crop-forecasting agency, known as Conab, said today in a statement. The latest record was set in 2002, when the country produced 48.5 million 60-kilograms (132-pound) bags.

Output of the mild-tasting arabica variety, which represents about three-quarters of Brazil's harvest, will climb to between 34 million and 36.2 million bags from 28.9 million bags last year, Conab said.

Growers of robusta beans will harvest 11.9 million to 12.5 million bags, up from 10.6 million bags last year.

IT IS 25 years since Brazil moved from dictatorship to democracy, but its army remains surprisingly unreformed. President Luiz Inácio Lula da Silva was rudely reminded of this just before Christmas when he signed a decree calling for a truth commission to investigate torture, killings and disappearances during military rule between 1964 and 1985. Within 24 hours the heads of the three armed forces threatened to resign along with Nelson Jobim, the defense minister. Lula seemed quick to retreat. He was reported as saying the government would think again.

Argentina and Chile have not only had such commissions, but have jailed many former military officers. Brazil's dictators were less bloodthirsty. Even so, 300-400 leftist opponents were killed or disappeared under the military regime and several thousand were tortured. But before gradually handing power back to civilians, the generals passed a blanket amnesty for "political crimes" by the government and by armed leftist groups. Their successors have allowed only limited civilian control over military affairs.

Brazil was one of the last South American countries to set up a unified defense ministry with a civilian minister. The army still has a hand in state police forces. Air force personnel control civilian air traffic, and a general oversees the main intelligence agency. Brazil's democratic constitution gives the army vague tutelary powers. Lula has upped military salaries and spending. The government has bought a French nuclear-powered submarine and plans to buy

new jet fighters. In return, the army has accepted a supreme court decision creating a large Indian reserve on Brazil's northern border, a measure it had previously opposed.

Prominent members of Lula's Workers' Party belonged to guerrilla groups in the 1970s, and several were jailed and tortured. They include Paulo Vannuchi, the deputy justice minister responsible for human rights. He proposed the truth commission. He is also trying to obtain the military regime's files. He has been opposed by the defense ministry, which claims that many have been burned or lost. The government has run an advertising campaign not only seeking information about what happened to those who disappeared, but also calling the communist guerrillas who operated in the Amazon "heroes", and describing the dictatorship as "the Brazil where dreaming was prohibited."

All this has antagonized military officers, whose version of history holds that they saved Brazil from a communist threat. Some army sources say it would accept a truth commission but only if this also investigates crimes by left-wing militants. That was an apparent reference to Dilma Rousseff, who is Lula's anointed candidate in this year's presidential election and in the 1970s was a far-left activist. In another apparent sign of unrest, military sources this month leaked to Brazilian newspaper information suggesting that the French fighters Lula wants to buy had scored poorly in a technical review by the air force. The army is popular in Brazil. It is also over mighty, which ought to worry Lula's political opponents however much they may relish his discomfiture.

Jan. 7 (Bloomberg) -- Sao Paulo state Governor Jose Serra, the likely opposition candidate in Brazil's presidential election, will probably do a better job addressing the country's long-term economic challenges, JPMorgan Chase & Co. said.

"Much is at stake in terms of long-term planning for the country now that the stabilization phase is over and Brazil is entering what appears to be a solid growth phase," JPMorgan said in a report published today.

Cabinet chief Dilma Rousseff, the candidate favored by President Luiz Inacio Lula da Silva, would likely boost the state's "intervention" in the private sector, JPMorgan said. Rousseff, 62, is a "very competitive" candidate and will likely rise in the polls as Lula's popularity continues to increase, according to the report.

The race to succeed Lula will be a key driver for Brazil's markets this year after the benchmark Bovespa stock index rallied 83 percent in 2009 and the real jumped 33 percent against the U.S. dollar, the biggest gain among the 16 most-traded currencies tracked by Bloomberg.

Lula's government injected 100 billion reais (\$57.8 billion) into money markets and offered 75 billion reais in tax cuts to help Latin America's biggest economy emerge from its recession in the second quarter of 2009, according to data from BNP Paribas.

Serra, 67, would focus on solving fiscal challenges such as eliminating overlapping taxes, allowing for an increase in investment and a drop in interest rates "to more mundane levels," JPMorgan economists Emy Shayo Cherman and Fabio Akira wrote in the report.

Lula's popularity will boost Rousseff's chances as she becomes the face of the government's most important programs: a plan to create 1 million homes for low-income families, an infrastructure drive known as Growth Acceleration Program and offshore drilling for oil, JPMorgan said.

Serra will win 37 percent of votes and Rousseff 23 percent in the first round of voting scheduled for October, according a Dec. 18 nationwide poll taken by Datafolha. The poll has a margin of error of plus or minus two percentage points.

Rio de Janeiro, Jan. 7 (Xinhua) -- The Brazilian government announced on Thursday an emergency aid of 130 million reais (74.7 million U.S. dollars) to towns in the country's southeastern region recently hit by storms.

A total of 80 million reais (45.97 million dollars) will be distributed to Angra dos Reis, a coastal city in the southwest of Rio de Janeiro state, where mudslides left 52 dead on New Year's Day and destroyed houses, said Minister of National Integration Geddel Vieira Lima.

The town, a beach resort, has already seen a reduction in tourism revenues.

Another 50 million reais (28.73 million dollars) will be allocated to six towns in Rio's metro area, in which another 22 people died because of flood-related disasters.

The aid will be used for rebuilding the towns, relocating families and recuperating hills, said Lima.

According to officials from Brazil's labor ministry, President Luiz Inacio Lula da Silva is to authorize the release of the FGTS fund, normally used as unemployment payment or house-purchasing fund for Brazilian workers, to help with the relief work in Angra dos Reis.

A package of reforms put forward by the Brazilian government to improve human rights is causing growing controversy.

A proposed truth commission to investigate torture during military rule is said to have so angered forces chiefs that they threatened to resign.

Parts of the Catholic Church have opposed moves thought sympathetic to abortion and gay civil unions.

President Luiz Inacio Lula da Silva is to consider how to deal with the row when he returns to work this week.

'Sense of one-sidedness'

The National Human Rights Plan first provoked a row when it was revealed that it proposed setting up a truth commission to investigate torture and killings carried out during the 21 years the military was in control, from 1964 to 1985.

Although the number of victims in Brazil was far smaller than under military rule in neighboring Argentina and Chile, hundreds of people died and thousands were tortured or forced into exile.

In the period before democracy was restored an amnesty law was passed, in effect granting immunity to state officials involved in torture as well as those in the opposition who had resorted to violence.

Military chiefs believe the truth commission is an attempt to get round the amnesty law, while supporters argue it is simply designed to secure justice for the families of those who died and disappeared.

President Lula reportedly had to head off possible resignations by his defence minister and senior military figures, including the heads of the navy, air force and army, by promising to review the matter.

Brazil's former President, Fernando Henrique Cardoso, told the BBC the government had not presented the proposal well.

"The way the situation has been presented was in the sense that all the crimes that had been exercised by those in power in the past would be judged, not the crimes that also the other side eventually could have responsibility for," he said.

"So this gave a sense of one-sidedness, and this produced unrest in the armed forces."

"I don't think it was necessary to produce this unrest. I don't understand why, since a text had been approved by both sides before, why at the last minute a change was introduced to turn the text so one-sided," he added in the BBC interview.

"I think they are creating an unnecessary political issue - and with this an obstacle to what is important, which is to know the truth about the past."

The issue is a delicate one for President Lula, who was himself briefly imprisoned as a union leader under military rule, while prominent members of his Workers Party were involved in the resistance.

Some military figures are suggesting the commission could look both at the actions of the country's then military rulers and those who used violence to oppose them, but the minister behind the proposal says he would resign if that approach was adopted.

With sections of the Catholic Church, the media and his own agriculture minister antagonised by other aspects of the human rights plan, the president will have a challenge to find a solution that is acceptable to all sides.

Santo Antônio de JESUS, Brazil — In the opening scenes of a new Brazilian movie, a 7-year-old boy roams barefoot through the parched, cactus-filled dirt of the northeastern town of Caetés, collecting water from a creek where cows drink while his mother waits in the one-room house he shares with seven brothers and sisters.

The boy, Luiz Inácio Lula da Silva, would become president of Brazil and one of the world's most popular leaders, despite his fourth-grade education and impoverished childhood.

The movie, "Lula, the Son of Brazil," which opened in Brazilian theaters on New Year's Day, traces his inspiring biography from the hardscrabble childhood with a doting mother and a hard-drinking, abusive father, to his heroic rise as a union leader who was briefly imprisoned by the military dictatorship.

"What Lula has offered Brazilians is freedom from an inferiority complex," said Fabio Barreto, the film's director, an avowed supporter of the president who makes no apologies for glossing over any rough spots in his story. "This society has always been treated as inferior and lazy and less than what they are. No one has ever come here to tell us that our people are strong."

The story stops before Mr. da Silva's political career takes off. But that has not stopped politicians and other critics from questioning the intentions of the producers, who released the film during a presidential election year.

