

# **BUSINESS AND POLITICS IN THE MUSLIM WORLD**

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## Report Summary/Argentina

Argentina's president dismissed the president of its central bank last week when he refused to pay national debt from the bank's national reserves and her decision was challenged in the court. The court has made a commission to review the decision of the country's president. The central bank's president said that he hopes that the commission will review the case independently and without any kind of political pressure. The congressional committee has backed President Kirchner and she is confident that the congress also approves her case. The president Kirchner was blamed that she made it personal hostility as she did not consult it in the congress. The economy minister said that the government is going to appoint the former central bank's president as the central bank's president again. He said the former president has also been the representative of International Monetary Funds.

The president of Argentina set a visit to China in this month but as now as the political tensions have increased, she is not going and sending her foreign minister. Kirchner fears that if she goes, the vice president of Argentina can replace her. The vice president of Argentina came to office in 2008 and was Kirchner's ally but due to the dismissal of Argentina's central bank president, the differences between Kirchner and her vice president has increased and she fears the vice president can do anything after her. According to the constitution of Argentina if the president of the country is not present, the vice president would be the president. Argentina is the largest trade partner of China in the region after Brazil.

The cabinet chief said that the government is not going to nationalize the Telecom Argentina SA but actually it wants to break telecom's monopoly in the local system. The government wants to sell its stakes and not to nationalize it to break the monopoly of telecom as it happens in every part of the world. The chief said that this case is to be taken in congress for approval. The second European telecommunication ETNO lobby is urging European Commission to intervene in this issue.

Argentina's foreign ministry has summoned the British ambassador to protest with him as the Falkland Oil and Gas Ltd. has started drilling in the Falkland Island in the Atlantic Ocean near Argentina. There have been some wars between Argentina and U.K on this island in the time of Margaret Thatcher and in 1982. Hundreds of soldiers from both sides had lost their lives in that war. The issue again has been started as the Falkland Oil and Gas Ltd. started drilling in the offshore of the island.

The peso in Argentina has been declined in a clash between the president of Argentina and the president of Argentina's central bank. It is considered by the business class of Argentina that the dismissed president Roderso was better for Argentina's economy and trade. Roderso was appointed by Argentina's former president and the husband of current president of Argentina and he uplifted Argentina's economy. But in a recent clash between government and the central bank, the economy is again declining continuously.

## **Report Summary/Brazil**

Brazilian president de Silva was awarded a Global Statesmanship Award at the World Economic Forum Annual Meeting 2010 in Switzerland. Due to his sickness he could not go to attend the meeting but he sent his foreign minister. De Silva said that the award has increased my responsibility more than before. He also said that to overcome poverty and bring prosperity in the country is just with development. Brazil's middle class has come up to 31 million and 20 million have come out of absolute poverty.

The government of Brazil has been very serious about Haiti's quake since beginning. It has sent a huge quantity of food, medicine, medical supplies, and mobile care units etc. and now the government is sending a team of doctors which will work with Haiti's ministry of health. Brazilian government has started a US\$ 78 million project initially proposed by the Ministry of Health to support the restructuring of the health system in Haiti and under its basic deployment are 10 emergency care units, 50 mobile services units, one laboratory, and a hospital. Brazilian government is trying its best to uplift the health system of the country.

The economy minister of Brazil said that Haiti cannot live just on foreign aid for years so it has to build its own domestic market. The minister said to uplift Haiti's economy and to run its trade is possible by Haiti independently if the importers of Haiti's products don't get import taxes from 15 to 20 years.

A delegation of Brazilian politicians is going to pay an official visit to U.K to meet the former prime minister Tony Blair. The purpose of this visit is to get guidance about the Olympic Games which are going to be held in 2016. The governor of Rio will have a grilling session with Blair as he was the prime minister when London was bidding. The governor of Rio has taken several measures to make Rio clean from cartels and he has utilizing more funds to strengthen police. The Brazilian officials' meeting with is criticized by a writer. He said we should not get opinion of Blair regarding Olympic Games as he is the war criminal of Iraq and Afghanistan.

According to a poll, the nominated presidential candidate from the current president de Silva got a sudden increase in her favor as compare to Serra which is the state governor of Sao Paulo. Rouseff is the candidate of Brazil's Social Workers Party and she is getting full advantages of the achievements of de Silva. An economist told that she can get cash of de Silva's economic achievements. Due to de Silva's achievements, she got more points from Brazilian citizens in a poll.

Barrack Obama is expected to visit Brazil in the mid of this year. Actually he is coming in the tour of Latin America but he will send its secretary of State Clinton to discuss cooperation in trade and investment. The secretary of State has called the president of Brazil as the major leader of the region and told his services in energy and environmental issues.

The leaders of BRIC countries are going to meet formally in the capital of Brazil in second time. BRIC countries are world's emerging powers which met first time in 2009 in the capital of Russia during the time of worlds' financial crisis and second meeting is going to be held in Brazil in April 15, 2010.

Brazilian government has issued a license to build a hydroelectric dam in the area of Amazon in Brazil. It is said that it will leave the negative impacts on the environment. As the environmentalists say that the third largest dam of the world will make divert in the Xingu River which can destroy the property of native Indians and even their lives. But the government says that it will provide the electricity to 23 million homes and as for as environment is concern, the government said that those who will get the charge of this dam, they will have to pay millions of dollars for the protection of environment.

### **Report Summary/Mexico**

US Mexico border is the main source of the Mexican cartels' strength. If the both nations get deeply concerns on the border, the violence in Mexico and the drugs in US can be controlled. The Mexican drug cartels earn heavy money from US by selling their drugs and 90% of their modern weapon is brought from US. Mexican government should train its border forces and they should be provided latest weapon and other equipments to control its land and sea borders. US government should also spend money for border security to make its country clean from drugs.

Hale writes in his article that the war against drug cartels by Calderon is going towards its victory. He argues that the Mexican forces have killed the boss of the most powerful drug cartels in an apartment near Mexico City and after a few weeks his brother was also captured. Just like that some other cartels' bosses have also been killed and no doubt the violence has increased but we see the drug cartels which were considered very strong and not defeat able are also crack downed. Mexico is fighting this war on the back of US and as the drug cartels are facing problems in Mexico, they are moving in the Southern states of United States. He alarms to the US government to intensify its efforts to tackle the drug cartels and keep strict security on its border.

The drug gangs attacked on a party of school children in a school and slain 15 children at the spot. Ciudad Juarez is the border city of Mexico which has become the hub of drug cartels and violence in Mexico. Almost 17,000 people have been killed in the war against drug cartels and most of them belong to this state. People are very angry there and challenged that the president of Mexico cannot spend even one day without his bodyguards. They also say that president's war against drug cartels is in loss as the violence has increased and the drug business is still continue even after losing thousands of lives.

The senators of opposition have demanded explanation of this massacre which has taken the lives of 15 teenagers and adults. They are asking to the government that how it is possible in the presence of hundreds of soldiers in that state. The attorney general has also said that the shootings can also be linked with the drug cartels. Chihuahua State of Mexico has been the most violent state where crimes and violation is more than any other state of Mexico. According to an estimate, more than one third of total killings in Mexico occurred in this state.

The human rights organization in USA and Mexico has brought many cases before scene in which women were victimized by the security forces deployed by the government of Mexico in the border areas to control the violence by the drug cartels. Many women are the victims of sexual harassment and killings besides other kinds of abuse. Some women victims are mentioned in which they were captured by the security forces and displaced. U.S and Mexican government signed a pact with the name of Mérida Initiative, which is a three-year 1.4 billion dollar

assistance package to Mexico and Central America to fight organized crime and drug trafficking. It also gives protections to women but it is not followed properly.

Since president Calderon intensified war against drug cartels and deployed more soldiers in the border areas, such cases have also increased. Human rights organizations mentions that the security forces enter in the houses of public, capture their men and boys, and to pursue their relatives women have to go after them.

The Mexican Revolutionary Democratic Party has submitted a bill in the Mexican congress to ban the twitter. The party argues that it is a social blog which is also used by the drug cartels. By using this drug cartels are communicating fast with their network. So if the violence and drug smuggling is to be reduced in the country then there is need to ban this blog. The bill is in congress with no debate on it.

The mayor of Mexico City is defending the same-sex marriage. He said the same-sex marriage is not prohibited in the constitution of Mexico, so if the people want this there should not be any restriction in it. But a class of Mexico is opposing this issue including Roman Catholic Church and federal prosecutors. They are arguing that it is against the values of Latin culture so the same-sex marriages should not be allowed in the country. Mexico is the first Latin American country which is giving a legal form to the same-sex marriage and the first same-sex marriage is going to be held in May in Mexico.

The ousted president of Honduras Manuel Zelaya had requested to the Mexican government for the political asylum in Mexico but the government denied his request that he is not president now. Lobo was elected as the new president of Honduras in an election conducted by the military but Zelaya and some other countries refused to recognize Honduras election.

The president of Mexico's central bank and the country's finance ministry jointly held a press conference and urged to boost Mexico's foreign reserves. As the US economy grows up, the Mexican peso also gets strengthen. It is considered that if the US economy don't decline or remain stable, Mexican peso will get more strength as US economy influence much due to trade between both countries.

President Calderon said that UN conference of parties on climate change is going to be held in Mexico in this year. He said there is need to develop a trust among the countries and we should forget the previous guilty and focus on future to meet the current challenges of environment. The president was speaking in a conference in London.

### **Report Summary/Venezuela**

The Socialist Party of Venezuela strictly denounced the violation protests in Venezuela by the opposition party. The leader of the United Socialist Party of Venezuela made a speech and said he and his party are grief on the death of the students in violation and condole with their families. He also said that the opposition wants the deaths and killings to weak the government.

Chaves says he is going to build a socialist state quickly. He has even declared himself as Marxist. But the growing problems may not allow him to stay more in the office. Since he has nationalized the telecommunication and electricity sector, the worries has surrounded him and

the currency is also declining. Government is doing efforts to uplift the currency values. It is trying to form an alliance between the public and private sectors under the government plan to reduce imports and also foster non-traditional exports. In this time his companions are getting far from him as one of his allies has resigned recently from the vice president seat and most of his cabinet ministers are running two ministries in one time. Some are demanding him to resign. But one of his strategic partners Cuba sent one of his Minister of Technology to overcome the electricity crisis.

Colombian government has made a strict and formal protest with the government of Venezuela on the violation of its airspace by the Venezuelan air force. Venezuelan air forces violated the air space of Colombia by entering a helicopter in its space. The defense minister praised for his forces who did not responded. Tensions between both countries have been increased from last year when Colombia blamed on Venezuela on supporting FRCS a rebel group of Venezuela. Also Venezuela shouted on Colombia when it allowed US army to come in its country.

The Inter-American Press Association (IAPA) has criticized the action of Venezuelan government by sanctioning on TV channels. Chavez has sanctioned on six TV channels which were directly hitting government. IAPA said that this is totally against the independence of media. Also the Venezuelan press declared a disaster zone where media has not independent in speech and practice. Socialism is blamed for the control of media and sanctions on it. In this critical stance, The Inter-American Commission on Human Rights has said that the government should avoid sanctioning media TV channels and use of force against the protestors in Caracas.

Anti Chavez and anti socialism banners are hanging in Venezuela's streets since Venezuela is surrounded in miscellaneous problems. According to a survey of Latinobarometro only 27% people have a favorable opinion about Chavez but the figure was more than double last year. Chavez failed to control the country properly as water, electricity, oil and media problems flamed peoples' emotions so they are protesting now in thousands numbers. After the death of student protestors students are going to arrange another protest against government. So a series of criticism on Chavez has started now. Despite it all, Venezuela is still the leading power of Latin America against US which is opposing almost its every policy like free trade in the region, counter drug and counterterrorism cooperation, military training, and security initiatives, and even US assistance programs.

The newly elected president of Chile, Sebastian has also been criticized on Chavez that there is no democracy in Venezuela. Even now his own cabinet's former members like foreign and defense ministers have criticized on Chavez that he is in office since 11 years and has become an autocratic, totalitarian and governing in self-centered way. They said his careless use of language becomes intolerant, pity and hateful. In spite of all these criticism, Chavez is still most popular politician due to his home works such as aided by populist programs including cash benefits for single mothers and health clinics staffed by Cuban doctors. His opposition is considered weak whom he has challenged if they consider Chavez has no more right to stay, why don't they conduct a referendum?

On the other hand it is argues that the US presence in Colombia is by an agreement Forward Operating Locations (FOLs) of 1999 that US air force can use Colombia's air bases like Aruba and Curaçao to control drug cartels. But originally US is using these bases to check and

spy of neighboring socialist countries as many times spy planes are found on Venezuela. Netherland is not a country which is giving its air bases to US for the control of drug cartels but it is the best ally of US after UK. Netherland's forces are helping US forces with the invasion of Iraq and Afghanistan. Chaves accuses USA to support a unsuccessful military coup.

Apart from this the Dutch newspapers are propagating fully against Chavez and declaring him the "war-mongering" president. Authors like Noam Chomsky and Eva Golinger pointed out that the US forces are not fighting the war against the drug cartels but against the guerilla movement in Colombia. The drug ratio even increase in the presence of US forces in the region.