"Everything about this film is political," said Amaury de Souza, a political analyst in Rio de Janeiro. "You are not just doing a movie about an ordinary Brazilian."

Although Mr. da Silva is barred from running for re-election, he hopes to transfer his popularity to his chief of staff and his chosen successor, Dilma Rousseff. Beyond any lift for Ms. Rousseff, who has struggled with name recognition, political analysts see the film as a part of a reordering of the "myth of Lula" that could help him return to power in 2014.

For years, the onetime leader of a steelworkers' union had been portrayed as a success story from the industrial working class, an automobile factory worker who was elected president on his fourth try. As president, his steady economic stewardship, populist appeal and charisma have made him a national icon.

But after a congressional vote-buying scandal damaged his Workers Party in 2005, threatening to draw impeachment charges against him, Mr. da Silva began distancing himself from the party and emphasizing his background as "the poor Brazilian that comes from a shack to become president of Brazil," Mr. de Souza said.

The movie will tell that story to perhaps millions of viewers, and if the reaction at a theater here last Thursday night is any indication, they will find its message appealing.

"This shows the determination and will to live that many Brazilians have, especially in the poorer classes," said Gulimar Ferreira, a public prosecutor, as he left the theater. "And it showed Lula's perseverance. I didn't know he had suffered so much."

Mr. da Silva, too, was moved, weeping openly at a special screening last November. "I started to cry at the beginning when I saw the image of my mother," he told reporters the next day.

And at a news conference last month, he denied the film would help Ms. Rousseff, whose character did not appear in the movie. "The movie, in reality, is the story of my mother," he said. "This is not a movie about Lula."

The producers say they did not set out to make a political film, but rather hoped to capitalize on the popularity of Mr. da Silva, who commands approval ratings hovering over 70 percent heading into his final year in office.

"I don't think a movie has the power" to affect an election, said Paula Barreto, the film's producer. "Lula is Lula and this film is about his family."

The Rio-based Barretos, one of Brazil's most prominent movie-making families, are open admirers of Mr. da Silva. The family's patriarch, Luiz Carlos Barreto, 81, who produced the country's most successful film ever, "Dona Flor and Her Two Husbands," sought to make a film

about the president after buying the rights in 2003 to a book by Denise Paran, a former spokeswoman for Mr. da Silva.

The film was released now, Ms. Barreto said, “because it was ready.”

It has nevertheless drawn criticism for its omissions and apparent attempts to sanitize Mr. da Silva’s life story. The film fails to mention, for instance, that when he was 29 years old he abandoned his girlfriend, Miriam Cordeiro, when she was six months pregnant.

Ms. Barreto said that the filmmakers deleted Ms. Cordeiro’s story after her family threatened legal action. Ms. Cordeiro’s family declined to comment for this article.

“I don’t believe it,” said Manuela Almeida, 17, who was told about the omission after she watched the film here. “It seems to me they left it out of the movie on purpose because it would not be good for the image of the president.”

The movie also substitutes beer for Mr. da Silva’s favorite cachaa, the national cane liquor. Ms. Barreto said that was because the Brazilian beer company AmBev paid for product placement.

“Everything you see is based on real events, with a splash of fiction,” said Fabio Barreto, the director. “It is not a documentary.” (Mr. Barreto was interviewed before he had a serious car accident on Dec. 19. He remains in an induced coma.)

Ms. Paran, the screenwriter, said several scenes of Mr. da Silva’s “heroism” were also left on the cutting-room floor.

The Barretos also point out they did not use government tax incentives normally available to companies that invest in Brazilian productions. But the financing raises other questions. Some of Brazil’s biggest companies invested in the film, which at nearly \$7 million is the most expensive Brazilian movie ever made. They included the heavy construction firms Odebrecht and Camargo Correa, as well as electric utilities that rely on government concessions.

Some critics have asserted that the sponsors may be seeking favor with the government as it enters an intense period of infrastructure development leading up to the 2016 Olympic Games in Rio.

Whether the film plays a role in the election remains to be seen. Despite having a population of more than 190 million people, Brazil has only about 2,300 movie theaters; 93 percent of municipalities do not have movie theaters, the Barretos said.

Nevertheless, the Barretos are making an intense effort to get the movie seen by many, especially the poor. The filmmakers plan a second release in March in isolated towns that do not have theaters, using trucks and tents to show the movie, Ms. Barreto said.

They are in discussions with the Brazilian media giant Globo, which has television rights to the film, about producing a mini-series.

Here in Santo Antônio de Jesus, in Brazil's less-affluent interior, the audience seems receptive. Ms. Almeida, who will be voting for the first time this year, said the movie gave her a better appreciation of the president.

"I am going to vote for Dilma this year because I want to see the country continue the way it has been going," she said. "I don't know much about her, I need to learn about her, but I have been told she has a similar political story to Lula, that she struggled a lot like him."

Despite a recent Brazilian Air Force report favoring Saab's JAS-39 Gripen for the country's F-X2 fighter competition, it would seem that political pressure is swinging the deal towards the French-built Dassault Rafale.

At the weekend Brazilian newspaper O Estado de Sao Paulo reported that a revised 'final' report had been submitted to the government that now ranks the Rafale as "technically superior" to the Gripen and its other closest rival, the Boeing F/A-18F Super Hornet. In the initial report, released just over a week ago, the Rafale was considered third best after the Gripen and Super Hornet.

According to the O Estado de Sao Paulo report, the document has been "modified under government pressure" but is known to be the preferred choice of President Luiz Inácio Lula da Silva, who has close ties to French President Nicolas Sarkozy. It now points to a need for the fighter to have two engines and be a proven product, something the single-engined Gripen has yet to do in its NG variant.

News agency Reuters says that President Lula da Silva will also try to negotiate a lower price for Rafale, which could cost four times that of Gripen and is reportedly the most expensive option in the competition. However, the report suggests that offset industry deals with the French will be highly valuable to Brazil and make the Rafale deal the most lucrative.

Brazil's Human Rights Minister Pablo Vanucci threatened to resign Sunday if the military are successful in changing a bill creating a truth commission to review human rights violations that occurred during Brazil's military dictatorship (1964-85).

In late December, Defense Minister Nelson Jobim and the three service commanders threatened to resign to protest legislation sent to Congress December 21 to investigate human rights abuses that heretofore have been protected from investigation by a 1979 amnesty law.

The truth commission legislation, said President Lula da Silva, was partly inspired by Chile's example in dealing with the human rights legacy of its dictator, Gen. Augusto Pinochet (ST, Jan. 4).

The military demands that the commission also investigate abuses committed by leftist armed groups that resisted the military regime, among which groups were several members of da Silva's cabinet and many of his close political associates.

“No way can you put torturers and tortured on the same level,” said Vanucchi in an interview with Folha de Sao Paulo. “One side acted illegally with the support of the State and the other was judged, imprisoned, disappeared and killed.”

He recalled that President da Silva - at the time a union leader - was imprisoned and sentenced to three years in jail for having organized strikes beginning 1978. Lula’s sentence was ultimately suspended.

Ministers Jobim and Vanucchi were scheduled to meet Monday with President da Silva who is returning to work after holidays in Bahía.

“President Lula da Silva is seeking to find a middle ground. But if it isn’t possible, I can’t remain in the cabinet,” said Vanucchi.

Brazil’s Supreme Court is currently reviewing the 1979 amnesty law following a Bar Association request to scrap the law as contradictory to international treaties signed by Brazil.

“This is no plan from the radical left,” added Vannucchi. “It’s an imperfect effort and maybe has some errors, but it is founded on basic democratic principles.”

Still, Vice President Jose Alencar among many others are against doing away with the amnesty law. “I think suppressed archives should be opened,” Alencar told the Jornal do Brasil. “But I’m against modifying the amnesty bill, which helped put an end to that period. I don’t want a country which ignores its memory, which is history. But building history does not mean throwing out the amnesty law.”

Brazil’s military dictatorship left more than 550 killed or disappeared and thousands tortured.

Another official who will also meet President da Silva on the issue is Minister of Agriculture Reinhold Stephanes, supported by the National Agriculture Confederation, CNA. Stephanes has said he believes the human rights bill will generate “legal uncertainty” by proposing open trials to solve land and rural conflicts.

CNA argues the proposed human rights bill is a “wink” signaling support for farm occupations by the MST, a political movement of landless peasants who take over allegedly unproductive farms.

“I’m not against agri-businesses, but we need to ensure that they don’t oppress, abuse or asphyxiate family agriculture and the small farmer,” said Human Rights Minister Vanucchi.

The Human Rights bill sent to Congress will also have to hear from two additional players: the media and the Catholic Church.

The project contemplates a close monitoring of the media and provides fines when “abuses of any kind are committed against human rights.” It also decriminalizes abortion and allows same-sex couples to have civil marriages and adopt children.

Brasilia (Reuters) - Brazil's government has temporarily cut the mandated amount of ethanol blended into gasoline to 20 percent from 25 percent due to low supplies of the biofuel, the energy ministry said on Monday.

The reduction will be in force for 90 days from February 1.

Brazil mandates a blend of anhydrous ethanol in all commercial gasoline aside from the pure hydrate ethanol sold at filling stations for use in flex-fuel cars.

The 5 percentage-point reduction in the blend is expected to result in an additional 100 million liters (26.4 million gallons) of ethanol available per month, or around 7 percent of the monthly demand for hydrous ethanol, according to analysts.

Brazil's government occasionally adjusts the ethanol blend in gasoline within the range of 20 to 25 percent, which is determined by law, to adjust to local supplies and prices. The current 25-percent blend has been in effect since July 2007.

Producers and analysts said a 90-day reduction in the blend would have a limited impact on supplies and prices, and that the government's decision is an attempt to contain hydrous ethanol prices at the pump during an election year.

"The measure doesn't have any justification from the point of view of supply," said Plinio Nastari, president at Datagro analysts, referring to supplies of anhydrous ethanol.

Brazil is the world's biggest producer of cane-based fuel ethanol. Output in the current 2009/10 season fell short of expectations due to excess rains since June, which cut the concentration of sucrose in cane and reduced the time producers could work in the fields.

Mills were unable to gather around 50 million tons of cane which will now be harvested this year.

Moreover, mills prioritized sugar production over ethanol this season, as raw sugar futures were trading near their highest levels in over three decades.

This is the first time since 2000/01 that Brazil's ethanol output will fall from the previous season. Cane industry association Unica expects ethanol output in the center-south to total 23.4 billion liters, down from 25.1 billion in 2008/09.

Record demand for the fuel this year has also contributed to a steep reduction in stocks.

The decision was taken by the Inter ministerial Ethanol and Sugar Council (Cima) consisting of the agriculture, mines and energy, finance and development ministries.

Rio de Janeiro, Jan. 7 (Xinhua) -- The Brazilian economy will generate two million new formal jobs in 2010, Labor Minister Carlos Lupi said on Thursday.

In a radio interview, Lupi said the high job generation was due to the great improvement in the Brazilian economy this year.

He predicted that in 2010, the economy would have the best year of the Lula administration when it came to job generation and economic growth.

Lupi predicted one million new jobs in 2009, which was considered overly optimistic. However, his prediction turned out to be true in November, when Brazil celebrated the creation of 1.4million new formal jobs amid the international financial crisis.

The labor minister said that the figures showed that Brazil has completely overcome the effects of the crisis, which could be attributed to its large domestic market.

He also said the industrial sector, which was especially hard hit by the crisis, would undergo a steady recovery this year.

Brussels: The UN climate change summit in Copenhagen "has reminded us of the importance of the emerging countries, like India and Brazil", the European Union's first President Herman Van Rompuy has said.

"It has also taught us some other geopolitical lessons. These developments invite us to ask ourselves: How can we best collaborate with the other players?" he said at a Christian Social Union party conference in Wildbad Kreuth, Germany.

Van Rompuy said the EU is now better equipped to speak with one voice in the world, EuAsiaNews reported.

"The global distribution of power is changing rapidly. We might have to redefine our relations with the other big players, the USA, China and Russia above all," he said.

Van Rompuy, an ex-Belgian Prime Minister, was appointed in November as the first permanent President of the European Council for two-and-a-half years. He took up his post on 1 January.

Detailed Report/Mexico

Mexico City, Jan. 6 (Xinhua) -- Mexico was "deeply concerned" about Monday's fatal shooting of a Mexican citizen near its border with the U.S. state of Arizona, the Foreign Ministry said in a statement Wednesday.

The Mexican was shot dead by a U.S. Border Patrol officer who told authorities that an illegal migrant had thrown rocks at him around 1 km from the Mexico-U.S. border.

The ministry said it had ordered its consulate in Douglas, Arizona, to get in touch with the authorities involved to investigate the case, find the victim's relatives and help them bring back the victim's body.

In the United States on Wednesday, police in Arizona's Cochise County, where the incident occurred, said the Border Patrol had been tracking a group of three Mexicans with dogs in the area prior to the shooting. A Patrol officer told the police that they found a 28-year-old man hiding in a tree. He tried to flee, which led to the rock-throwing incident.

The police also said officers rushed the migrant to the hospital after shooting him, but he died in a medical helicopter on the way.

Police had earlier reported that 208 migrants died crossing from Mexico into Arizona during 2009. Moreover, police had arrested 241,000 people trying to enter illegally.

According to official estimates, around 10 percent of Mexico's 106 million citizens live in the United States. It is estimated that more than 80 percent of these migrants arrived in the United States illegally.

Mexico City (AP) -- Mexican President Felipe Calderon said Wednesday that jobs and reducing poverty will be his top two priorities in 2010, while the fight against drug cartels that dominated the first half of his presidency placed third.

In a televised speech, the conservative president promised historic levels of investment in roads, seaports and airports to create jobs as Mexico emerges from a deep economic recession.

"Creating jobs, that is the most important thing for a family to get ahead in life," said Calderon, whose election campaign cast him as "the jobs president," only to see the drug war overshadow that slogan.

Calderon has sent more than 45,000 soldiers into drug-hotspots in recent years to fight powerful cartels. Violence related to the war on gangs has cost more than 15,000 lives since he took office in late 2006.

But in Wednesday's speech, Calderon listed "creating jobs" and "fighting extreme poverty" as the first and second objectives for 2010.

The apparent change in emphasis reflects figures that show nationwide unemployment topping 5 percent in November. But that number may be an underestimate, since most of Mexico has no unemployment insurance system and unemployed people usually seek to eke out a living as street vendors or in other occupations in the informal sector.

Calderon repeated at least five times during the speech that "2010 will be the year of economic recovery."

The country's economy grew 2.9 percent in the third quarter over the previous one, but officials estimate Mexico's GDP will fall about 7 percent in 2009. The country's Treasury Department says it expects the economy will grow by around 3 percent in 2010.

Calderon said he will fight poverty by "spending more money to build schools, hospitals," as well as on cash-support programs for poor families.

A government published in July showed that extreme poverty in Mexico - defined as people who cannot buy enough food - rose from 13.8 million in 2006 to 19.5 million in 2008, in a country of almost 107 million inhabitants.

A broader poverty definition, including families who could not meet housings, transport, education and other normal costs, reached 50.6 million, up from 42.6 million in 2006.

Calderon made it clear he is not giving up the fight against crime.

"In many parts of Mexico, criminals continue to harass, threaten and practice extortion against many Mexican families," Calderon said. "For that reason, we will continue to combat all criminal groups in the country, without distinction."

A spokesman for the Archdiocese of Mexico City has accused the leftist Party of the Democratic Revolution-- one of the nation's three largest political parties-- of displaying "its true face ... intolerance and hatred toward the Catholic Church" and waging war against Mexican society by supporting same-sex marriage and the adoption of children by homosexuals. The city assembly, dominated by the party and its allies, recently legalized same-sex marriage.

"The (party) has declared war on Mexican society because it can't ignore that the vast majority of it is Christian, whether it's Catholic, evangelical or other smaller churches that show a great respect for life and the family," said Father Hugo Valdemar Romero. The party's leader said on January 4 that it would lodge complaints with the government to prevent the Church from speaking on political matters.

IT MIGHT seem incongruous to see Felipe Calderón, who has bet his presidency on fighting organized crime, accused of sheltering Mexico's top drug lord. Yet across the country banners hanging from highway overpasses suggest he is in cahoots with Joaquín El Chapo ("Shorty") Guzmán—the leader of the Sinaloa "cartel" and, according to Forbes magazine, the world's 701st richest man. "Mr Narco-President," began one seen in Veracruz state in 2008. "If you want to end crime, stop protecting drug traffickers like El Chapo."

The banners are placed by rival drug mobs. But they hint at a paradox. The Sinaloa organisation (named after a north-western state) is responsible for around 45% of the drug trade in Mexico, reckons Edgardo Buscaglia, a lawyer and economist at ITAM, a Mexico City university. But using statistics from the security forces, he calculates that only 941 of the 53,174 people arrested for organised crime in the past six years were associated with Sinaloa. An official disputes those numbers, and notes that several close relatives of Ismael Zambada, the co-head of the Sinaloa mob, were arrested on drug charges last year.

Nevertheless the government crackdown seems to have fallen mainly on other mafias. The Arellano Félix gang, featured in “Traffic”, a Hollywood film, has splintered into warring factions after six of its seven founding brothers were captured or killed. Police often arrest senior leaders of La Familia, a newer mob specialising in methamphetamines. In December marines surrounded and killed Arturo Beltrán Leyva, who split from the Sinaloa mob in 2008, and six of his henchmen. This month one of his brothers was arrested in Culiacán, the capital of Sinaloa.

In the zero-sum game of the drug trade, one gang’s loss is another’s gain (which is why “drug cartel” is such a misnomer). The weakening of local traffickers in Tijuana and Ciudad Juárez has enabled Sinaloa to strengthen its presence along Mexico’s northern border. Mr Beltrán’s death may cheer Mr Guzmán: their falling out left sons of both men dead.