The deputy prime minister of Russia told that Russia and Venezuela has started a joint venture pumping oil in Venezuela with \$20 million. The Venezuelan oil company Petroleos de Venezuela SA gets ownership of 60 percent and the Russian group 40 percent. It has also joined a project with Russia for three 400,000- barrel-a-day projects in the Carabobo that are the areas of the Orinoco. Venezuela is offering international oil companies to explore oil from its oil rich belt Orinoco, a tract the size of Costa Rica that contains more than 1 trillion barrels of tar-like crude. Venezuela's oil and energy minister visited Beijing to offer China to invest in Venezuela's oil fields. Already both countries are having close energy ties which shaped another oil pact recently.

### **Detailed Report/Argentina**

**Jan. 28 (Bloomberg) -- Argentina's central bank President Martin Redrado said he hopes he gets a fair shake from a congressional committee that is examining a presidential decree firing him from the institution.**

"I hope that members of the committee are free from political pressures," Redrado told reporters today after he finished his testimony to the three-member commission in Buenos Aires. "I had the opportunity to explain, with absolute freedom, the reasons and technical arguments that show that the board of directors has acted within the law."

President Cristina Fernandez de Kirchner issued a decree on Jan. 7 that dismissed Redrado for not backing her plan to use \$6.6 billion of central bank reserves to pay debt due this year. A judge blocked the decree the following day.

The congressional committee, which must make a non-binding recommendation concerning Redrado's dismissal, will resume its meetings tomorrow, lawmaker Gustavo Marconato told reporters. He said he plans to issue his opinion on the case tonight and declined to give an estimate on when the committee will issue its final recommendation.

Jan. 30 (Bloomberg) -- Argentina's central bank President Martin Redrado resigned last night after a standoff with the government over its plan to use \$6.6 billion in reserves to pay debt due this year. "I have followed the Constitution, the law and the central bank rules," Redrado said during a press conference in Buenos Aires. "My cycle has ended at the bank." President Cristina Fernandez de Kirchner tried to fire Redrado, 48, by decree on Jan. 7 for not backing her plan to tap reserves. A judge halted the measure the following day, saying Fernandez hadn't notified Congress as required in the central bank charter. A bicameral commission, whose decision isn't binding, began discussing the decree on Jan. 26. Economy Minister Amado Boudou has said the government intends to name former central bank President Mario Blejer, who also worked at the International Monetary Fund and the Bank of England, to replace

Redrado. Central Bank Vice President Miguel Pesce has been running the institution since police barred Redrado from entering its headquarters on Jan. 24.

“The government tried to destroy the central bank,” Redrado said last night.

The peso slid 0.3 percent yesterday to 3.8305 per dollar from 3.8202. The yield on Argentina’s 7 percent dollar bonds due in 2015 slid 79 basis points to 12.96 percent, according to JPMorgan Chase & Co. Financial markets closed before Redrado’s announcement.

Blejer today declined to comment when contacted by Bloomberg News in Davos, where he is participating at the World Economic Forum’s annual meeting.

#### Reserves Rose

Cabinet Chief Anibal Fernandez said on C5N television that it wasn’t up to Redrado to resign. The official said President Fernandez would decide whether to remove the banker after she receives the commission’s report. Central bank reserves almost tripled under Redrado to more than \$48 billion. Appointed in 2004 by Fernandez’s husband and predecessor, Nestor Kirchner, Redrado was the country’s longest- serving central bank chief since Argentina’s financial crisis in 2001, when it defaulted on \$95 billion in bonds. His term was due to end in September.

Under Harvard University-educated Redrado, the central bank helped navigate South America’s second-biggest economy through the 2008 and 2009 global financial crisis. Yet he was unable to rein-in inflation that accelerated under Kirchner and Fernandez, said Boris Segura, a Latin America economist with RBS Securities Inc. in Stamford, Connecticut.

#### High Inflation

“Despite being independent on paper, in Argentina the central bank lost its independence over the past decade,” Segura said in a Jan. 22 telephone interview. “Redrado is responsible for that because he never stood up to the Kirchners until it was very late.” Government reports say inflation peaked at 12.3 percent in 2005 and fell to 7.7 percent in December 2009. Economists and politicians, including Vice President Julio Cobos, say the official data underestimates consumer prices. Annual inflation accelerated to as much as 30 percent in 2008 before slowing during the past year, economists, including Juan Pablo Fuentes at Moody’s Economy.com, said.

Redrado said last night that the high rate of inflation was caused by government policies and wasn’t the fault of the central bank. He said he had resisted pressure to let the peso weaken because that would have led to even faster price increases. His policy of a “managed floating” exchange rate was vital to ensuring the country’s financial stability given Argentina’s history of financial crises, he said.

Redrado, who had previously been a deputy foreign minister and chief of the country’s securities and exchange commission, had said he wanted to review Fernandez’s plan to use the reserves to ensure that it was legal and that the money wouldn’t risk being embargoed by investors who own the country’s defaulted debt.

He said last night that he planned to work as an economist in Argentina and abroad.

A spectacular political bust- up with former allies has forced Argentina’s president Cristina Kirchner to cancel a visit to China in order to avoid leaving her own vice-president in command of the country during her absence.

The two fell out in 2008 and are now on opposite sides of a bitter row over the president's attempts to sack the head of the country's central bank, a move vice-president Julio Cobos opposes.

This week Ms Kirchner was to have led a high-powered trade mission to Argentina's second-biggest export market after Brazil, visiting Beijing and Shanghai and meeting Chinese political and business leaders.

However she sent her foreign minister instead, lest Mr Cobos use her absence to frustrate attempts to eject the central bank chief, another former ally with whom Ms Kirchner has recently fallen out.

Under Argentina's constitution, the vice-president has executive authority when the president is out of the country.

Explaining her decision to reporters, Ms Kirchner said: "It is a great error when the vice-president does not exercise the role assigned to him by the constitution and, not only has he converted himself into the leader of the opposition, but also directly obstructs and blocks the measures of the presidency."

The opposition decried the decision as the latest example of how Ms Kirchner's divisive and high-handed style of governing is undermining Argentina's image abroad.

From the opposition Radical party, Mr Cobos was Ms Kirchner's running-mate in her landslide victory in 2007 when her husband and predecessor Nestor Kirchner used bulging government coffers to buy support from across the country's political spectrum.

Once in power, though, Ms Kirchner shut her vice-president out from her inner circle. Mr Cobos retaliated in July 2008 by casting the deciding vote in the senate to defeat her attempt to increase taxes on farm exports, as she sought to replenish coffers depleted by runaway government spending and the global downturn.

Since then the two have not spoken and Ms Kirchner openly calls Mr Cobos a leader of the opposition. The dispute over the controversial taxes led to a major erosion in political and popular support for Ms Kirchner from which she has not recovered.

The latest clash over control of the central bank follows Ms Kirchner's summary dismissal of its president earlier this month when he refused to pay \$6.7 billion (€4.8 billion) of bank reserves into a special fund designed to assure foreign investors that Argentina will meet large debt repayments which fall due this year.

Martín Redrado challenged his sacking in court, claiming the central bank was independent and he could only be removed after consultation with congress. Legislators held hearings this week, with the president and vice-president trying to rally their supporters in the fragmented congress for and against the bank chief.

Mr Redrado had been seen as a loyal supporter of the president, vouching for inflation numbers that most Argentines and financial markets believe are manipulated in order to hide spiking prices and reduce interest payments on inflation-linked bonds.

However, in an interview published on Monday by the country's biggest-selling newspaper, Mr Redrado was quoted as threatening to reveal "specific lists of friends of power that bought dollars", which was widely interpreted to mean persons linked to the Kirchners who have funneled money out of the country.

Accusations of corruption against the first couple and their circle have multiplied in recent months. The Kirchners declared last year in a disclosure required by law that their personal wealth had increased by 605 per cent to €8.5 million since Nestor Kirchner assumed the presidency in 2003.

Mr Redrado's lawyer denied that he had made the threat.

Argentina doesn't plan to nationalize Telecom Argentina SA but will do whatever is necessary to force compliance with an antitrust commission order to end a monopoly in the local telecommunication sector, Cabinet Chief Anibal Fernandez said Monday.

"The goal was never to [nationalize Telecom], the goal was that Telecom, or better said Telefonica, complies with the order to sell the stake that it has to sell, like in any part of the world when there's a monopoly," Fernandez told Radio Continental.

However, "when the moment arrives, the decision that needs to be taken will be taken," he said.

Last month, the government issued a stark warning that it will ask Congress to cancel the operating license of Telecom Argentina if the antitrust dispute gets embroiled in the courts.

Argentina's antitrust commission, the CNDC, has ordered Telecom Italia SPA to sell its stake in Telecom Argentina, saying the local telecommunications market became a monopoly after Spain's Telefonica SA bought a minority stake in Telecom Italia. The two European firms each have stakes in the two largest Argentine telecom companies, Telefonica de Argentina SA and Telecom Argentina.

But Telecom Italia is fighting hard against the order and obtained a lower court ruling suspending the Aug. 25 CNDC deadline for selling the stake.

The company is also piling on the pressure overseas.

On Wednesday, European telecommunications lobby group ETNO urged the European Commission to intervene in the dispute.

"We urge the commission to undertake all possible actions towards the Argentinean government in order to make it clear that a safe and reliable legal and political framework is a fundamental condition for all existing and future European investment in this country," ETNO said in a letter to the commission.

The U.S. Securities and Exchange Commission is also investigating the forced sale.

**Feb. 2 (Bloomberg) -- Argentina's Foreign Ministry summoned the U.K. ambassador over plans by Falkland Oil & Gas Ltd. to start drilling a well near the islands in the Atlantic Ocean.**

Argentina will issue its "most energetic protest against the imminent start of drilling" near the Falkland Islands archipelago, the ministry said in an e-mailed statement. The islands, known as the Islas Malvinas in Argentina, lie about 480 kilometers (298 miles) off the South American mainland and are claimed by Argentina as its territory.

Falkland Oil & Gas and partner BHP Billiton Ltd. expect to begin drilling in their Toroa offshore field in April, Chief Executive Officer Tim Bushell said in an interview last month.

Argentina, which fought a war with the U.K. over the Falklands in 1982, has repeatedly protested efforts to explore for energy deposits off the islands. In 2007, then President Nestor Kirchner voided a 1995 oil and gas exploration agreement with the U.K. that had been suspended for five years.

"The Foreign Ministry reiterates its sovereign rights over the Malvinas Islands, South Georgia and the South Sandwich Islands and the sea surrounding them, which form a part of its national territory," the statement said.

A message left by Bloomberg News at the U.K.'s Embassy in Buenos Aires wasn't immediately returned.

#### Argentine Claim

Argentina traces its ties to the Falklands to 1820 when Colonel David Jewett claimed possession in the name of the United Provinces of the Rio de la Plata. England assumed military control of the archipelago in 1833, evicting Argentine authorities the following year, Argentina's Foreign Ministry said on its Web site.

Argentine military dictator Leopoldo Galtieri ordered the invasion of the Malvinas on April 2, 1982. Argentine troops were defeated by British forces on June 14, 1982. The two-month conflict took the lives of 255 British and 649 Argentine soldiers.

The British victory bolstered the government of then U.K. Prime Minister Margaret Thatcher, known as the "The Iron Lady," and helped her win elections the following year.

Buenos Aires, Feb 2 (Reuters) - An Argentine congressional committee backed President Cristina Fernandez's firing of former Central Bank chief Martin Redrado, who had opposed a government plan to use foreign reserves to pay debt, local media reported on Tuesday.

The committee's recommendation is non binding but a necessary step for Fernandez to appoint a permanent new Central Bank chief and overcome a crisis that had raised doubts over the government's plan to launch a swap of defaulted debt.

The Fernandez administration is confident that, with Redrado replaced, Congress will approve in March her controversial plan to use part of the country's \$48 billion foreign reserves to create a \$6.6 billion fund to pay debt.

The committee backed the firing of the former central bank chief two votes against one, TN television and state news agency Telam said, citing congressional sources.

Feb. 1 (Bloomberg) -- Argentine bonds rose the most in six weeks as Central Bank President Martin Redrado's resignation eased concern a standoff with the government will delay plans to restructure \$20 billion in defaulted debt.

The peso declined, touching an almost five-month low, as investors bet the government will pursue a weaker currency without Redrado.

The yield on Argentina's 7 percent dollar bonds due in 2015 dropped 70 basis points, or 0.7 percentage point, to 12.76 percent at 3:30 p.m. in New York, according to JPMorgan Chase & Co. The bond's price jumped 2.35 cents on the dollar, the most since Dec. 16, to 79.6 cents.

Redrado quit Jan. 29 after President Cristina Fernandez de Kirchner tried to fire him by decree on Jan. 7 for failing to hand over \$6.6 billion of reserves to pay debt due this year.

"His resignation last week has helped calm some of jitters on concerns that the political crisis might deepen," said Paul Biszko, an analyst with RBC Capital Markets in Toronto. "It's a positive."

Federal Judge Maria Jose Sarmiento on Jan. 8 suspended Fernandez's order to fire Redrado and tap reserves, ruling that Congress should be involved in such decisions. A congressional committee that met last week to examine Fernandez's decree continues its investigation tomorrow.

Fernandez's plan to use reserves eased investors' concerns over debt payments in a country that has been unable to tap international credit markets since its record \$95 billion default in 2001. Argentina is seeking to sell bonds abroad once it has restructured.

'Uncertainty'

Redrado, a Harvard University-trained economist, announced his resignation at a press conference in Buenos Aires after markets closed.