Mr Calderón insists that he is attacking all the gangs “forcefully, and, I emphasise, without distinctions.” Some analysts doubt this. “The government’s strategy is to focus on the weakest groups, so that the organised crime market will consolidate itself around Sinaloa,” says Mr Buscaglia. “They’re hoping to negotiate a decrease in violence with that one group.”

Officials insist there is no going back to the old practice in which Mexican governments turned a blind eye to drug gangs provided they acted discreetly. If Sinaloa has been hit less hard, it is because it operates differently. It has stuck to a “transactional” rather than “territorial” method, says one official. Other gangs, such as La Familia and the Zetas, a particularly violent outfit of former soldiers, began to control cities and diversify into extortion and kidnapping. When the government deploys troops to reclaim the streets, it is these gangs whom they run into.

Sinaloa, by contrast, has stuck to drugs and money laundering and is smarter and more sophisticated. It prefers anonymity to the ostentation of others (Mr Beltrán was undone by inviting a famous accordionist to play at a Christmas party). It eschews jobless teenagers, its rivals’ rank and file, in favor of graduates, infiltration and intelligence. Although all the gangs have penetrated local governments, only Sinaloa and the Beltráns have been discovered to have bribed senior officials. Officials complain that Sinaloa operatives receive warning of pending raids. Sceptics wonder whether success against other gangs comes from tip-offs from Sinaloa.

Mr Guzmán bribed his way out of a federal prison in 2001. His territory now is 60,000 square km (23,000 square miles) of rugged mountains where “you’d need 100,000 soldiers surrounding the area and even then I’m not sure you’d succeed [in capturing him],” the official said.

For now the government has other priorities. Three years after it launched its crackdown, the violent turf-wars among the gangs that this has triggered show no sign of abating. Mr Calderón has notched up some victories, but also suffered defeats. A protected witness who had testified against Sinaloa, Édgar Bayardo, was killed in a Starbucks café in Mexico City last month. Just hours after the funeral of a marine, who died in the operation against Mr Beltrán Leyva, four of his grieving relatives were murdered. Some residents of Ciudad Juárez are growing restive over the government’s failure to stem the violence.

Some analysts draw a parallel with Colombia. In the late 1980s and early 1990s its government pursued Pablo Escobar and his cronies in Medellín, whose terrorist violence brazenly challenged the state, while only later acting against the Cali mob, which like Sinaloa preferred bribery and

legal business fronts. Others worry that Mexico lacks the capacity to take on Mr Guzmán's outfit. But sooner or later it will have to try.

(CBS) Terrorism and homeland security have been back in the news the past few weeks, and once again the focus has been on intelligence failures and airport security. But the easiest way for terrorists to get into the United States may well be across the nation's porous 2,000 mile border with Mexico. And it is no secret.

U.S. Immigration and Customs Enforcement investigations have revealed that hundreds of illegal immigrants from the Middle East and countries associated with terrorism have entered the country through Mexico, and according to a study done for the Border Patrol, around 90 percent of the people who try to get in that way eventually make it.

President Clinton built a wall to try and stop it, and President Bush tried to tackle the problem with technology, initiating an ambitious program he called a "virtual fence," that would allow the U.S. to visually monitor most of the border.

The bureaucrats at Homeland Security changed the name of the program to the "Secure Border Initiative Network" or SBInet, and after three years and a billion dollars, 60 Minutes correspondent Steve Kroft decided to see how it was going.

An 80-foot tower near Sasabe, Ariz. is just one of a network of electronic observation posts that dot the landscape along the Mexican border south of Tucson.

They're part of a system that the Department of Homeland Security intended to be the eyes and ears of the U.S. Border Patrol, scanning the Southern frontier for migrants, drug smugglers, and even international terrorists trying to enter the country illegally.

"These towers are located based on geography, terrain, and what the Border Patrol knows about typical traffic patterns. So these are placed because they're where we believe they're gonna be most effective," Mark Borkowski, the executive director of this huge technological undertaking for Homeland Security," told Kroft.

Each one of the observation towers is equipped with long range radar and high resolution cameras, and is connected to underground sensors. It was designed and built by Boeing, one of the nation's largest defense contractors; Borkowski himself is a rocket scientist who used to work for NASA.

"It's not rocket science. But it is still a complex, ambitious project, particularly the way it was originally designed, which was to cover the entire border with this technology," Borkowski told Kroft.

Asked why the United States needs this project, Borkowski said, "Well, we need it because we need to secure our borders. I think it's a national imperative that we want to secure our borders."

In principal it's not that much different from the security systems you might find in someone's home, office building, or the convenience store down the block - only on a much larger and more sophisticated scale.

The cameras and sensors on the towers are capable of picking up the slightest movements up to six or seven miles away, and shooting off an alert to a Border Patrol station, where an agent can then focus the cameras on the exact location. The visual information allows them to discern whether the intrusion is a threat that needs to be investigated or one that can be ignored.

"So in simple terms, what you want to do is you want to be able to look at the entire border with Mexico?" Kroft asked.

"Right. Where it's appropriate to look at the entire border, right," Borkowski replied.

"And then, if you see somebody crossing, you can dispatch Border Patrol people out to catch them?" Kroft asked.

"Correct," he replied. "We have a view of this person. We know if they're by themselves or with other people. We know if they're riding or not riding. We know if they're carrying things or not carrying things."

But unfortunately for Borkowski and the two people who had the job before him, it has proven to be much easier said than done.

When Boeing was awarded the initial contract back in 2006, it made some rather extravagant promises, claiming it could complete the project quickly and that virtually no one would be able to sneak across the border undetected.

Asked how this has worked out, Richard Stana, the director of homeland security issues for the Government Accountability Office, said, "Well, it hasn't worked out so far as well as they had hoped."

And that is putting the best possible face on it. One of Stana's jobs has been to investigate and monitor the project for Congress.

According to Stana, Boeing promised to complete the first 28 miles of the surveillance system in just eight months and wire the entire Mexican border in three years.

"In fact, this was supposed to be all deployed by now, by 2008-2009. The entire Southwest border was to be covered by SBI," Stana said.

But according to him that hasn't happened and that "we're still in the early stages."

In fact, after three years and a billion dollars, they are still fiddling with the first 28 miles, with 1,972 to go. And that is just one of the problems.

"You know, when Boeing first got the contract back in 2006, they made promises that they would be able to apprehend, at least detect and apprehend 95 percent, plus or minus five percent, of all the incursions," Stana told Kroft.

Asked if that has happened, Stana told Kroft, "No. They promised camera ranges of ten miles. They promised radar ranges without clutter."

But that didn't happen either, according to Stana.

And that's not all: the software had bugs, some of the equipment proved unreliable in the heat and high winds of the desert, components would break, and maintenance proved to be an issue.

According to the new project director, Mark Borkowski, part of the problem was that Boeing and his predecessors at Homeland Security thought they could get the job done with standard surveillance equipment.

"We were gonna go buy all this equipment that you can buy from vendors today. We call it off the shelf, commercial off the shelf," he told Kroft.

"Radio Shack?" Kroft asked.

"Not quite. But, you know, people sell radars, people sell cameras. So not far off of that. The idea was that should have been a very simple thing to do. You know, go put that on towers, plug it in together. It should work," Borkowski said.

The GAO's Richard Stana told Kroft, "The cameras and the radar, that's the blocking and tackling of the whole system. That's what detects and identifies what's on the screen."

Asked what some of the problems have been with the cameras and radar, Stana said, "Well, with the radar, they were very susceptible to weather. You know, if it was raining, it would train on raindrops. If the wind blew mesquite leaves around on a bush, it would train on that as activity. You really don't want that. You don't want agents out looking for bushes and raindrops."

But the biggest problem - and you may find this hard to fathom - was that no one at the Department of Homeland Security or the engineers at Boeing bothered to ask the people who would actually be using the surveillance system what they wanted or how they wanted the system to work.

"I'm just kind of amazed that they're building this, what's gonna be a multi-billion dollar system for the Border Patrol, and nobody asked the Border Patrol. What... they needed or wanted, or what would be helpful," Kroft remarked.

"What we didn't do was iterate with them and said, 'Okay. Well, we heard that you'd like to be able to see what's going on the border. How about a little of this?' How about . . . we didn't do that. And that should have happened," Borkowski replied.

Borkowski acknowledged it was a "huge mistake" and that currently he's responsible for it. "And we'll just leave it at that. That's my job now, to fix that."

One of the results was that the original plan called for Border Patrol agents to be connected to the electronic surveillance system with laptop computers that they would carry in their off-road vehicles.

But if anyone had bothered to ask the agents, they would have said that laptops are hard to operate bounding through the desert, that the dust would prove inhospitable to the equipment, and that the agents would be unable to get a signal over vast stretches of the desolate region.

It's a glitch that confounded even government auditors like Rich Stana.

"How does that happen, that you decide you're gonna build a billion dollar system, and then not talk to the people you're building it for?" Kroft asked.

"They really were in the mindset of, you know, pedal to the metal. They wanted to go full steam ahead with this virtual fence back in '05, '06, for whatever reason. So the kinds of things that you would expect to see in a large, multi-billion dollar program, you didn't see right away," Stana said.

"Isn't that one of the first questions you ask? Like, okay, what does the customer think? What does the client want?" Kroft asked.

"Well, you would think so. I mean, you don't want to build an Edsel," Stana said.

Asked if this project is like an Edsel, Stana told Kroft, "Don't know. You know, we'll have to wait and see. We're waiting for something that works."

Someone in the government must have decided it was an Edsel, because in June 2008, just a few months after the Border Patrol began using the virtual fence, the Department of Homeland Security announced that it would begin phasing out the original system, which it now calls a prototype and replace it with a brand new one covering the same 28 miles.

"There are people in Congress that have called this first version a failure. Do you agree with that?" Kroft asked Mark Borkowski.

"I think that given what we communicated to Congress about the expectations, I don't think we met those expectations. So I would define that as a failure," he replied.

"And now you've got what some people have called a do-over," Kroft remarked.

"Some people have called it a do-over. The mistake we made was we - this prototype, which was a beta version, we told Congress, 'It's gonna work great. You're gonna love it. It's gonna lock down the border for you.' Shame on us. We should not have said that," Borkowski said.

Asked if the project was oversold to Congress, he told Kroft, "We certainly did."

"Have the taxpayers got anything yet for that money?" Kroft asked.

"Frankly, it's very frustrating to me to try to explain where that money went when it's kind of ethereal, because it's design and it's connections, and it's integration, and it's computer software. But you do start to see it when you start to see the construction of towers. And that's where we are now," Borkowski replied.

Asked if he's happy with Boeing's performance on this, Borkowski said, "Boeing's had a mixed record. They seem to be improving. I'm spending a lot of time with Boeing. I'm getting happier. I'm not yet happy."

Borkowski, who still has the patience and the optimism of a former NASA engineer, believes that great technological advances are often plagued by early failure.

Last August, he took 60 Minutes to a secure facility in Playas, New Mexico, for a firsthand look at the new system, which was still being tested.

Agents Chris Geoffrey and Jeff York led us through a simulation of its capabilities.

The radar and motion detectors have been improved, and it is easier for agents to immediately tell whether an alert is more likely to be a human intruder or rolling sagebrush.

And the cameras are better too.

"The infrared picture looks even clearer than the daylight camera," Kroft remarked.

"Often times it will be, yeah. You can see at this point, you can see real clear if they had weapons or large backpacks or something, I can see that very clearly," one of the agents replied.

But it was impossible to tell how well the new system will work, given that everybody involved in this exercise was either a government employee or a contractor, and it seemed to have been rehearsed the day before.

"We were out there. We saw a demonstration. They had some Border Patrol agents disguised as illegal aliens in white T-shirts, running around, trying to get through the system. It seemed like it sorta worked," Kroft told Richard Stana.

"Yeah, it sorta does. You know, the issue is, is in what weather does it work? In what heat does it work? In what distance does it work? And how reliable is it? Those are the things that really are the limiting factors," he replied.

Officially, the U.S. Border Patrol is behind the system, warts and all. Its chief, David Aguilar, claims even in its flawed state it has contributed to more than 5,000 arrests and the seizure of 15,000 pounds of marijuana since the 28-mile section went on line in 2008.

Aguilar told Kroft he "absolutely" thinks the system has made an impact.

"There are people [who] have studied and are involved with the system who disagree with your assessment on how well it's working," Kroft pointed out.

"Steve, as I said this is not a perfect system. We're not putting it forth as a perfect system," Aguilar replied. "It has got problems. We have got concerns with it. We are working to iron those out. But even as we are working to iron those out it is still giving us capabilities that we just did not have in the past."

"It's a great deal for Boeing and its subcontractors. It's a bad deal for the taxpayers," Wayne Cornelius, a professor at the University of California, San Diego, told Kroft.

There are some, like Cornelius, who think the virtual fence provides only the illusion of border security. He has studied and written about the border for years and says the only thing that has ever stopped people from illegally entering the United States from Mexico was the Great Depression.

"They will detour around the electronic fence just as they have detoured around sections of the physical fences that have been built since 1993. They would be crazy not to," Cornelius said.

He says smugglers are already probing the system for weaknesses, and will eventually figure out ways to sabotage or blind the electronic towers.

"One thing we've learned over the years is that the smugglers and terrorists and illegal immigrants can be quite imaginative in ways to subvert the system," Kroft told Borkowski. "And there are signs that that's already started, right?"

"Absolutely," Borkowski agreed.

"People talk about smugglers, setting up decoys," Kroft said.

"[The] chief of the Border Patrol's well aware of that. He's provided for that. He's planned for that. He continues to plan for it. So yes, we fully expect that people are gonna react to this. Does that mean we shouldn't do anything at all? No, we should make it harder for people to come across the border illegally. We should make it so that if they want to come across the border illegally, they have to really want to do it," Borkowski said.

"The bottom line to the whole program, Steve, is that, you know, here we are three years and hundreds of millions of dollars since SBI was first conceived of, and where are we? We're still waiting for something that works," Stana said.

And they will have to wait a while longer: Boeing, the main contractor, was scheduled to turn the new system over to Border Patrol this month, but this past week we were told it was being delayed for at least three more months.

We requested an interview with Boeing, but they deferred to the Department of Homeland Security. And on Friday, the Secretary of Homeland Security, Janet Napolitano, ordered a department-wide reassessment of the entire program.

Mexico City (AP) -- Mexico's ambassador to the United States said Friday he expects immigration reform is unlikely to pass in that country in 2010 because of unemployment and midterm elections.

In an unusually frank assessment, Ambassador Arturo Sarukhan said Mexico will continue its quiet, "under the radar" lobbying for a reform that would benefit the estimated 11.8 million Mexicans living in the United States. A large percentage are undocumented.

"It's not that it is unachievable. It is possible, but it will be difficult," he told a news conference. "And this year, especially, the conditions ... will be particularly difficult."

"If the (U.S.) economy grows, but there continues to be the unemployment and the job losses that occurred in the United States in 2009, it is politically impossible for the Republicans or the Democrats, as much as they might be interested ... to put an integrated immigration reform on the table," Sarukhan said.

Sarukhan also said past pronouncements on the issue by Mexico may have done more harm than good.

"Having spoken about it publicly at times in the past ... has done a great deal of damage to our countrymen and our allies in the United States," he said.

Sarukhan said a general amnesty that would automatically legalize undocumented migrants "cannot be the solution," because "the radical conservative wing in the United States would immediately mobilize to torpedo it."

He said a more realistic goal is a program of temporary work visas and a "regularization process" - presumably, what has been called "earned legalization" involving fines or other qualifying factors.

Sarukhan said chances for reform may depend on how much political capital the administration of President Barack Obama has left after the divisive debate over health care.

Daniel Hernandez Joseph, director of overseas citizen protection services for Mexico's Foreign Relations Department, told reporters that anti-immigration rhetoric "has permeated in (U.S.) society" and that anti-immigration groups in the United States currently "feel empowered."

Hernandez Joseph also said preliminary estimates indicate that 396 people assumed to be Mexican citizens died trying to cross into the United States last year, up from 340 in 2008.

Jan. 6 (Bloomberg) -- Canada will loan Mexico 5 million doses of swine flu vaccine, Health Minister Leona Aglukkaq said.

Mexico will replenish Canada's supply of the vaccine by March 31, the minister said today in a statement from Ottawa. Shipments will start this week, she said.

Canada will provide Mexico with five million doses of the H1N1 flu vaccine to meet its immediate pandemic vaccine needs, Health Minister Leona Aglukkaq announced on Wednesday.

Mexico placed orders for the swine flu vaccine with several manufacturers, but most orders will be ready only at month's end, the Canadian minister said in a statement.

In the meantime, Ottawa is allowing Mexico to have five million doses of the medication, which had been reserved by pharmaceutical giant GlaxoSmithKline for Canada.

Mexico is expected to replenish the borrowed Canadian stock by the end of March, Aglukkaq said.

As of mid-December, nearly half of Canada's 33 million people had been vaccinated against the swine flu, in the largest immunization program in the country's history.

More than 400 Canadians died from the swine flu.

Detailed Report/Venezuela

The US Department of State criticized President Hugo Chávez's position for "not cooperating fully" with US antiterrorism efforts in its last Country Reports on Terrorism 2008. As a result, US enforcement officials have targeted Venezuelan citizens and Hugo Chávez' administration actions.

In May 2008, Venezuela was re-certified as "not cooperating fully" with US antiterrorism efforts under Section 40A de of the Arms Export and Control Act.

The extensive paper entitled "Country Reports on Terrorism 2008", published last April, warned of the situation in Venezuela due to "President Chávez's ideological sympathy for the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN)" which has "limited Venezuelan cooperation with Colombia in combating terrorism."

For the United States, Venezuela's relationship with Iran is also troubling. The report stated that "Iran and Venezuelan continued weekly flights connecting Tehran and Damascus with Caracas. Passengers on these flights were reportedly subject to only cursory immigration and customs controls at Venezuelan airports."