The dispute between Redrado and the government caused bond prices to drop "on uncertainty about debt payments," said Enrique Alvarez, head of Latin America fixed-income research at IDEAglobal.

"Redrado's resignation is a positive event," Alvarez said yesterday in a telephone interview from New York. "There was a slight recovery on Friday on speculation about Redrado's departure and I believe bonds will" continue to rise.

The government wants to name former central bank President Mario Blejer to replace Redrado, Economy Minister Amado Boudou, 47, has said. Blejer, 61, who also worked at the International Monetary Fund and the Bank of England, declined to comment when contacted by Bloomberg News Jan. 30 in Davos, Switzerland, where he was attending the World Economic Forum.

Fernandez's Plan

Central Bank Vice President Miguel Pesce, 47, has been running the institution since police barred Redrado from entering its headquarters on Jan. 24.

Congress will debate Fernandez's plan to tap central bank reserves when lawmakers return from their summer recess in March. Fernandez's coalition lost its majority in both houses of Congress in mid-term elections last June.

"From a credit point of view, it is clearly positive that the government is willing to go to these lengths to pay debt," Gabriel Torres, an analyst at Moody's Investors Service in New York, said in a phone interview yesterday. "It will be up to the Argentine political system to decide if this is the correct use" of reserves.

Investors speculated today that the central bank will allow the peso to weaken against the dollar more quickly now that Redrado has left, said Gustavo Quintana, a currency trader with Lopez Leon Brokers in Buenos Aires.

#### Peso Falls

The peso fell 0.2 percent to 3.8384 per dollar from 3.8305 at the end of last week. It touched 3.8565, its weakest intraday level since Sept. 14.

"People are buying dollars in anticipation of devaluation in the future," Quintana said. The central bank sold short-term dollar future contracts to shore up the peso, he said. A central bank spokesman did not immediately return a call seeking comment.

Fernandez's opposition has missed a chance to use the dispute over reserves to adopt a united stance now that the balance of power has changed, said Enrique Zuleta Puceiro, president of Buenos Aires-based pollster OPSM.

"The crisis has shown that the opposition lacks a joint strategy and is deeply divided over what to do," Zuleta Puceiro said in a phone interview yesterday.

#### 'Constitutional Mandate'

In his resignation letter, Redrado said his refusal to accept dismissal by Fernandez and the subsequent creation of the congressional committee had ensured that "from now on, it is Congress who must decide, through Constitutional mandate, the fate of the central bank, its reserves and the policies that shall be applied in the future." Under Redrado, who was appointed in 2004 by Fernandez's husband and predecessor, central bank reserves almost tripled to more than \$48 billion.

Access to reserves would give Fernandez more freedom to spend, said Goldman Sachs Group Inc. economist Alberto Ramos.

"From the narrow perspective of a bondholder it increases the possibility that they will pay," Ramos said yesterday in a phone interview from New York. "From a broader perspective the reason the government wants the reserves is to maintain spending at a very high level."

### **Detailed Report/Brazil**

Davos-Klosters Switzerland, 29 January 2010 – On behalf of President Luiz Inácio Lula da Silva, Brazilian Minister of Foreign Relations Celso Amorim accepted the first Global Statesmanship Award at the World Economic Forum Annual Meeting 2010. "This award increases my responsibility as a leader, and my country's responsibility as an increasingly

present and active player on the global scene,” Lula da Silva said in a prepared text read by Minister Amorim.

The address offered an overview of the accomplishments of the Lula da Silva administration since his first appearance at the World Economic Forum Annual Meeting in Davos seven years ago. He noted that “Thirty-one million Brazilians have joined the middle class and 20 million have been lifted out of absolute poverty” in that period. “I would like to stress that the best policy for development is the fight against poverty,” he said. “It is also one of the best recipes for peace. And we found out, last year, that it is also a powerful shield against crises.”

He added: “This lesson learned by Brazil is applicable to any part of the world, be it rich or poor.” The recipe would focus on “broadening opportunities, increasing productivity, expanding markets and strengthening the economy,” he said. “It means changing mentalities and relationships. It means creating factories of jobs and citizenship.”

On the global stage, Lula da Silva called for decisive leadership from his fellow heads of state on issues such as climate change and efforts to address the fundamental causes of the economic crisis. “We were elected to govern and we have to govern,” he pointed out. “But we have to govern with creativity and justice. And we have to do this now, before it is too late.”

The presence of the Brazilian Government's response to Haiti's plight has been strong, with ongoing donations of food, medicine, and medical supplies, emergency care units, and mobile services. Just approved is a longer-term project to restructure the health system and the deployment of PAHO/WHO experts to work with Health Cluster personnel in Haiti.

On 26 January 2010, the Government of Brazil approved a US\$ 78 million project initially proposed by the Ministry of Health to support the restructuring of the health system in Haiti, with a proposed initial deployment of 10 emergency care units, 50 mobile services units, one laboratory, and a hospital, in addition to the restructuring of the country's system of epidemiological and environmental health surveillance. On 29 January 2010, Dr. Carlos Felipe D'Oliveira, adviser to the Brazilian Ministry of Health, is set to travel to Haiti, where he will work closely with Haitian Ministry of Health officials in restructuring health services.

In addition to this project, on an ongoing basis, Brazil has been sending donations of medicines, food, and medical supplies and provided a mobile hospital. On-ground Brazilian support is being coordinated by BRASBATT (Brazilian Battalion in Haiti).

In the immediate hours following the earthquake, PAHO/WHO-Brazil established a Haiti task force to work with local Brazilian institutions, PAHO's Emergency Operations Center in Washington, D.C., and the U.N. Emergency Team (UNETE) to ensure the most efficient and effective response to this emergency. To support the work of Health Cluster in Haiti, PAHO/WHO-Brazil sent Dr. José Moya, an expert on epidemiology and health surveillance systems evaluation, and Dr. Christopher Rerat, a medicines and medical supplies specialist, to the country on 23 January 2010. PAHO/WHO-Brazil hopes to expand the dialogue and continue strengthening cooperation between the Health Cluster in Haiti and the Brazilian Medical Mission in the days, weeks, and months ahead.

The former British prime minister Tony Blair is scheduled to have a grilling of a different kind on Saturday - meeting a delegation of politicians from Brazil and the 2016 Rio Olympic Games.

The governor of Rio Sergio Cabral and the Brazilian minister for Sport Orlando Silva said they were meeting Mr Blair in London to quiz him about his Olympic experiences.

"The purpose of meeting Mr Blair is because he was the prime minister when London was bidding and he was involved when London won the bid. He has a lot of where from where he stood... there is a lot to absorb, the impact of integrating the organizing committee with the government - this is a very strong point we are taking back with us," Mr Silva said.

The Brazilian delegation spent Friday talking to London Olympic organizers, whom they said were the "inspiration" behind their own Olympic bid.

Mr Cabral stressed the security of Rio and the new measures, underpinned by several government funding projects that was strengthening the police presence, and ridding the city of Rio of its private drug lord 'police'.

He said the drug trade was an issue globally, not just for Brazil, but the government was treating Rio de Janeiro sensitively. There was also new funding for infrastructure projects including energy and power supply to prevent the widespread blackouts previously experienced by the city.

Feb. 1 (Bloomberg) -- Brazilian Cabinet Chief Dilma Rousseff surged in a presidential poll taken in January as voters become increasingly aware that she's President Luiz Inacio Lula da Silva's chosen heir to lead the country.

Rousseff narrowed the gap with Sao Paulo Governor Jose Serra in a runoff to 7 percentage points from 19 points in November, a poll by Sensus for the National Confederation of Transport reported today. Serra, who hasn't announced his candidacy, now commands 44 percent support to 37 percent for Rousseff compared with 47 percent to 28 percent late last year.

Lula, barred by the constitution from a third consecutive term, has been traveling with Rousseff, 62, seeking to boost her visibility as the candidate of his Workers' Party to a public unfamiliar with her. Serra, the governor of the wealthiest and most populous state, belongs to the opposition Social Democracy Party, which held the presidency from 1995 through 2002. He lost a presidential runoff in October 2002, taking 39 percent of the vote to Lula's 61 percent.

"People who approve of Lula's government are starting to identify her as a candidate," Leonardo Barreto, a political researcher at Universidade de Brasilia said in an interview. "Lately, everything that is announced by this government has Dilma's face. Even the press is covering her more often now."

### Popularity Transfer

Lula, who has the highest approval rating ever scored by a Brazilian president, is managing to transfer some of his popularity onto Rousseff with the October election still nine months away, Ricardo Guedes, president of the polling institute Sensus, said today.

"As the government's candidate, Rousseff is also profiting from the country's current economic growth," he said.

After recovering from its deepest recession since the 1990's in the second quarter of last year, Latin America's biggest economy will expand 5.8 percent this year compared with 0.2 percent last year, according to central bank estimates.

Vice President Jose Alencar said Rousseff's surge in the polls was to be expected.

"There is a rational desire to guarantee the continuity of this administration," Alencar told reporters today in Brasilia. "Lula is getting applause for the job he's done throughout the country and there are still lots of places Dilma hasn't been."

Like Lula, Rousseff is a former trade union leader from the socialist Workers' Party.

In the 1960s, she took up arms against the military regime and belonged to a clandestine group known as VAR-Palmares, famed for its raid on the cash-filled vault of then Sao Paulo state Governor Ademar de Barros in July 1969. Former guerrilla comrades say her role in the robbery wasn't prominent. She was imprisoned and tortured by the dictatorship.

### Economic Intervention

JPMorgan Chase & Co. said in a report last month that as president, Rousseff would likely increase state "intervention" in the private sector and that Serra would probably do a better job addressing the country's long-term economic challenges.

In 2003, during her first year in Lula's government as energy minister, Rousseff produced a new regulatory model for the electricity industry, expanding the role of the state. She became Cabinet chief in June 2005.

The race to succeed Lula will be a key driver for Brazil's markets this year, JPMorgan said, 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.

The report predicted Lula's popularity would help Rousseff as she becomes identified with the government's most important programs: a plan to create 1 million homes for low-income families, an infrastructure drive known as the Growth Acceleration Program and offshore drilling for oil, JPMorgan said.

### Little Known

Still, as Rousseff seeks her first elected office, she is unknown or little known by 67 percent of Brazilians, according to a poll by Ibope research institute from December 2009.

When asked by Sensus to name their presidential choice without prompting, 9.5 percent of those polled cited Rousseff, while 9.3 percent named Serra. While there's no statistical significance in the difference, it's the first time that she had passed Serra numerically.

Once Rousseff starts campaigning on her own, it's questionable whether she can maintain her numbers, political scientist Joao Paulo Peixoto, a professor at Universidade de Brasilia, said.

“It’s too early to tell, but she has never been candidate before and charisma, which Lula’s personality is full of, is something you can’t transfer,” Peixoto said.

The CNT/ Sensus poll, published today, surveyed 2,000 people from Jan. 25 to Jan.29 and has a margin of error of 3 percentage points.

Brasilia, Brazil (AP) -- Brazil's best-known writer is making it clear he doesn't want Britain's former Prime Minister Tony Blair involved in planning for the 2016 Olympics in Rio de Janeiro.

Paulo Coelho has expressed outrage at proposals to hire Blair as an adviser for the games, sending Twitter messages that called the former British leader a "war criminal" for his involvement in the Iraq war and saying Brazilians should be able to handle planning on their own.

Rio state Gov. Sergio Cabral says Coelho is a fine author, but said Rio can use the organizational skills of a political leader who won the 2012 games for London.

Coelho was part of the Brazilian delegation that successfully lobbied for the 2016 games, beating bids from Chicago, Madrid and Tokyo in October.

Blair's spokesman, Matthew Doyle, said Tuesday that the former British leader had met with Brazilian representatives, but that no deal had been sealed for Tony Blair Associates to act as an adviser to the 2016 games.

Doyle did not respond to Coelho's criticism, but said that if a deal is struck, funds would come from private sources, not Brazilian governments.

Coelho has sold 100 million books in 150 countries. He spends much of his time in France, but has a beachside apartment on Rio's famed Copacabana beach.

Brazil's Foreign Relations Minister Celso Amorim said Monday Haiti cannot live on international help forever and the country needs to build its economy.

Amorim urged the international community to make joint efforts to rebuild the Haitian economy. The minister said he believes that Haiti needs not only financing, but also a domestic market for its own products.

At a meeting of the World Economic Forum last week, Amorim proposed that all countries, if they are capable of doing so, should exempt Haitian products from import taxes for 15 or 20 years to help boost Haiti's economy.

"I think the proposal was well-received," he said.

The devastating earthquake on Jan. 12 was believed to have killed over 170,000 people,

including 21 Brazilian citizens. Among them, three were civilians and 18 were military personnel on a UN peacekeeping mission in Haiti.

Brasilia. U.S. President Barack Obama will pay an official visit to Brazil in the middle of this year to expand U.S. relations with Latin America, Xinhua News Agency informed. Before Obama's visit, U.S. Secretary of State Hillary Clinton will come to Brasilia in the first half year to discuss a cooperation agreement aimed at promoting trade and investment. The document will not end the tariffs or trade barriers between the two countries, but it will facilitate bilateral negotiations.

Visits by Obama and Clinton have been cobbled together in recent days between U.S. and Brazilian diplomats.