"Venezuelan citizenship, identity and travel documents remained easy to obtain, making Venezuela a potentially attractive way station for terrorists," the report added.

In October 2009, Republican Representative Connie Mack announced a resolution asking the government of US President Barack Obama to include Venezuela in the list of States sponsors of terrorism, which included four countries: Cuba, Syria, Iran and Sudan. There is another list of Terrorist Safe Havens.

Heinz Dieterich regards a war with Colombia as "a very real" possibility. Heinz Dieterich, a German sociologist and political analyst residing in Mexico, a theoretician of the Socialism of the 21st century and adviser to Venezuela's President Hugo Chávez, said that if the United Socialist Party of Venezuela (PSUV) loses parliamentary elections scheduled for September 26, "the revolution will come to an end."

In the opinion of Dieterich, if Chávez wants to win elections "he has to solve security problems, government's inefficiency, economic crisis and the loss of credibility in official discourse, among others. To solve these problems, the current model of government has to be reinvented. Only PSUV leaders can impose such change," he said.

The possibility of a war between Colombia and Venezuela "is very real because Washington has decided that Chávez must leave, at all costs (...).Bolivarianism is inconsistent with the Monroe Doctrine and therefore it represents a threat. In order to remove Chávez, they prepare an aggression war, using false positives, alleged tolerance of drug traffic and presumed cooperation with Hezbollah" Dieterich said in an interview released by *Ámbito Financiero*.

The president of the Venezuelan Bishops' Conference (CEV), Monsignor Ubaldo Santana, opened the 90th Regular Assembly which is due to discuss the adoption and implementation of the Education Law and the main problems affecting the Venezuelan society.

In his opening remarks, Santana expressed the concern of the CEV with regard to the climate of violence in the South American country. "Venezuela has become a violent society. With great dismay, we have witnessed the increase of violent deaths in Venezuelan cities, provinces and in the border areas."

He warned that the weekends, "have become a tragedy that cover many families with a bloody, painful cloak. Young people and children are the main victims of this scourge which, together with violence, has taken over the country regardless of political parties, social class or religion."

The Catholic Church leader stressed that Venezuela is affected by "a serious lack of sound public policy" to fight insecurity.

Sancti Spiritus, Cuba, Jan 6 (acn) The collaboration between our peoples shows how much can be done together, said this Wednesday Ronald Blanco de la Cruz, Venezuela's ambassador to Cuba during his first visit to this city.

The diplomat acknowledged the work of nearly 2 100 people from this central Cuban province collaborating in that South American country, especially in the areas of health and education, as well as in the attention to Venezuelan youngsters who study in higher education centers in this territory.

During his tour, he visited a workshop for handicapped people and an animal fat processing plant, which had received Venezuelan funding.

He also chatted to children at a foster home this city, and described the work done with them as of infinite love.

The ambassador visited the provincial museum of history, which treasures guayaberas donated by dignitaries, including those of Commander in Chief Fidel Castro and the presidents Raúl Castro and Hugo Chávez.

Upon receiving the Venezuelan representative, Fidel Perez Lucifer, president of the Provincial Parliament in Sancti Spiritus, he explained features and results of the territory, which for years has achieved a sustained economic growth.

The province, about 450 kilometers east of Havana, is mainly agricultural, with mainly food industries and it has the largest storage capacity of freshwater in the country.

Venezuela's hopes of an early inclusion into the Mercosur trading bloc suffered a new blow as Paraguayan Vice President Federico Franco ruled out ratification of the pact while Venezuelan President Hugo Chavez harbored designs on the landlocked state.

Paraguay is the last stumbling block in Venezuela's long-drawn-out effort to win a seat on the Mercosur Council. Brazil ratified Venezuela's membership last year amid bitter arguments between pragmatists led by President Luiz Inacio Lula da Silva and critics of Chavez's suppression of the Venezuelan opposition and independent media.

The Brazilian Senate vote appeared to have brought Venezuela's membership closer to reality, but then problems began as the focus of the dispute shifted to Paraguay's Congress.

Chavez has angered politicians across a wide spectrum in Paraguay, as he did in Brazil, and opinions remain sharply divided over Venezuela's entry.

Brazil backs the inclusion, arguing Venezuela's voracious appetite for consumer goods and luxury items will boost regional trade. Critics see the Brazilian position as Lula's strategy to expand his power base within Mercosur and therefore are reluctant to see the motion for Venezuela's admission through. Still others are arrayed against Chavez himself, because of his fiery rhetoric that tends to singe all and sundry in its path. Chavez has made enemies where none existed until a few years ago.

Mercosur has ambitions to lead Latin America into a viable free-trade zone but currently has only four full members -- Argentina, Brazil, Paraguay and Uruguay -- that are in, and one, Venezuela, that is waiting in the wings. Venezuela applied to join in 2006.

Bolivia, Chile, Colombia, Ecuador and Peru have associate-member status.

Moderate politicians fear the Chavez factor will further politicize Mercosur and open up divisions where they are cloaked in diplomacy. There is also widespread concern that Chavez will add Mercosur to his list of forums he uses to launch tirades against the United States, Colombia and Peru.

Franco indicated he foresaw no breakthrough until Chavez changed.

"Chavez has an imperial attitude towards Paraguay," he said in an interview with Paraguayan newspaper ABC. "He tends to accuse other countries of imperialism, but he's the only imperialist when it comes to Paraguay," said Franco, Merco Press reported.

Franco has a running dispute with President Fernando Lugo and differs on key policy issues with his senior. He said Paraguay as the last country holding out Venezuela's ratification had to choose between Mercosur's survival or death.

Within Congress, however, politicians hinted Paraguay may come round to the Brazilian view that it is better to have Venezuela within Mercosur rather than outside it.

Lugo openly supports Chavez and his administration, but he faces stiff resistance from the opposition-dominated Senate. The next round of congressional discussion on Venezuela's entry into Mercosur is expected to begin in March.

Following Holland's denial that its collaboration with the U.S. military in the Dutch Antilles threatens Venezuela, the Venezuelan government released new evidence that a U.S. war plane took off from Curacao and violated Venezuelan air space last year.

On Wednesday, the Caracas-based television station Telesur played a transcript of the radio conversation between the pilot of the U.S. plane and the control tower at Venezuela's Maiquetía airport, dated May 17th, 2009. The government denounced the incursion last year, but did not release the transcript at that time.

In the transcript, Venezuelan authorities asked the pilot to identify the airplane, its origin, and its intention upon entering Venezuelan airspace. The pilot confirmed that it was a U.S. military plane originating from Curacao that did not have permission to enter Venezuelan air space. The pilot said it had been an “error” and that the pilot “was not conscious of having flown into this air space.”

Venezuelan Vice President and Defense Minister Ramon Carrizalez said the transcript is further evidence that the U.S. is planning an aggression against Venezuela through third party countries such as Curacao.

“On May 17th 2009 a U.S. war plane took off from Curacao, and violated our air space,” Carrizalez said on Wednesday. Through this and similar operations in other countries, the U.S. is “creating the conditions to justify an aggression against our country,” he said.

Carrizalez reiterated Venezuela’s intention to promote peaceful international relations, but defend itself against foreign aggression. “No country should think it can attack our sovereignty in impunity, without receiving a decisive response,” said the minister and vice president.

The release of the evidence came days after Holland denied that its military collaboration with the U.S. in its Caribbean territories is a threat to Venezuela.

Dutch Foreign Minister Maxime Verhagen declared last week that Venezuela’s accusations are “unjust, erroneous, and fantastical,” and said, “Holland does not permit the use of its territory for aggressions and it aspires to maintain good relations with Venezuela.”

The minister reiterated previous statements that the U.S. military operations in the Dutch Antilles have gone on for several years, are unarmed and geared solely toward the fight against drug trafficking.

Venezuela, however, has repeatedly expressed its suspicion of such claims. In a statement released on December 31st, 2009, the Venezuelan government said it “doubts that the facilities that the government of the Kingdom of the Netherlands has put at the disposal of U.S. military personnel are used for the fight against drug trafficking.”

The statement cited “the recurring excuse of drug trafficking” and “the United States’ tradition of using third party countries to carry out spy operations and launch military attacks” as part of the reason for its suspicion.

“Considering this, the national government demands that Dutch authorities honor their commitments to peace and international security, and abstain from attacking Venezuela, or offer its collaboration for such an end,” the statement said.

Venezuela also accuses its neighbor, Colombia, of allowing the U.S. to conduct military operations that threaten Venezuela and other countries in the region. Last October, Colombia signed a military pact to allow the U.S. to expand its presence on seven Colombian bases, with diplomatic immunity for U.S. military personnel.

Colombian and U.S. officials, including U.S. Secretary of State Hillary Clinton, claimed the deal was merely an extension of the two countries' previous collaboration to fight drug trafficking and Colombian insurgents, and that it did not pose a threat to other countries.

However, official U.S. Air Force documents explicitly stated that the U.S. plans to construct new bases in Colombia, and that Colombia will be used as a launching pad for espionage and "full spectrum operations" across the entire South American continent.