Obama was waiting for the confirmation of new U.S. Ambassador Thomas Shannon ahead of his visit to Brasilia, according to the Agencia Brasil.

In a speech at a ceremony, Secretary of State Clinton highlighted the role of Brazil on issues concerning climate change and energy, calling Brazilian President Luiz Inacio Lula da Silva a major regional leader in Latin America.

Brasilia (Reuters) - Brazil will hold the second summit of the BRIC group of emerging powers on April 16th in the country's capital, the foreign ministry said on Tuesday.

The heads of state of Brazil, Russia, India and China met for the first time in Russia in 2009 to discuss the global financial crisis and reforms of the world's financial and trade institutions.

The meeting in Brasilia comes as Latin America's largest economy tries to take a more prominent role on the world stage. It has become an important member of the G20 group of nations -- now a key forum for global economic and financial discussions.

The BRIC summit will be preceded on April 15th by a meeting of heads of states from Brazil, India and South Africa, also in Brasilia, the foreign office said.

Roberto Jaguaribe, deputy secretary of political affairs, was traveling to Russia, India, China and South Africa to define the agenda for both meetings, it added.

Brasilia (Reuters) - Brazil granted an environmental license on Monday for the construction of a controversial hydroelectric dam in the heart of the Amazon rainforest.

The \$17 billion project on the Xingu River in the northern state of Para will help the fast-growing Latin American country cope with soaring demand for electricity but has raised concern about its impact on the environment and native Indians.

Environment Minister Carlos Minc said 97 square miles/500 sq km of land would be flooded by the Belo Monte dam, a fraction of the 1,900 square miles/5,000 sq km, in the original plans that involved four hydroelectric dams. It was scaled down for ecological reasons.

Around half the area, or 48 square miles, are already flooded naturally for part of the year during the rainy season.

"The environmental impact exists but it has been weighed up, calculated and reduced," Minc said.

The 11,000-megawatt Belo Monte dam is part of Brazil's largest concerted development plan for the Amazon since the country's military government cut highways through the rainforest to settle the vast region during its two-decade reign starting in 1964.

Dams, roads, gas pipelines, and power grids worth more than \$30 billion are being built to tap the region's vast raw materials, and transport its agricultural products in coming years.

The license lists 40 requirements that must be fulfilled by the company that wins the bid to construct the dam -- before it can begin building. It includes more studies, construction of local infrastructure and maintenance of the local environment.

The winning bidder would have to pay 1.5 billion reais (\$803 million), the estimated cost of fulfilling these demands through public and private entities. It includes the cost of rehousing an estimated 12,000 people who would be relocated.

"Not one Indian on indigenous land will be displaced," he said. Others living in one town outside protected lands would be resettled and compensated, he added.

Environmental groups say the Belo Monte project, which will also create a waterway to transport agricultural commodities grown in the Amazon, would damage the sensitive ecosystem and threaten some fish species.

Minc said measures would be taken to prevent the extinction of some species and protect the livelihoods of those who make a living by fishing, both for food and for the rare ornamental fish that live in the river.

Minc said it was unlikely more dams would be added to the project in the future, but he did not rule it out.

Among the utilities wanting to build and operate the dam are Brazil's state-run Eletrobras. (\$=1.866 reais)

Washington, Feb. 1 /PRNewswire-US Newswire/ -- Environmentalists, indigenous people, and social movements in Brazil condemned today's news that an environmental license was issued by the Brazilian environmental agency (IBAMA) for the Belo Monte Hydroelectric Dam. The massive project, slated to be the world's third largest, would divert the flow of the Xingu River and devastate an extensive area of the Brazilian Amazon rainforest, threatening the survival of indigenous peoples.

Brazil's state investment bank, BNDES is expected to finance up to 49% of the project. The dam is likely to be offered to private investors at an auction in April and construction is to start in late 2010, adding Belo Monte to a list of more than 100 large dams being planned in the Amazon.

Indigenous peoples have been fighting against the project for more than 20 years dating to when the rock star Sting publicized the battle. Megaron Tuxucumarrae, a Kayapo chief, says, "We want to make sure that Belo Monte does not destroy the ecosystems and the biodiversity that we have taken care of for millennia. We are opposed to dams on the Xingu, and will fight to protect our river."

Independent investigations have found that project studies underestimate the extent of Belo Monte's potential impacts. Two senior IBAMA officials resigned last November after complaining that they had been subjected to political pressure to approve the license.

Francisco Hernandez, an electrical engineer and co-coordinator of a group of 40 specialists who analyzed the project says, "Belo Monte is a project of doubtful engineering viability, an extremely complex project which would depend on the construction not only of one dam, but rather a series of large dams and dykes that would interrupt the flow of water courses over an enormous area, requiring excavation of earth and rocks on the scale of that carried out for digging the Panama Canal." Belo Monte would generate little energy during the three to four-month low water period, which does not justify an investment estimated at between US\$12.3 and \$17.5 billion."

Federal Attorneys have filed suit to force the government to hold additional public hearings to discuss the project's impacts, and further legal challenges to the project are likely.

The Brazilian government has granted an environmental license for the construction of a controversial hydro-electric dam in the Amazon rainforest.

The Belo Monte dam on a tributary of the Amazon will be the third largest in the world.

The government says the scheme has been modified to take account of fears that it would threaten the way of life of the indigenous groups who live in the area.

Brazilian environment minister Carlos Minc has also revealed that those who win the bidding process to build and operate the Bella Monte dam will have to pay millions of dollars to protect the environment and meet 40 other conditions.

It is expected to provide electricity to 23 million Brazilian homes.

However critics say diverting the flow of the Xingu River will still lead to devastation in a large area of the rainforest.

### **Detailed Report/Mexico**

Mexico is in the throes of a battle with organized drug cartels that will determine who controls the legitimate institutions of government. The outcome is of vital interest to the United States. As a recent report by a distinguished group of American and Mexican border experts makes clear, Mexico's success depends heavily on how effectively both nations manage our shared border. The report of the joint task force of the Pacific Council on International Policy and the Mexican Council on Foreign Relations lays out a strategy that will contribute to the

defeat of the major drug cartels and at the same time improve the efficiency and security of our border.

Border security is critical to the safety of the citizens of both countries, whether they live near the border or not. It is especially important to breaking the power and influence of the Mexican-based trafficking organizations. Despite vigorous efforts by both governments (including the recent arrests of hundreds of La Familia operatives in the U.S.), huge volumes of illegal drugs still cross from Mexico. In turn, large quantities of weapons and cash generated from illegal drug sales flow south into Mexico, which makes these criminal organizations ever more powerful and able to corrupt government institutions.

While better border law enforcement and interdiction of drugs, weapons and cash will not alone defeat the drug cartels, these steps can and will weaken them and make it easier for the Mexican government to destroy them - just as was done over a decade ago with the destruction of the Medellin and Cali cartels in Colombia. But successful efforts will require closer collaboration between U.S. and Mexican border law enforcement agencies. And this will depend on strengthening law enforcement capacity in the border region, including enhancing the professionalism of enforcement agencies to make them more corruption resistant. It will also require both countries to align the structures of their border agencies to better facilitate coordination.

The report makes several key recommendations. First, Mexico needs a strong, unified border agency capable of addressing security threats, such as cross-border smuggling of weapons and cash. We note that Mexico has begun taking steps in this direction. Mexico should restructure its law enforcement institutions to create a direct counterpart to U.S. Customs and Border Protection (CBP), created after 9/11 to unify border enforcement authorities, and to the similarly unified Canadian Border Services Agency. As part of this, Mexico should establish a federal frontier police, dedicated to securing the areas between Mexico's ports of entry - much as the U.S. Border Patrol, a division of CBP, does for the United States.

Organizational changes in Mexico are not enough, however. The United States needs to intensify its efforts to curtail the smuggling of firearms and cash into Mexico. A high percentage of weapons, up to 90 percent, obtained by Mexican drug traffickers come from the U.S., and much of their funding comes from U.S. drug sales. We need to break that flow through more aggressive investigations of laundered outbound cash and U.S. gun sellers, and by reinstating the ban on assault weapons.

Finally, the U.S. should expand assistance beyond the Merida Initiative, and focus on helping Mexico strengthen its law enforcement capacity at the federal and state levels, reducing its vulnerability to corruption or "plama o plomo" (bribe or bullet) intimidation by the cartels. This expanded Merida Initiative would involve a common strategic approach to achieve the defeat of the drug cartels.

The border is not just about security. One of the best ways to discourage smuggling and other illegitimate commerce is to make the border more efficient for lawful travel and trade. All of the major ports of entry into the U.S. are congested, subjecting travelers and shippers to wait times often as much as two hours. This costs local economies billions of dollars. We can do better. Our Task Force envisions a far faster and more efficient border.

This goal is achievable - while actually improving security - by adding infrastructure, modern detection technologies, and intelligent risk management strategies which enable facilitation of low-risk trade and travel while more effectively identifying high-risk vehicles, cargo and travelers for additional screening.

Both nations should man their border crossings so that staffing shortfalls never contribute to bottlenecks. Both nations should expand existing border gateways and build new ones, expediting the process by working with the private sector and streamlining the cumbersome governmental approval procedures in both countries.

As part of the infrastructure expansion, new dedicated lanes leading to the high volume ports of entry should be built. Only trusted and pre-vetted travelers and shippers would be allowed to use these special lanes, which would lead to primary booths or portals that would function much like EasyPASS toll booths. Rather than hours, trusted and vetted travelers and cargo shipments would be across the border in a few minutes.

It is time to tackle these problems, and improve our shared border. The border needs to become a place where lawful commerce and travel are encouraged, while smuggling and other criminal activities are defeated through coordinated law enforcement. These are bold recommendations to be sure, but they are achievable. And they will have profoundly positive benefits for both the United States and Mexico.

On December 16, Mexican troops stormed a luxury apartment in Cuernavaca, near Mexico City, and killed Arturo Beltran Leyva, head of one of the country's largest drug trafficking organizations. A couple of weeks later, authorities arrested his brother, Carlos, further disrupting the criminal enterprise.

These developments were portrayed as important victories for Mexican President Felipe Calderon, whose war on drug gangs has been blamed for a wave of violence in the past few years. U.S. officials are applauding Calderon's effort and offering him as much support as they can.

The December assault by Mexican troops left one of the country's most wanted drug traffickers, Arturo Beltran Leyva, dead.

The raid is one of many that have taken place in recent years - as Mexico battles the drug cartels.

The outcome directly affects the United States. The spillover of violence into some U.S. cities near the border has alarmed U.S. authorities.

In the U.S., the effort to fight drug trafficking from Mexico is spearheaded by the Drug Enforcement Administration's Houston field division.

DEA Intelligence Chief Gary Hale says helping Mexico is the best way to protect the United States.

"To be realistic, we will never get rid of drug trafficking, per se, but we can have an effect on the overall business and the best effect that we have determined we can have is to disrupt and dismantle," he said. "And how do you do that? You go after command and control, you go after the leadership."

President Calderon's three-year war against drug trafficking organizations, says Hale, is stopping large amounts of cocaine and other narcotics from South America from making it over the U.S. border.

"The same amount of drugs are reaching Mexico, but they are having a difficult time, because of Calderon's policies, moving those drugs through Mexico and into the United States," Hale said.

Mexican troops have been deployed to battle the cartels as concern grows that the traffickers are establishing de facto control over some parts of the country.

Hale says this has motivated the rank and file among Mexican troops.

"They are not doing it because they are forced to do it," he explained. "They are not doing it because they make a lot of money, they're doing it because they are patriots."

What's crucial, in Hale's view, will be a sustained effort by both Mexico and the United States, working in cooperation, to further disrupt and cripple the criminal enterprises that threaten the security of both nations.

Mexico City (AP) -- Mexico City's mayor says he will defend the capital's gay-marriage law and insists the ordinance will take effect in March despite an appeal by federal prosecutors.

Mayor Marcelo Ebrard says the federal appeal on constitutional grounds is wrong. He says nothing in Mexico's constitution prohibits same-sex marriage or adoption by gay couples.

The city's legal adviser, Leticia Bonifaz, said Thursday the first gay marriages will be performed in early May while the Supreme Court hears the case.

The federal Attorney General's Office said Wednesday it filed a challenge with the Supreme Court arguing the law violates constitutional provisions on the family and the protection of children.

The law is a first for Latin America.

Mexico City: Mexican federal prosecutors announced Wednesday that they will try to overturn Mexico City's gay marriage law, which allows same-sex couples to adopt children, on the grounds it violates the constitution.

The Mexico City law, approved in December and due to take effect in March, is the first of its kind in Latin America.

The federal Attorney General's Office said in a statement that it believes the law "violates the principle of legality, because it strays from the constitutional principle of protecting the family."

It cited an article in Mexico's constitution that suggests — but does not state — that the framers envisioned families constituted by men, women and children. The article states: "Men and women are equal before the law. This protects the organization and development of the family."

The office said it filed an appeal with the country's Supreme Court asking it to void the law, arguing it also "strays from the responsibility of the government to place a priority on safeguarding the interests of children."

The Roman Catholic Church in Mexico has harshly criticised the law, and President Felipe Calderon's conservative National Action Party has mounted a campaign against the measure.

Mexico City legislators argued the law simply gives same-sex couples the rights that heterosexual couples have regarding social security and other benefits.

Legislators said there is no evidence children adopted by same-sex couples suffer any disadvantages.

The federal prosecutor's office previously challenged a Mexico City law legalizing abortion, but the Supreme Court upheld the measure in 2008.

An Argentine couple participated in Latin America's first gay wedding in December, but interpretations vary on whether the law allows same-sex unions in Argentina and the question is now before that country's Supreme Court.

Argentina's constitution is silent on whether marriage must be between a man and a woman, effectively leaving the matter to provincial officials, who approved the wedding. But a law specifically legalizing gay marriage has been stalled in its Congress since October.

The Mexican government denied Thursday that former Honduran President Manuel Zelaya had requested for residency in the country.

The Mexican Foreign Ministry said in a statement that Zelaya had so far not presented any official request for asylum in Mexico.

Zelaya left on Wednesday the Brazilian embassy in Tegucigalpa, where he had taken refuge since Sept. 21, 2009, and arrived in the Dominican Republic accompanied by his family and aides. .

Last week, Zelaya's close friend Cesar Ham said that after staying a couple of weeks in the Dominican Republic, Zelaya would go to live in Mexico.

Zelaya was ousted on June 28, 2009 and exiled to Costa Rica. Since then he attempted for several times to return to his country, till he finally succeeded on Sept. 21.

After Porfirio Lobo was sworn in as president of Honduras on Wednesday, he offered Zelaya a safe passage to leave the country, ending the seven-month political crisis over Zelaya's reinstatement.

Ciudad Juarez, Mexico (Reuters) - Angry families of 15 people slain by gunmen during a high-school party near the U.S. border blamed Mexican President Felipe Calderon on Tuesday for failing to prevent the mass killing.

The Senate also demanded the government explain how the 13 teenagers and two adults could be gunned down at the birthday party in Ciudad Juarez despite a heavy army presence in the city aimed at quelling rampant drug violence.

"Until we find who is responsible, you Mr. President are the assassin," read a banner scrawled with black ink as dozens of angry relatives, some dressed in black, gathered outside the bloodstained house where the massacre took place in the early hours of Sunday.

Families lit candles and laid flowers by photos of the slain youngsters that they placed by the house and left messages saying "we're going to miss you boys, we love you."

Officials presented to the media a 30-year-old man suspected of involvement in the attack.

Oscar Arroyo was questioned by police with his back to reporters. He said he had been paid by the powerful Juarez cartel to watch for police while hit men attacked the party.

Arroyo said he overheard from a cartel leader called Diego that the Juarez cartel believed those at the party were rival traffickers working for Mexico's top drug kingpin, Joaquin "Shorty" Guzman, who is vying for control of Ciudad Juarez.

"They said that those at the party were all Shorty's people," Arroyo told police at the news conference.

Parents of the slain teenagers say the students had nothing to do with drug trafficking and Mexican officials are divided over a possible motive.

Both the army and Patricia Gonzalez, attorney general for Chihuahua, have said the massacre could be linked to drug cartels, but Ciudad Juarez Mayor Jose Reyes Ferriz said the shooting was random.

Calderon, who sent thousands of troops there last year to clamp down on killings, vowed to respond.

"The federal government will analyze extending and strengthening its strategy in Ciudad Juarez," he said during an official visit to Japan. He signaled a bigger emphasis on social issues and not just a crackdown on crime.

Federal police and soldiers set up checkpoints across Ciudad Juarez on Tuesday and military helicopters flew overhead, but similar shows of force have failed to have an impact over the past year.

'Leave Those Kids'

Many Mexicans are losing patience with Calderon.

Since he deployed the army across Mexico in late 2006, more than 17,000 people have been killed in drug gang violence that has only escalated as the army crackdown has fueled turf wars between rival cartels. The bloodshed is a worry for the U.S. government, foreign investors and tourists alike.

"What would President Calderon do without his bodyguards? He wouldn't last one day alive," said a female cousin of two teenagers killed in the shooting, her face reddening with anger.

Witnesses say hit men jumped out of sport utility vehicles and sprayed bullets at the teenagers celebrating a classmate's birthday just across the border from El Paso, Texas.

The army said 15 people died in Sunday's attack, although some Mexican media put the death toll at 18.

Neighbors in the working class district where the attack happened said some residents ran into the street as they saw the armed men going into the party just after midnight, shouting "leave those kids, they haven't done anything wrong."

The gunmen opened fire at three houses in the street, finally storming into the birthday party just as the youngsters were lighting candles on the cake, survivors said.

Bodies lay on the street and blood ran out of the house.

Ciudad Juarez has become the epicenter of Mexico's drug war, as gangs fight over smuggling routes into the United States and access to local addicts. Law and order is breaking down in the city, with gunmen killing rivals and innocent civilians at will.

Some 2,650 people died in drug violence in Ciudad Juarez last year. Murders have jumped since the start of 2010.

Mexico is the key transit route for U.S.-bound cocaine from South America and a top producer of marijuana and heroin.

Mexico's Senate on Tuesday demanded the government explain the murder of 15 people at a high school party in a city on the U.S. border despite a heavy army presence there aimed at quelling rampant drug violence.

The Senate said it would call Mexico's top anti-drug officials, including the attorney general and the defense and security ministers, to appear before lawmakers in the next few days to examine the killings, a spokesman said.

Suspected drug cartel gunmen burst into the birthday party in the early hours of Sunday and killed at least two adults and 13 students in Ciudad Juarez, the latest massacre in what has become one of the world's deadliest cities.

Opposition lawmakers are calling for a change of strategy in Ciudad Juarez, and Mexican President Felipe Calderon, who dispatched thousands of troops there last year to clamp down on killings, vowed on Tuesday to respond.

"The federal government will analyze extending and strengthening its strategy in Ciudad Juarez," Calderon said in a speech in Tokyo during an official visit to Japan.

He declined to give details, but signaled a bigger emphasis on social issues and not just a crackdown on crime.

More than 17,000 people have died in drug gang violence across Mexico since Calderon launched his military assault on cartels in late 2006. The escalating bloodshed is a worry for the U.S. government, foreign investors and tourists alike.

Federal police and soldiers set up checkpoints across Ciudad Juarez on Tuesday and military helicopters flew overhead, but similar shows of force have failed to have an impact over the past year.

Motive Unclear

The suspected hit men jumped out of sport utility vehicles and sprayed bullets at the teenagers, who were celebrating a classmate's birthday at a house in the city, which lies across the border from El Paso, Texas.

Patricia Gonzalez, attorney general for the state of Chihuahua that surrounds Ciudad Juarez, has said the shootings could be linked to drug cartels.

But the city's mayor Jose Reyes Ferriz told local radio on Monday that there was no motive and the shootings were random.

Some 2,650 people were killed in drug violence in Ciudad Juarez last year and cartel murders have jumped since the start of this year.

The city has become the epicenter of Mexico's increasingly violent drug war, as gangs fight over smuggling routes into the United States and access to local addicts.

Over the past two years, heavily armed hit men have attacked each other on busy city streets and outside schools, strung murdered rivals from bridges and left severed heads outside police buildings. Killings are becoming more indiscriminate as gunmen search for rivals in parties, hospitals and drug rehabilitation centers.

Mexico is the key transit route for U.S.-bound cocaine from South America and a top producer of marijuana and heroin.

Twitter access in Mexico may soon be restricted if plans by the Mexican Revolutionary Democratic Party become law. The plan, drafted by republican and PDR member Nazario Norberto hopes to restrict Twitter usage in an attempt to cut down on crime.

From sharing the location of drunk driving checkpoints to more serious usage of Twitter by drug cartels, Norberto believes that restricting to access to Twitter will help reduce crime and create a "cybernetic police force" that will help in all areas of crime reduction.

Like many nations, Mexico is concerned that the speed of information sharing across these social networks is helping fuel criminals who are staying once step ahead of the police forces. The recent revenge attack on a Marine, part of a team responsible for killing one of Mexico's most wanted drug lords, was linked to Facebook due to the speed of attack and detail of the location.

If passed, the law would be similar to the Spanish Bill which affords judges the power to shut down sites that are helping people break the law. One would assume the Mexican authorities are already monitoring social networks much like we have in the UK. Whilst Twitter is a site, its permeation run deep across the Internet so it will harder to stop or the ban would have to extend to all social networks.

The bill is still in draft stage, with no word on a date for submission.

Mexico City, Feb 3, 2010 (IPS) - Human rights organizations in Mexico and the United States sounded the alarm about abuses against women by the Mexican armed forces in the context of the government's all-out offensive against drug trafficking in the border state of Chihuahua.

"They touched my body while saying 'you smell so good,' they were making fun of me and pressed me against the truck to continue searching me as if I were a criminal, and they touched my private parts," one woman, Claudia, said in a complaint filed with the Centre for Women's Human Rights (Centro de Derechos Humanos de las Mujeres, CEDEHM).

Claudia (not her real name) was stopped by soldiers on her way to her job in Ciudad Juárez - the biggest city in the northern state of Chihuahua - on Nov. 4. They asked her to step out of her vehicle in order to search it. But when she asked them to hurry so she wouldn't be late for work, they told her they would have to search her too.

Her case is just one illustration of the frequent human rights abuses committed by the security forces during counternarcotics operations in Chihuahua, which are increasingly violating the rights of women, according to human rights groups.

"In a state of near civil war, with three armies fighting each other, it is local residents who suffer, living in a virtual state of siege by the military," Gustavo de la Rosa, the Chihuahua State Human Rights Commission's (CEDH-Chihuahua) representative in Ciudad Juárez, told IPS.

"The ones who suffer the most are those who are left alive, and normally each person killed (in drug-related violence) is mourned by his wife, his mother and his daughters, who are left in utter vulnerability, while forced to deal with the severe psychological impacts as well," said the activist.

De la Rosa was appointed to his position in CEDH-Chihuahua, a public institution, in April 2008. But after speaking out about the violence by the drug cartels as well as the abuses committed by the army in its crackdown on drug trafficking in the state, he was forced to move his office across the border from Ciudad Juárez, to the U.S. city of El Paso, last October.

Because of its strategic location along drug smuggling routes into the world's largest market for narcotics, the United States, Chihuahua is caught up in a turf war between the Juárez and Sinaloa cartels.

In the law few years, the number of complaints of human rights violations by soldiers filed with CEDH-Chihuahua has soared, from just three in 2007 to 162 (including 88 from women) in 2008 and 149 (78 from women) in the first 10 months of 2009.

The violations included cases of torture, forced disappearance, and extrajudicial execution.

Behind that increase was the Joint Operation Chihuahua, a military and federal police strategy launched by the Mexican government in early 2008 in response to drug-related violence in the state. The Operation involved the deployment of some 8,000 police and soldiers.

The federal police have also been the target of a number of reports of abuse. Of the 886 complaints received in the last 10 months by the Joint Operation Chihuahua complaints program, 400 involved members of the Federal Police force.

In a Jan. 27 memo to the U.S. Congress, CEDEHM, CEDH-Chihuahua and the Washington Office on Latin America (WOLA) urged the legislature to ask the State Department to express to the Mexican government its concerns with regard to the risks faced by human rights defenders in the border state, "given the recent wave of threats and attacks" against activists.

"In counter-drug operations, women are the main witnesses that observe how soldiers enter their homes and take away their sons and husbands without an arrest warrant. They are the ones who desperately look for their family members and confront the soldiers who have detained them to demand that they be presented to the relevant civilian authorities," says the five-page memo.

On Jan. 3, Josefina Reyes, an activist who belonged to the National Front Against Repression, a rights group that mainly investigates police and army abuses, was killed by an armed group near Ciudad Juárez.

She had spoken out publicly about the disappearance of one of her sons at the hands of the army, and had taken part in protests against violence in the city and rights abuses by the military since 2008.

"Women are particularly vulnerable in this situation," WOLA Associate for Mexico and Central America Maureen Meyer told IPS, pointing out they are frequent victims of sexual harassment, besides other kinds of abuse.

The memo points out that when the U.S. Congress approved significant funding for the Mexican security forces under the Mérida Initiative as of 2008, "it recognized the need to make progress on respect for human rights in Mexico, specifying that 15 percent of the funds could not be released until the State Department reported on the Mexican government's fulfillment of a set of human rights requirements."

The Mérida Initiative is a three-year 1.4 billion dollar assistance package to Mexico and Central America to fight organized crime and drug trafficking.

In the memo, the three human rights groups ask that "in its revision of the State Department's next Mérida Initiative report on Mexico...Congress pay particularly close attention to any information included in the report on the consequences of the military and federal police presence in counter-drug operations on women's rights, as well as the Mexican government's efforts to protect women and to investigate and sanction those responsible for violating their human rights."

Shortly after taking office in December 2006, conservative Mexican President Felipe Calderón launched a major offensive against drug trafficking, deploying thousands of soldiers and federal police to the parts of Mexico where the drug cartels are most active.

Since then, the levels of drug-related violence have soared, with 8,000 murders in 2009, according to the annual report by the government's National Human Rights Commission. More than 2,000 of the deaths occurred in the state of Chihuahua.

Ciudad Juárez had a murder rate of 130 for every 100,000 residents in 2008, and 191 per 100,000 in 2009, making it one of the most violent cities in the world.

Last year, 184 women were killed in the state, according to CEDH-Chihuahua.

"Despite the massive presence of security forces, extortions, robbery and murders significantly increased, as did reports of human rights violations, with women being a particularly vulnerable target for abuse," the memo to the U.S. Congress says.