In public statements on Wednesday, former Venezuelan Defense Minister Orlando Maniglia said the U.S. operations in Curacao constitute "a new stage of aggression by the United States against Venezuela." He said the May 2009 incident was not an accident, because "the first thing a pilot makes clear are the limits to which he can fly."

Maniglia said the violation of Venezuelan air space was "a premeditated calculation to test the reaction time of Venezuela and to see what there is on La Orchila," a Venezuelan coastal island used mainly by the Venezuelan military.

"Venezuela is respectful of the sovereignty of other countries... we are not seeking wars, and we never have," said Maniglia.

The Foreign Relations Committee of the Venezuelan National Assembly announced this week it will investigate the potential for an attack on Venezuela from Colombia, Curacao, or another foreign aggressor and prepare a document outlining potential responses, to be presented to the Assembly for ratification.

Venezuela's President Hugo Chávez will arrive in Nicaragua "in the next few days" to sign agreements with his counterpart Daniel Ortega, an official source in Managua reported on Friday.

Antonio Contreras, the Venezuelan Vice President of the food joint venture Alba Alimentos de Nicaragua (Albalinisa), confirmed the rumors about the visit of the Venezuelan leader, but he did not specify the day of his arrival in the Central American country.

President Chávez "will visit Nicaragua in the next few days to sign several bilateral agreements," the official told the local TV station Channel 23.

Local media had speculated about a possible visit of President Chávez this weekend to attend the inauguration ceremony of Avenue Augusto C. Sandino, in former downtown Managua, DPA reported.

Caracas, Venezuela – The United States is denying a claim by President Hugo Chavez that a U.S. military plane entered Venezuelan airspace. Chavez said the plane was met by his military's F-16s and escorted out of Venezuelan airspace. The president is calling it a provocation by the U.S., saying the P-3 plane had taken off from the Dutch Caribbean island of Curacao and twice entered Venezuelan airspace on Friday. A spokeswoman for the U.S. Southern Command in Miami denied it.

Air Force Tech Sgt. Shanda De Anda said Saturday that "no U.S. aircraft entered Venezuelan airspace."

She said the U.S. does not fly over another nation "without prior consent and coordination."

President Hugo Chavez said a US military aircraft had entered Venezuelan airspace on Friday, insisting that the governments of the United States and the Netherlands were behind what he described as a "provocative action."

The United States has denied the charge.

Chavez said he ordered two F-16 jets to intercept a P-3 Orion anti-submarine/surveillance aircraft that entered Venezuelan airspace from the nearby Netherlands Antilles.

The US plane, according to the Venezuelan president, returned to the Dutch Caribbean island of Curacao after it twice entered Venezuelan airspace, where it spent a total of about half an hour and was escorted out by the F-16s.

"We're not inventing anything when we say the government of Holland must assume their responsibilities," the firebrand leftist leader said.

"We are here ready to defend Venezuela's sovereignty... We accuse the governments of the United States and Holland of launching provocative actions against Venezuela, to find an excuse to attack Venezuela."

But the US Southern Command, which is in charge of US military activities in the hemisphere, said that it was able to confirm that no US military aircraft had entered Venezuelan airspace on Friday.

"As a matter of policy we do not fly over a nation's air space without prior consent and coordination," the command said in a statement. "We operate with the utmost respect for the sovereignty of the nations in our hemisphere."

In addition, a senior Barack Obama administration official, who spoke on condition of anonymity, said US officials were "unaware of any US government plane within 300 plus nautical miles of Venezuelan airspace today," the official pointed out.

Last month, Chavez accused the United States of launching a spy plane from Colombia that violated his country's airspace, and vowed to shoot down any such aircraft in the future.

Also last month, Venezuela's foreign ministry called on the international community to condemn alleged incursions into its airspace by US military drones launched from Aruba and the Netherlands Antilles.

The Netherlands has rejected the allegations, with Dutch Foreign Minister Maxime Verhagen calling the accusation "unfair, baseless and fantastical."

Venezuela suspended diplomatic relations with Colombia in July in response to a US-Colombian military base deal, denouncing it as a military threat to the sovereignty of Latin American countries and saying it paved the way for a possible attack against Venezuela.

In December, Chavez said the US military was using Dutch islands off Venezuela's Caribbean coast -- Aruba, Bonaire and Curacao -- as a staging area for a possible attack. The Netherlands has denied the claims.

Venezuelan Vice President Ramón Carrizález said that he had evidence to confirm the claim made by President Hugo Chávez that the US government has used the island of Curacao to carry out military operations.

"On May 17, 2009 a US warplane took off from Curacao, violated Venezuelan airspace and a non-fly zone such as La Orchila airfield military airport; we have the records of conversations between the airport control tower and the airplane where the pilot was asked if they had authorization to overfly the area and asking him for the reasons of the incursion. We also have records of the flight and we can make them available to show that Curacao is used indeed to violate our national sovereignty," Carrizalez said.

Caracas, Venezuela (AP) — Venezuela is at risk of a devastating power collapse as drought pushes water levels precariously low in the country's biggest hydroelectric dam, posing a serious political threat for President Hugo Chavez.

Chavez on Friday said his government is determined to keep Guri Dam from falling to a critical level where the turbines start to fail in the next several months. He has also imposed rationing measures that include penalty fees for energy overuse, shorter workdays for many public employees and reduced hours for shopping malls.

The entire South American country of 28 million people depends to a large degree on the massive Guri Dam, which holds back the Caroni River in southeastern Bolivar state. It supplies 73 percent of the country's electricity by feeding the massive Guri hydroelectric plant — the world's third-largest in power output — along with two other smaller plants.

Chavez said that the dam's water level is now about 33 feet (10 meters) below where it was last year, and if it falls 82 feet (25 meters) more before the dry season ends, "we would be at a standstill."

Chavez said that would force the government to suspend the generation of about 5,000 megawatts of power — causing blackouts for large swaths of Venezuela.

"We can't allow the water to reach this level," Chavez said. He said officials are aiming to prevent it by diminishing power generation at Guri and decreasing the flow of water that moves through the turbines.

Government officials say their rationing plan should help the country reach May, when seasonal rains are predicted to return. But even Chavez concedes the situation is serious. His past efforts to solve the problem have included sending cloud-seeding planes to produce rain with the help of Cuba.

An internal report by the state company Electricidad del Caroni, which oversees the dam, was

recently published in the Venezuelan press and predicted that if water levels keep falling at current rates, the dam could reach a critical level in about four months.

Experts say the amount of water reaching the turbines could eventually decrease to such an extent that they would no longer feed the power grid.

"We'd be in a situation where we'd have to halt the country, the entire economy," said Victor Poleo, an oil economics professor at Venezuela's Central University and a former official in Chavez's Energy Ministry. Without power from Guri, he said, the country's existing gas- and oil-fired power plants would be able to cover only about 20 percent of the demand — producing widespread and sustained outages.

Chavez, seeking to avoid increased blackouts and the public anger that would accompany them, is taking a range of actions to try to close the electricity gap. He said repairs on two large thermoelectric plants should yield about 700 megawatts in the near future, and the government is also installing about a dozen smaller 12-megawatt plants elsewhere that he said should be ready later this month.

For now, his government has determined its best hope of averting disaster is to reduce electricity usage through rationing. Measures include penalty fees for businesses and other big customers that don't meet 20-percent reduction targets. Billboards are required to switch to efficient lighting.

Many malls have been forced to reduce hours, with most of their stores operating from 11 a.m. to 9 p.m.

Long lines have formed outside some shopping centers in the mornings, with people waiting to reach offices inside.

"Usually this is easy at this hour. Look at this disaster," said Oswaldo Dominguez, 67, who was waiting to pay a bill.

Lawyer Jose Cisneros, 52, waiting to buy a new cell phone, added, "I've lost half the day." He blamed the government, saying a lack of planning has left the electrical system in shambles.

After widespread complaints, the government loosened its mall shutdown order, allowing some businesses such as medical offices and supermarkets to open at regular hours.

The government has also partially shut down state-run steel and aluminum plants.

Chavez said the government will offer incentives for families that use less electricity. He also announced Friday that many public employees will have shorter workdays — from 8 a.m. to 1 p.m. — except those in offices that tend to the public.

The rationing has some concerned. Andres Perez, president of the industrial chamber in central Carabobo state, said he doubts Guri Dam will be permitted to fail, but said many factories are

bracing for the possibility of extended power outages — which could contribute to shortages of some goods.

Some parts of the country have already been enduring regular blackouts for months, as demand has outstripped the electrical supply.

Poleo said Guri Dam's three hydroelectric plants are now producing about 14,000 megawatts instead of the normal capacity of 15,300 megawatts.

"If that dam reaches its critical point, filling it is really a two- to three-year job," he said.

Chavez has blamed the electricity predicament on the El Nino weather phenomenon in the Pacific Ocean, along with global warming. But critics blame the government, saying investments in infrastructure haven't kept up in spite of Venezuela's bountiful oil earnings.