In January this year, the Mexican government renamed its strategy as the Coordinated Operation Chihuahua, and began to shift control to the Federal Police, which will send an additional 2,000 police officers to the state.

The Federal Police will gradually assume all law enforcement roles in the northern part of the state, while the military's task will primarily be patrolling and monitoring rural parts of the state, intelligence work and manning strategic checkpoints.

But human rights activists and analysts believe the measure is merely aimed at reducing the military's exposure in the war on drugs, and that it will not substantially modify the strategy itself.

"The mere change of uniforms doesn't modify a thing," said de la Rosa, who sees Operation Chihuahua as a failure.

"The strategy must be overhauled, abandoning the idea of all-out war and returning to simple police law enforcement operations against criminals, with the least possible effects on civilians and greater respect for individual guarantees," he argued.

In a December report, "Mexico: Human rights violations by the military", London-based rights watchdog Amnesty International accused the authorities of failing to fully investigate allegations of abuses by the armed forces, including forced disappearances, extrajudicial and unlawful killings, torture, ill treatment and arbitrary detentions.

The report provides details of five specific cases of serious human rights violations by the military against a total of 35 people between October 2008 and August 2009 in Chihuahua, the northeastern state of Tamaulipas and the northwestern state of Baja California.

WOLA's Meyer said the Mexican government is not fulfilling the requirements of the Mérida Initiative, because no progress has been made in investigating and prosecuting human rights abuses committed by Mexican troops.

In a November 2009 ruling, the Costa Rica-based Inter-American Court of Human Rights ordered Mexico to modify its military justice code, which dates back to 1933, in order to comply with its international obligations.

Under the code, the military courts have jurisdiction when crimes are committed by on duty armed forces personnel.

The controversial code has long come under fire from human rights groups and even legislators in Mexico as lacking in transparency and for ensuring impunity for members of the military.

The memo to the U.S. Congress also requests that the State Department ask the Calderón administration to ensure the protection of the members of CEDEHM and of de la Rosa himself, who has received death threats.

"The most effective way to fight violence in Mexico is by means of strong, accountable institutions, and the United States should focus its aid on these necessary long-term reforms in Mexico," said Meyer. (END)

Paraguayan soccer player Salvador Cabanas was attacked Jan. 24 at a Mexico City nightclub called Bar Bar. He reportedly was in the restroom when he was confronted by a man known as "El JJ," who told Cabanas that he was disappointed with Cabanas' lack of scoring for the Mexican soccer team, Club America. Cabanas said he did not appreciate El JJ's attitude, whereupon El JJ produced a handgun and shot Cabanas once in the head. Cabanas survived the attack and is recovering in a Mexico City hospital, but he has no recollection of the event.

What really happened on the night of Jan. 24 remains unclear. The only witness, the bar's janitor, has given investigators two different accounts. While the motive remains equally unclear, a deeper look into the true identity of El JJ presents a possible cartel connection to the attack.

Authorities have identified El JJ as one Jose Jorge Balderas Garza, although he is thought to use as many as seven aliases. A nationwide manhunt for Balderas Garza is still under way, despite two incorrect reports earlier in the week of his arrest in Quintana Roo and Sonora states. Balderas Garza is known to have resided in neighboring Mexico state and to have frequently conducted business in the affluent southern neighborhoods of Mexico City. And this business, according to authorities, was conducted on behalf of Beltran Leyva Organization (BLO) strong man Edgar "La Barbie" Valdez Villarreal. Balderas Garza reportedly was in charge of trafficking and selling cocaine in Mexico state and southern Mexico City for La Barbie and to have often operated out of high-end clubs like Bar Bar.

Was Balderas Garza simply a hot-headed soccer fan, or did La Barbie want Cabanas dead? If the latter, why? The possible cartel connection warrants a watchful eye, and STRATFOR will continue to monitor the investigation.

#### January 2010: The Most Violent Month

The first month of the new year ended with 904 drug-related murders in Mexico, which makes January 2010 the deadliest month since Mexican President Felipe Calderon took office in December 2006. The last week of the month was characterized by an abnormally high number of beheadings, 12, which took place throughout the country. The second and third most violent days during Calderon's term in office also occurred in January 2010, with 52 drug-related deaths on the first day of the month and 46 drug-related deaths on Jan. 29.

Chihuahua has been the most violent state in Mexico for more than two years, and in January 2010 it accounted for more than one-third of all the drug-related deaths during the month with 327, including the deaths of 16 individuals (many of them teenagers) at a high school house party in Ciudad Juarez that was a case of mistaken identity and location. The violence in Juarez stems from the ongoing conflict between the Sinaloa and Juarez cartels over control of the Juarez Valley trafficking route into the United States. The federal government shifted strategies Jan. 13 when it deployed the federal police as the primary force against the cartels in the urban areas of northern Chihuahua state. While the effects of this change will not likely be felt in the short term, authorities hope the federal police, with their higher level of investigative skill, will eventually be able to root out the causes of the violence in that part of Mexico.

Throughout 2009, Sinaloa state reportedly did not have more than 100 drug-related deaths in any given month, but that changed in January 2010, with 169 drug-related murders in the state. Previously, the deadliest month in Sinaloa was July 2008, with 139 deaths as a result of the

conflict between the newly separated BLO and Sinaloa cartels, which began battling each other for control of marijuana fields and trafficking routes in the state.

The violence taking place there now can be largely attributed to local gangs backed by BLO and Sinaloa, which are still battling each other for control of domestic drug markets, mostly in the Culiacan-Navolato metropolitan area. Additionally, Sinaloa is home to several rival Mexican drug-trafficking leaders, such as Joaquin “El Chapo” Guzman Loera, Vicente Carrillo Fuentes, Hector Beltran Leyva and the Arellano Felix family. This is, in part, why Sinaloa has been traditionally one of the most violent states in Mexico; many cartel leaders lay claim to at least some portion of the state, regardless of their organizations’ primary areas of operation.

With violence continuing to soar, Calderon and Public Security Secretary Genaro Garcia Luna have come under increasing political pressure to reduce the violence to a politically acceptable level. Despite the mounting pressure, however, Calderon and Garcia Luna have yet to deviate from their overall plan, though STRATFOR sources in the Mexican government indicate that the change in strategy in Juarez is a test for a possible shift in strategy nationwide. Still, the accelerating levels of violence in Mexico show no signs of slowing in the foreseeable future.

Jan. 25

- A firefight erupted between gunmen and soldiers on the border of Nuevo Leon and Coahuila states, leaving four gunmen and two soldiers dead.
- Four days after the disappearance of Veracruz city official Nayeli Reyes Santos, his body was found dismembered in Veracruz, Veracruz state. Los Zetas were implicated in the murder.
- Members of the Mexican military seized 80 centimeters of detonation cord, seven satchels of explosives, 160 kilograms of marijuana and several rounds of ammunition.

Jan. 26

- Federal police detained four suspected hit men associated with Sinaloa cartel leader Joaquin “El Chapo” Guzman Loera. The four were detained in a safe house not far from the Ojinaga-Bahia de Kino highway near Gran Molino, Chihuahua state.
- Mexican soldiers surrounded the University Hospital in Guadalupe, Nuevo Leon state, after the target of a suspected Los Zetas assassination attempt was transported there.

Jan. 27

- The head of a decapitated body was discovered by authorities in Quiroga, Michoacan state, near the town’s main square. Authorities located the decapitated body sitting upright at a nearby bus station.
- Members of the Mexican military raided two suspected safe houses in Cuernavaca, Morelos state, and arrested 10 suspected members of a kidnapping gang.

- Soldiers located and destroyed a synthetic drug laboratory near the Michoacan-Jalisco state border and arrested six suspects.

Jan. 28

- Two female officers of the Uruapan police department were abducted by unknown assailants.
- The Quiroga police chief and two officers were executed in front of a local high school in Quiroga, Michoacan state.
- The quartered remains of an unknown individual were discovered in two black plastic bags near Morelia, Michoacan state.
- Local authorities discovered four bodies at various locations around Mazatlan, Sinaloa state. The victims had been shot several times.

Jan. 29

- Authorities found six human heads near the city of Apatzingan, Michoacan state. The decapitated bodies were found later in the day on the other side of the city with the letter "Z" carved into their chests.
- The body of a commander of the Teloloapan municipal police department who had been kidnapped a day earlier was found mutilated, showing signs of torture and several gunshot wounds.
- Federal police engaged in a firefight with gunmen near Maravatio, Michoacan state, near the border with Mexico state. Six federal police agents were injured in the confrontation.
- A Sinaloa state police commander was assassinated in his car near the El Rosario neighborhood in Mazatlan, Sinaloa state.

Jan. 30

- The bodies of seven individuals were found in different parts of Guerrero state with their hands tied behind their backs and showing signs of torture.
- Jorge Ochoa Martinez, the editor of El Oportuno and Despertar de la Costa Chica, was assassinated near Chilpancingo, Guerrero state.
- The decapitated bodies of two individuals were discovered by members of the Mexican military in Juarez, Chihuahua state. Their heads were discovered nearby wrapped in notes left by the attackers.
- Elements of the Mexico state investigative police arrested seven suspected members of La Familia Michoacana in the cities of Tejupilco and Luvianos, Mexico state.

Jan. 31

- An unknown number of gunmen broke into a high school house during a party in Juarez, Chihuahua state, opened fire and killed 16 people while wounding 14. Reportedly, the gunmen attacked the wrong party.

- The bodies of two blindfolded individuals were discovered outside of Acapulco, Guerrero state, along with two notes left on top of the bodies.

A group of armed men attacked and killed five individuals near the El Limoncito neighborhood in Navolato, Sinaloa state.

#### StratFor Global Intelligence

Mexico City - (Dow Jones) - Bank of Mexico Governor Agustin Carstens said Wednesday that the central bank and the Finance Ministry are looking at ways to boost the country's foreign reserves, with a view to gradually winding up a \$47 billion credit line Mexico has with the International Monetary Fund.

Speaking at a press conference to discuss the Bank of Mexico's fourth-quarter inflation report, Carstens said the authorities want to take advantage of "favorable" international market conditions to strengthen Mexico's reserves.

"We hope to have more concrete news soon," said Carstens, who ruled out taxes or controls on capital flows.

Carstens declined to comment on the level of reserves the government and central bank would target. Mexico's foreign reserves have held at record levels in recent weeks, totaling \$91.19 billion at the end of last week.

Reserves increased toward the end of last year after the bank suspended its daily dollar sales that were designed to contain volatility in the exchange market.

Mexico obtained a flexible credit line from the IMF and tapped a \$30 billion currency-swap facility with the U.S. Federal Reserve last April to shield its economy from the global financial crisis.

The Bank of Mexico on Wednesday left its inflation forecast for 2010 and 2011 unchanged, with the annual inflation rate expected to approach its 3% target in the second half of 2011.

The Bank of Mexico expects inflation to go as high as 5.25% in the second half of 2010, from a four-year low of 3.57% in December due to higher taxes and government-controlled energy prices.

Carstens said the central bank shouldn't respond to temporary inflationary shocks with higher rates unless medium- and long-term inflation expectations start to deteriorate.

The central bank left its benchmark overnight rate at 4.5% earlier this month, where it has stood since last July after 375 basis points of easing to confront last year's recession.

Carstens took over as the head of the central bank Jan. 1, replacing Guillermo Ortiz, who held the post for the previous 12 years.

The central bank on Wednesday raised its forecast for economic growth, with gross domestic product expected to grow between 3.2% and 4.2% in 2010 and 2011 thanks to a rebound in the U.S. economy.

The U.S. buys about 80% of Mexico's exports and employs millions of Mexican laborers who sent home \$21.18 billion in remittances last year.

The Bank of Mexico previously forecast 2.5% to 3.5% growth this year, and 3% to 4% in 2011.

Carstens said GDP probably contracted just under 7% last year.

The Bank of Mexico also revised its expectations for job creation, with the economy now seen adding 350,000 to 450,000 new jobs this year, up from its previous forecast of 300,000 to 400,000 jobs. Carstens said the economy might add 500,000 to 600,000 new jobs in 2011.

Mexico City, Jan 29 (Reuters) - Mexico's peso gained on Friday as expectations brightened for a stronger U.S. economic recovery, but stocks were off slightly.

The Mexican currency MXN= MEX01 strengthened 0.176 percent to 13.0375 pesos to the U.S. dollar having advanced on economic data but then pared those gains on word that Mexico would boost its reserve of dollars.

Mexico's Finance Minister Ernesto Cordero said that the government was inclined to back a central bank proposal to increase currency buffers, he told Reuters on the sidelines of the annual meeting of the World Economic Forum.

Leading cell phone operator America Movil (AMXL.MX) was off 0.62 percent to 28.82 pesos. On Thursday, an antitrust regulator classed the company as dominant in the cell market and it could face more scrutiny. Major retailer Walmex (WALMEXV.MX) was off 1.88 percent to 58.40 pesos.

The U.S. economy grew at a faster-than-expected 5.7 percent pace in the fourth quarter, the quickest in more than six years. Since roughly 80 percent of Mexican goods head over the country's northern border, that improvement is expected to brighten the outlook for Mexico.

The benchmark Mexican IPC stock index MXX fell 0.40 percent to 30,688. The yield on Mexico's 10-year government peso bond MX10YT=RR was virtually flat to bid 7.80 percent.