Poleo said investments have been hobbled by a lack of planning, waste and corruption, and that based on his research only about 25 percent to 30 percent of the funds approved for infrastructure upgrades have reached their intended uses.

The government's electricity minister, Angel Rodriguez, was not available to respond to the accusations.

Rodriguez was quoted by the Venezuelan newspaper El Mundo earlier in the week as saying that the government has invested heavily in upgrades, and that many are long-term projects rather than immediate solutions. The government says it has spent about \$16.5 billion since 2002 in the electrical sector to meet rising consumer demand.

Venezuela: The Venezuelan Parliament approved a proposal rejecting the possible aggression to Colombia presented by the Foreign Policy Commission President Roy Daza. The document backs denunciation of President Hugo Chavez on using false positive by Colombia considered a serious threat to sovereignty and security in the region.

In addition, Deputy Calixto Ortega said that the false positive is aimed at sowing evidences in the Venezuelan territory to make the people think that there are guerrilla camps and justify the attack to the country.

Parliamentarians agreed to carry the propaganda at the diplomatic representations accredited in Venezuela, to the UN organization, The Union of Southern Nations, The Organization of American States, The Bolivarian Alliance for the Peoples of Our America and sub-regional and national parliaments of the American continent. The National Assembly expects to spread the referred writing in different media of national circulation and among the different news agencies.

The Venezuelan Vice President Ramon Carrizalez assured this Tuesday that if Venezuela is attacked the Government will give resounding response.

The Venezuelan Government froze its economic relations with Bogota last July 28 for considering it a war threat for the region the fact of providing US troops with the use of seven military bases in Colombia.

Caracas, Venezuela's capital (SANA) – "Venezuela's relationship with Syria is strategic; it isn't restricted to economic and trade cooperation only," Venezuelan Vice President and Foreign Minister Nicolas Maduro Moros said.

Meeting with Syrian Minister of Information Mohsen Bilal on Monday, Moros stressed solidarity with Syria in demanding a full Israeli withdrawal from the occupied Golan and all occupied Arab lands.

Talks during the meeting focused on following up the implementation of agreements signed between the two countries during Venezuelan President Hugo Chavez' visit to Syria last September.

Both sides discussed the establishment of new oil refinery in Homs as well as other agricultural projects including olive oil and cotton.

Promoting media cooperation and broadcasting Syria Satellite Channel through Telesur—a new Latin America-wide satellite TV network were also discussed.

Both sides agreed on holding Syrian-Venezuelan Businessmen Forum next March in Damascus.

Iran has imported gasoline from Venezuela and it is about to receive a second shipment in the coming days, said on Monday the managing director of National Iranian Oil Company (NIOC), Seyfollah Jashnsaz.

The remarks of Jashnsaz, who was quoted by the pro-reform newspaper Etemad, stirs a new controversy between the government and the Parliament, which have differences on the price that Venezuela set for the exports of fuel to Iran.

During his last visit to Iran, President Hugo Chávez agreed to supply 20,000 bpd of gasoline to Iran to help avert the impact of possible US sanctions on the Iranian economy, Efe said.

However, weeks later, the Finance Committee of the Iranian Congress warned that the price offered by the Venezuelan government (USD 800 million) was higher than the market price.

Caracas, Venezuela — President Hugo Chávez announced a sharp devaluation of Venezuela's currency on Friday night, a move that reflects the financial stress faced by his government since the price of oil, the country's top export commodity, fell from its peak as a result of the global financial crisis.

The action, which Mr. Chávez had repeatedly ruled out in the past, came after Venezuela's economy contracted by 2.9 percent in 2009. Hampered by disarray in the oil industry

and nationalizations that have shattered business confidence, the economy is expected to remain sluggish this year even as other large Latin American economies show signs of vibrancy.

“This is all about one objective: revitalizing the productive economy,” Mr. Chávez said in a cabinet meeting that was broadcast live on state television.

Mr. Chávez said he would maintain currency controls and create two different exchange rates for the currency, the bolívar. He also said he would clamp down on black-market currency trading in a bid to slow capital flight; officials have already increased audits of travelers abroad to limit spending of hard currency outside the country.

Mr. Chávez set one rate for most imported items, ranging from cars to construction materials, at 4.30 bolívars to the dollar, a 100 percent devaluation from the previous rate of 2.15. He also announced a separate rate of 2.6 bolívars to the dollar for essential items like basic foods and hospital equipment.

Planning Minister Jorge Giordani said the devaluation was intended to make exports like coffee and cacao more competitive in foreign markets. Independent economists here said the government could also benefit by receiving more bolívars for oil exports, allowing Mr. Chávez to bolster social spending.

But the devaluation could also send inflation higher, by making imported goods more expensive and encouraging arbitrage by traders who seize on speculative opportunities presented by the new dual exchange rates.

Venezuela already has Latin America’s highest inflation rate, at 25 percent in 2009.

Venezuela also has a thriving unregulated market in trading of bolívars, with the currency’s black-market value reaching 6.25 to the dollar in trading Friday amid rumors of the devaluation by Mr. Chávez.

“This announcement does not transmit confidence in economic stability,” said Orlando Ochoa, an independent economist here. “There is still no program in place to control inflation.”

Still, economic analysts here do not see an imminent crisis following the devaluation. Prices for oil, which provides Venezuela with about 90 percent of its export income, have climbed from last year’s lows, settling at more than \$80 a barrel in recent days. Subsidized food and medical care also soften the impact of inflation on the poor.

But other subsidies, including a policy that keeps gasoline priced at less than 10 cents a gallon, drain resources. And private businesses here, fearful of abrupt nationalizations and expropriation threats by Mr. Chávez, are hesitant to increase investments, denying the economy a source of vitality at a time of stagnation and high inflation.

Caracas, Venezuela - President Hugo Chavez threatened on Sunday to seize businesses that raise prices as a result of last week's devaluation of Venezuela's currency.

Economic analysts called the warning a futile attempt to control 25 per cent inflation that is already the highest in Latin America and stands to be worsened by the weakening of the bolivar.

Chavez disputed that his decision to devalue the currency for the first time in nearly five years should spur a sharp rise in consumer prices.

"There is no reason for anybody to be raising prices," he said on his weekly radio and television program.

The socialist leader urged his supporters to "publicly denounce the speculator" and warned business owners that his government would "take over any business, of any size, that plays the bourgeoisie speculation game."

The devaluation aims to stretch oil earnings further by increasing their value in the local currency, and thus help the government counter a recession by boosting spending.

But critics said the measure will unavoidably push inflation even higher.

Oscar Meza, director of the local Cendas think-tank , which tracks economic data, predicted the devaluation would propel annual inflation above 33 per cent this year, with food prices rising as much as 36 per cent.

"It's impossible for prices not to be adjusted," Meza said. "If they aren't adjusted, they'll disappear."

The currency's official exchange rate had been 2.15 bolivars to the dollar since devaluation in March 2005. Chavez set a new two-tiered exchange rate Friday, pegging the bolivar at 2.6 to the dollar for priority goods such as food and medicine and at 4.3 to the dollar for imports of nonessential products such as air conditioners and radios.

Chavez argues the change will discourage imports of nonessential goods and encourage domestic production of items such as food and clothing, which Venezuela mostly imports.

Chavez said he is determined to curb inflation - even if it means deploying the military to prevent price hikes.

The former paratroop commander, popularly known among supporters as "El Comandante," ordered Venezuela's top military official to meet with soldiers and officials of the consumer protection and tax agencies to draw up an "offensive plan" against price rises.

"I want the National Guard to hit the streets with the people to fight against speculation and take measures," Chavez said. He did not elaborate, saying only that the government would consider the possibility of authorizing price increases for some products.

Such drastic measures could be counterproductive, Meza said.

"For all the threats and possible takeover of businesses, it's not going to solve the problem," Meza said. "If they take control of businesses, the problem will only get worse."

Venezuela slid into a recession last year with gross domestic product dipping 2.9 per cent after five years of growth as its all-important oil industry suffered a downturn due to lower production and crude prices.

Opposition leaders said wasteful spending by Chavez's administration forced the devaluation, which will put more cash at the disposal of the government while forcing consumers to reduce their day-to-day budgets.

"Venezuelans, especially the poorest of them, will pay for the devaluation of the bolivar from their pockets," said Luis Ignacio Planas of the Copei opposition party. "The government is acting like a pickpocket, sticking its hands in the pockets of Venezuelans, taking their money to continue financing and paying for an irresponsible economic policy."

The Spanish companies are neither affected by the devaluation of the Venezuelan currency nor by the crisis between the Argentine government and the Central Bank, said Monday the Spanish Foreign Minister Miguel Angel Moratinos.

"These events have not affected our interests," Moratinos said. The Spanish Foreign Minister said that he was "not worried" by the "internal situation" of these countries. Moratinos declined to elaborate on the issue.

The Minister recalled that one of the tasks of the Spanish diplomacy in Latin America is "to defend our economic interests and investments" and "so far we can say that our economic interests have a satisfactory economic and investing status in Venezuela," he added.

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