Mexican President Felipe Calderon said Friday in Switzerland that the global financial crisis called for building a sounder, healthier basis for the development of the world economy, local media reported.

While participating in the annual meeting of the World Economic Forum (WEF) in Swiss ski resort Davos, Calderon proposed reforms of the international financial institutions so as to better adjust to the reality of the global economy, Mexico's presidency office said.

Calderon said such reforms would not only be conducive to the welfare and economic development of each country, but also to the peace, security and cooperation which may benefit everyone's livelihood.

Multilateral institutions must be stronger, and it must be a priority to assure the capabilities and efficiency of the United Nations, he said.

Calderon also said he would seek to strengthen the role of the United Nations in the construction of a new climate regime during the next UN climate change conference to be held in Cancun, Mexico in late 2010.

London, 29 January (Argus) — UN Conference of the Parties (Cop) climate talks being held in Mexico this year must re-establish trust between countries following the limited agreement reached at Copenhagen in December, Mexican president Felipe Calderon said at the World Economic Forum summit in Davos today.

“We need to try and learn from our mistakes,” Calderon said in a panel discussion, as he promised that Mexico will work very closely with the UN Framework Convention on Climate Change (UNFCCC), and in particular the specialized working groups, in order to secure a robust agreement. “We need to understand that there are very different perceptions of the problem,” Calderon said, arguing that a lack of consensus was related to the economic problems in different countries.

“In return I will insist on good-faith negotiations,” Calderon said. “I want us to avoid wasting our time and going home with empty hands,” he said. Indian climate change envoy Shyam Saran said that countries “should not trash the multilateral process”.

UNFCCC executive secretary Yvo de Boer insisted that despite the negative reaction following Copenhagen, countries are “moving forward at a national level” with their commitments. Copenhagen did “deliver an incredibly important political statement”, de Boer said. As the Mexico talks draw near, an international regulatory framework needs to be put in place that allows countries to “move forward on the basis of a level playing field both politically and economically”, de Boer said.

US congressman Ed Markey insisted that the US “will go to Mexico as a leader.” US president Barack Obama in his state of the union address “made it very clear that he was fully committed to passing climate change and energy legislation this year”, Markey said.

## **Detailed Report/Venezuela**

Venezuela: Venezuelan Socialists denounced the violent protests launched by the opposition to destabilize Venezuela, where two young people were reported as dead in the protests.

“The opposition is looking for dead people, it is the dead’s politics,” stated this Tuesday to the press the leader of the United Socialist Party of Venezuela (PSUV), Robert Serra during a manifestation in front of the headquarters of National Commission of Telecommunications (CONATEL).

“We reject the death of any Venezuelan student, and we make our most sincere condolence reach their family,” said Yorsinis Carrillo of the PSUV in Merida.

In the student’s opinion, there are cases the governorship of the municipality finances students to untie waves of violence and it also happens in Zulia.

On the other hand, legislator Desirée Santos commented that this is a vital year and in her opinion the opponents do not have the backup of the country.

The president of CONATEL, Diosdado Hair, enumerated Monday the irregularities in which national audiovisual producer RCTV has fallen down, and other six channels, they forced CONATEL to disappear from the lists of the cable news.

“They did not diffuse the national anthem, they didn’t announce the production type neither language elements, health, sex and violence.

The Inter-American Press Association (IAPA) slammed again on Wednesday the Venezuelan government for dropping six cable TV channels.

The move, labeled as "shutdown," is related to a plot to "annihilate private and independent media."

"The shutdown of TV channels is due to a well-orchestrated government strategy primarily aimed at finishing off private and independent media," IAPA President Alejandro Aguirre said in a press release, Efe quoted.

In his opinion, such actions are set to a "growing chain of state-owned media engaged in dissemination of official propaganda."

Aguirre recalled a claim made by the IAPA in its last six-month report on Venezuela.

Caracas (Reuters) – Venezuelan President Hugo Chavez warned on Wednesday that he may quicken his drive to build a socialist state, as he shuffled his cabinet amid opposition demonstrations sparked by closure of a television station.

The leftist leader is already facing a tough start to 2010 with growing complaints over shortages of electricity and water and a sharp currency devaluation that could harm the chances of his supporters in congressional elections in September.

In a sign he may be preparing for a combative year, Chavez has responded to these challenges by designating a vice president known for radical views and pushing the opposition station RCTV off subscription TV networks.

The move against RCTV has sparked opposition protests this week during which two students have been killed.

"If you're going to head down the path of destabilization, I'm warning you it will yield the opposite result of what you're seeking -- that we may decide to speed up the changes," Chavez, who recently declared himself a Marxist, said in televised comments.

Chavez has nationalized large swathes of the economy in recent years, including the telecommunications and the electricity sector -- which now faces deepening problems.

This month he took over a hyper-market chain run by a French retailer after accusing the company of price gouging.

Opposition and pro-Chavez students held rival but small rallies on Wednesday, gathering on campus and in public squares, and prepared a wave of marches in the coming days.

Local media reported minor disturbances between security forces and protesters in the cities of Maracaibo and Puerto la Cruz.

Discontent

Chavez late on Tuesday tapped Agriculture Minister Elias Jaua to be vice president following this week's resignation of Ramon Carrizalez, a long-time Chavez confidant who also served as defense minister.

Jaua, who will maintain his post as agriculture minister, is a former university student activist with a calm demeanor but a reputation for being among Chavez's more radical proteges.

He was a key leader of Chavez's land reform campaign that expropriated a number of large farms and divided the land among poor small farmers, grabbing international headlines and spooking Venezuela's agribusiness leadership.

"He's had very radical positions throughout his life," said Carlos Machado, an agricultural expert at the IESA University in Caracas. "One gets the impression that (Chavez) is working with a very small group of advisors, several of which hold two or more positions at once."

Chavez so far this month has fused the finance and planning ministries, replaced the environment and defense ministers and sacked the electricity minister, in part a reflection of his chronic struggle to find qualified advisors he trusts.

Authorities are preparing to renew a power-rationing plan for Caracas, the capital, after Chavez scrapped an earlier effort -- firing his electricity minister in the process -- that left the city in chaos and angered his supporters.

Discontent over these issues has breathed life into an opposition campaign to overturn Chavez's near-complete control over Congress in elections set for September.

OPEC member nation Venezuela is struggling to keep electricity flowing due to a prolonged drought that has crippled dams that generate 70 percent of the country's power and forced rationing of household water.

Colombia has made a formal diplomatic protest to Venezuela after what it says was a violation of its airspace by a Venezuelan military helicopter.

Colombia's foreign ministry said the helicopter had spent 20 minutes above the city of Arauca, near the border, where a big military base is situated.

The defense minister said his forces had shown restraint in not responding.

The two neighbors have been involved in a row over Colombia's decision to grant the US access to military bases.

The Colombian foreign ministry issued a statement calling the alleged incursion "unacceptable".

Colombian Defense Minister Gabriel Silva also condemned it and praised his forces for not responding.

The BBC's Jeremy McDermott in Colombia says relations between Colombia and Venezuela are at a historic low.

'Prepare for war'

Last year, Venezuelan President Hugo Chavez broke off diplomatic relations after Colombia decided to sign a pact with Washington, allowing the US military access to several Colombian bases.

He also blocked a wide variety of Colombian imports, with bilateral trade suffering a 70% drop.

Mr Chavez also moved troops to the border, blew up two bridges linking the two nations and, in November, urged his armed forces to "prepare for war" with Colombia.

He says Colombia's deal with the US is a threat to Venezuela.

Venezuela's President Hugo Chávez proposed on Thursday an alliance between the public and private sectors under the government plan to reduce imports and also foster non-traditional exports.

If done, Chávez explained that businessmen could import at the exchange rate of VEB 2.60 per USD instead of VEB 4.30, as set forth in the dual scheme.

"Any private business engaged in any activity different from food or bare essentials should import at the exchange rate of VEB 4.30. But if we enter into an alliance with the public sector taking precedence or in combination, then the State will directly import to complement the joint venture," Chávez said during a meeting of the Bicentennial Fund.

The president bet on hegemony of social property of the means of production, which, according to him, does not preclude private property.

Caracas, Jan 30, 2010 (EFE via COMTEX) -- Three Venezuelan press associations on Saturday declared the country a "disaster zone" for freedom of speech and for the practice of journalism, while denouncing what they termed "government persecution" of the media.

The National Journalists College, the National Press Workers Union and the Graphic Reporters Circle issued a communiqué in which they said that "this is no time for cowards" but a time "to exercise our citizenship with integrity and dignity." They also said that they neither promote nor foster violence because "we do not believe in conspiracy agendas nor do we believe that

fratricidal clashes are necessary to make our dreams come true," something for which the government of Venezuelan President Hugo Chavez has blamed two journalists in the past few hours.

The professional associations expressed "total solidarity and support" for Miguel Angel Rodriguez and Laureano Marquez, accused by the government of calling for violence through the TV channel and the newspaper for which the two work, respectively.

Though in their communiqué the three press associations ask the government to "reflect and rectify," they accuse it of planning "to disappear or strangle any media expressing criticism (of the Chavez administration), to cut off possibilities of employment and to persecute colleagues and fellow-journalists through the courts with completely false arguments." It added that the country's media "have served, with their journalists as witnesses and spokespersons for the citizenry, to denounce problems that affect living conditions for everyone...a duty that we are not going to relinquish." "Concerned about the democracy and compliance with the law, we energetically condemn the repression of students, autonomous universities, business owners, journalists and the media, as well as the systematic siege in Venezuela against all not dressed in red, through the institutionalization of selective violence promoted from the seat of power," the communiqué said.

The president of the National Telecommunications Commission, or Conatel, Diosdado Cabello, said last Jan. 21 that he gave the Attorney General's Office a video of a TV program of Rodriguez in which, together with the president of the Fedecamaras business federation, Noel Alvarez, they use "a play on words to say that the solution in Venezuela should be a military one." "So let the interviewer and interviewee answer for their actions - we do our duty by seeking a criminal investigation," Cabello, who is also infrastructure and public works minister, said at the time.

Additionally, the state news agency ABN reported that the Communication and Information Ministry issued a communiqué announcing that it would request the AG's office to sanction the opposition Caracas daily Tal Cual for the humorous article by columnist Laureano Marquez that appeared on Friday's front page.

Using photos of street incidents, of former Cuban President Fidel Castro, of Nicaragua's Daniel Ortega and others, Marquez presents an imaginary post-Chavez nation, which, according to the ministry, is a "classic fascist script." "The first picture shows what the country would be like in the first days after the longed-for coup d'etat. It justifies the use of social violence, of civil war, as a way to take power," according to the interpretation of the article contained in the government communique. EFE ar/cd

It is nothing new that Venezuela's socialist government wants to control all news media content, but they are getting more aggressive in their approach: Embassy of the Bolivarian Republic of Venezuela Press and Communications Office/ January 24th, 2010 Cable...

Caracas, Venezuela — A new slogan appearing on the T-shirts and banners of anti-government protesters in Venezuela sums up a growing sentiment about President Hugo Chavez after 11 years in power: "You struck out."

The list of strikes against Chavez keeps growing: Latin America's worst inflation, increased blackouts, runaway violent crime and a scandal involving bankers close to his government.

The socialist-inspired governing model that Chavez calls his Bolivarian Revolution – named after 18th-century independence leader Simon Bolivar – is weakened and hobbling. And though Chavez retains close ties with a bloc of leftist governments from Bolivia to Nicaragua, many Latin Americans don't see Venezuela's oil-funded populism as viable.

Among Venezuelans, Chavez's popularity slipped below 50 percent in polls late last year.

The protest slogan "you struck out" recently appeared on banners held up during Venezuelan baseball games, which Chavez himself follows closely, and spread to signs and shirts during street demonstrations.

Last week, thousands gathered to denounce the government for yanking the anti-Chavez channel RCTV from cable television, and clashes involving riot police, government supporters and anti-Chavez students left two youths dead. Also last week, Chavez's vice president and defense minister, Ramon Carrizalez, resigned citing personal reasons.

State-imposed economic controls, meanwhile, have failed to contain 25 percent inflation, rapidly eroding the earnings of the poor who have been Chavez's core of political support. Chavez's devaluation of the currency this month – aimed at allowing the government finances to boost public spending – is expected to push prices even higher.

To counter that, Chavez deployed inspectors and soldiers to check, threatening to expropriate any businesses engaging in price-gouging. Some have been temporarily shut down. The government recently seized a French-controlled retail chain, Exito.

Chavez's foes say such measures will only further discourage private investment, which fell 7.6 percent last year amid the nationalization of banks, coffee producers and oil field service companies.

Critics also decry a banking scandal that broke in November in which several bankers with close government ties were arrested on charges of financial crimes.

Other problems weighing on Chavez include:

\_ A hydropower-dependent electrical grid at risk of a devastating collapse as drought pushes water levels precariously low. The government has imposed electricity rationing, but Chavez called off rolling outages in Caracas after complaints of mistakes, including power cuts to hospitals and stoplights.

\_ Declining output by the key oil industry caused in part, experts say, by inadequate investment and inept management.

\_ A crime rate so alarming that police no longer release complete murder statistics, even as Venezuelans consistently deem crime their No. 1 concern. The government reported 12,257 homicides in the first 11 months of 2009, putting Venezuela among Latin America's most violent countries.

Critics say Chavez recognizes he is in a bind, explaining his increasingly confrontational attitude toward an opposition he apparently sees as an growing threat. They say he's afraid he could lose control of the National Assembly in elections due in September.

Elsewhere in Latin America, Chavez is also highly unpopular. A region wide survey last year by Chile-based Latinobarometro found only 27 percent said they had a favorable opinion of Chavez. Chile's newly elected president, Sebastian Pinera, salted the wound by saying during the campaign that Chavez's Venezuela is "not a democracy."

Chavez also seems to carry less clout abroad these days. His bitter complaint that the U.S. deployment of troops in Haiti for earthquake relief efforts looks like a military occupation was vehemently echoed only by the leaders of Cuba, Bolivia and Nicaragua.

And despite his antagonism toward Washington, which he accuses of backing the failed 2002 coup, Chavez is linked inextricably to the U.S. because it is the top buyer of Venezuelan crude.

But to those predicting the beginning of the end for Chavismo, the president advises: "They should get some good chairs so that they can sit and wait."

Indeed, for many leftist leaders in Latin America, Chavez's success in galvanizing Venezuela's poor has been an encouraging example. Chavez has leveraged those alliances to amplify his voice.

And for all the recent complaints, Chavez remains Venezuela's most popular politician, aided by populist programs including cash benefits for single mothers and health clinics staffed by Cuban doctors. He has plenty of money to pump into those programs, especially after the devaluation effectively doubled Venezuela's oil earnings when converted into local currency.

Insisting his revolution is far from finished, Chavez has dared opponents to petition for a recall vote like the one he survived in 2004 with 58 percent.

"They say I should quit," Chavez said last week, "because I'm not worth anything, because the country is collapsing. ... Well, why don't they hold a recall referendum then?"

His biggest strength may lie in the weakness of Venezuela's opposition, which has yet to capitalize on the erosion in support for Chavez, who is up for re-election in 2012.

Not a single challenger has emerged who seems capable of breaking his hold on power.

The government of the Netherlands recently granted the US military use of its islands in the Caribbean, with the excuse that this is to help in the "war against drugs". In reality, this is a direct threat to the Chavez government in Venezuela.

In the Dutch media articles have appeared about the "war-mongering" president of Venezuela, Hugo Chávez, who is "preparing a war against Colombia". Now Chávez has accused the Netherlands of supporting aggression against Venezuela, because the Netherlands has given permission to the American armed forces to use the military bases on the Dutch Caribbean islands of Aruba and Curaçao[1].

In the media Hugo Chávez, as always, has been presented like some "crazy populist", and of course the "civilized Netherlands" are presented as being totally innocent.

Later Maxime Verhagen, the Dutch minister of foreign affairs, said the American military were on Aruba and Curaçao, as part of the “war against drugs”. He remains silent about what is really happening on Aruba and Curaçao.

Authors such as Noam Chomsky and Eva Golinger have pointed out in different articles that the so-called “war against drugs” has nothing to do with any battle against drug smuggling, but has been used for other causes such as fighting against guerrilla movements and the spying of other countries. Since the start of the “war against drugs” there has only been more smuggling and consumption of drugs.

The fact that the Netherlands are participating in this is quite normal, because the Dutch government has a tradition of supporting American imperialism. After Britain the Netherlands are the biggest ally of the U.S. in Western Europe. The cabinet of Prime Minister Balkenende gave political support to the invasion of Iraq that was based completely on lies. Now the Netherlands have troops in Afghanistan, officially to rebuild the country, but in practice to prop up the corrupt regime of Karzai.

The bases on Aruba and Curaçao

In 1999 the Netherlands and the U.S. signed an agreement for the establishment of Forward Operating Locations (FOLs). This meant that the American military could use air force bases on Aruba and Curaçao. While the bases were originally used for operations against drug smuggling and the Colombian guerrilla movement FARC, this changed with the election of George Bush. Venezuela was seen as a threat by then, because it was a beacon of hope for the poor and working people of Latin America. In 2002 there was a CIA-backed coup attempt against the democratically elected Hugo Chávez. Since then there have only been more intrigues against Venezuela.

In 2006 there was a big military exercise by the U.S., Netherlands, Belgium, Great Britain, France and Canada in the Caribbean, named Joint Caribbean Lion 2006. This exercise was clearly a provocation against Venezuela. After criticisms by the Venezuelan government the then-minister of defence Henk Kamp and some right-wing MPs decided to accuse Chávez of “wanting to conquer the Antilles”. This was based on false statements from the Venezuelan opposition, that stated Chávez claimed everything within 200 miles from the Venezuelan coast as Venezuelan territory, while in that speech Chávez clearly said “12”, and not “200” miles.

Now there is a new conflict. This has everything to do with the recent militarization of Colombia and its seven military bases that have been given to American troops. Venezuela is not talking nonsense as the media keep claiming. Colombia’s military spending now is 5% of its Gross Domestic Product. At the peak of her struggle against the FARC this was 2.5%.

Also the American Fourth Fleet has been stationed back in the Caribbean since 2008. This fleet was disbanded in 1950 after the end of WWII, but now it is back and close to the Venezuelan coast.

The Netherlands are now playing the role of junior partner of the U.S. in the Caribbean. Different spy planes have been detected above Venezuela. An American Boeing RC-135 has taken off at different times from Curaçao and has been detected over Venezuelan air space.

It is no coincidence this is happening after president Obama asked the Netherlands to keep their troops in Afghanistan for a longer period. A majority of the Dutch people is in favour of a withdrawal of the troops. Prolonging the mission would mean a big loss of popularity for the Dutch government parties. That is why the Dutch government is now trying to find other ways to support American imperialism.

The Socialist Party (SP) is the only party that has asked questions to the government about the intrigues in the Caribbean, and those questions have not been answered. The SP is also the only party against the prolongation of the agreement with the US. This is a start. It has to be made clear that the support to the intrigues of the U.S. and Colombia against Venezuela has to stop!

No support for the intrigues of the U.S. and Colombia!

The right of self-determination for Aruba and the Antilles! There is no self-determination as long as there are American bases on the islands! There is no real self-determination possible without socialism.

In a statement published in local newspapers, the group says that after 11 years in power Mr Chávez has lost his legitimacy. The group includes former foreign minister Luis Alfonso Davila, former defense minister Raul Isaias Baduel, Hermann Escarra - one of the main drafters of the new Chavez-era constitution - and two men who were at Chavez's side during the failed 1992 military coup; Yoel Acosta and Jesus Urdaneta.

They accuse the president of an "autocratic, totalitarian and self-centered way of governing" and point to his "utterly careless use of language ... which lays bare a soul that is intolerant, petty, hateful and resentful."

In the past months, Venezuela has seen an increasing number of anti-Chávez demonstrations. The president says the protesters want to destabilize the government.

Caracas, Venezuela - A new slogan appearing on the T-shirts and banners of anti-government protesters in Venezuela sums up a growing sentiment about President Hugo Chavez after 11 years in power: "You're struck out."

The list of strikes against Chavez keeps growing: Latin America's worst inflation, increased blackouts, runaway violent crime and a scandal involving bankers close to his government.

The socialist-inspired governing model that Chavez calls his Bolivarian Revolution — after 18th-century independence leader Simon Bolivar — is weakened and hobbling. And though Chavez retains close ties with a bloc of leftist governments from Bolivia to Nicaragua, many Latin Americans don't see Venezuela's oil-funded populism as viable.

Among Venezuelans, Chavez's popularity slipped below 50 percent in polls late last year. Last week, thousands of demonstrators denounced the government for yanking the anti-Chavez channel RCTV from cable television, and clashes with riot police killed two youths. Also last

week, Chavez's vice president and defense minister, Ramon Carrizalez, resigned, citing personal reasons.

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Economic, crime indicators

Chavez's foes say such measures will only further discourage private investment, which fell 7.6 percent last year amid the nationalization of banks, coffee producers and oil field service companies.

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Other problems weighing on Chavez include:

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And despite his antagonism toward Washington, which he accuses of backing the failed 2002 coup, Chavez is linked inextricably to the U.S. because it is the top buyer of Venezuelan crude.

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Indeed, for many leftist leaders in Latin America, Chavez's success in galvanizing Venezuela's poor has been an encouraging example. Chavez has leveraged those alliances to amplify his voice.

## Strength in opposition weakness

And for all the recent complaints, Chavez remains Venezuela's most popular politician, aided by populist programs including cash benefits for single mothers and health clinics staffed by Cuban doctors. He has plenty of money to pump into those programs, especially after the devaluation effectively doubled Venezuela's oil earnings when converted into local currency.

Insisting his revolution is far from finished, Chavez has dared opponents to petition for a recall vote like the one he survived in 2004 with 58 percent.

"They say I should quit," Chavez said Sunday, "because I'm not worth anything, because the country is collapsing. ... Well, why don't they hold a recall referendum then?"

His biggest strength may lie in the weakness of Venezuela's opposition, which has yet to capitalize on the erosion in support for Chavez, who is up for re-election in 2012.

Not a single challenger has emerged who seems capable of breaking his hold on power.

President Hugo Chávez said on Tuesday that Ramiro Valdez, the Cuban Minister of Technology, is in Venezuela to head a technical committee in order to address the power crisis.

Chávez said during an official event held in the Teresa Carreño Cultural Complex that the Cuban leader Fidel Castro contacted the Venezuelan government and asked it authorization to send, with the consent of President Raúl Castro, a technical commission to help resolve the power crisis in Venezuela.

"We have received Commander Ramiro Valdez. He is with us and is heading a technical commission," Chávez said. The Venezuelan President highlighted the role of the Cuban top official in the revolution led by Fidel Castro.

Ramiro Valdez is the Cuban Minister of Information and Technology and President of the Council of Ministers.

Caracas, Venezuela (AP) -- The Inter-American Commission on Human Rights raised concerns Tuesday over clashes between supporters and opponents of President Hugo Chavez that have killed two people and injured dozens more.

The commission urged authorities to avoid using excessive force against the street demonstrations that began last week, when university students protested against Chavez's government for pressuring cable and satellite television providers to drop an opposition-aligned channel.

Pro-Chavez students have staged counter demonstrations, and rival groups have clashed on several occasions, prompting police to intervene.

Echoing concerns expressed by Venezuelan rights groups, the Washington-based commission reminded Chavez's administration of its "duty to control demonstrations within the framework of respect for Inter-American human rights standards."

It urged authorities to hold talks with opposition students, who charge that police have fired tear gas and plastic bullets to disperse peaceful protests. They also say authorities have done little to protect them from attacks by government supporters.

Authorities deny any wrongdoing, arguing that police have merely broken up demonstrations that turned violent.

Chavez has accused demonstrators of trying to stir up violence - a charge they deny - and he urged his supporters to keep holding counter protests.

"I call you all to the streets," the president said in a televised address. "We will continue defeating them on every battlefield."

According to the report entitled Annual Threat Assessment of the Intelligence Community for the Senate Select Committee on Intelligence 2009 prepared by the Direction of National Intelligence (DNI).

President Hugo Chávez's influence may have peaked, but he is still leading a regional force against the United States, warns a report released on Tuesday. Chávez "continues to impose an authoritarian populist political model in Venezuela that undermines democratic institutions," according to the Annual Threat Assessment of the Intelligence Community 2009, submitted on Tuesday to the Senate by the Director of National Intelligence (DNI), Dennis Blair.

Regarding foreign policy, "Chavez's regional influence may have peaked, but he is likely to continue to support likeminded political allies and movements in neighboring countries and seek to undermine moderate, pro-US governments," said the document, as reported by Efe.

"He and his allies are likely to oppose nearly every US policy initiative in the region, including the expansion of free trade, counter drug and counterterrorism cooperation, military training, and security initiatives, and even US assistance programs," adds the report.

In the analysis, which includes a brief chapter on Latin America, Blair says that, in general, democratic governance remains strong in Latin America and the Caribbean, although in some countries democracy and market policies remain at risk because of the continued threats from crime, corruption, and poor governance.

Feb. 1 (Bloomberg) -- Russia and Venezuela agreed to form a joint venture that may spend more than \$20 billion pumping oil from Venezuela's Orinoco Belt, Russian Deputy Prime Minister Igor Sechin said.

Once the accord is ratified, the five-company Russian National Oil Consortium will make the first investment of \$600 million, Prime Minister Vladimir Putin said today during a Moscow meeting with Venezuelan Oil Minister Rafael Ramirez. The venture plans to pump 450,000 barrels a day, Sechin said.

Venezuela is forming partnerships with international oil companies to develop the Orinoco, a tract the size of Costa Rica that contains more than 1 trillion barrels of tar-like crude. The country, whose hydrocarbon production has declined for the past decade, is seeking foreign investment to boost output and convert Orinoco oil into lighter crude or refined products.

The Russian group, comprising OAO Gazprom, Surgutneftegaz, OAO Lukoil, TNK-BP and Rosneft Oil Co., previously had an agreement to explore the area, known as Junin-6. The new venture gives state oil company Petroleos de Venezuela SA 60 percent ownership and the Russian group 40 percent, Sechin told reporters today in Moscow.

The project's \$12 billion first stage will take 7 to 10 years, Sechin said. The full 40-year development may require more than \$20 billion in investment, he said.

Venezuela and Eni SpA agreed last month to spend almost \$18 billion to develop the Junin-5 block and pump 240,000 barrels a day, Ramirez said.

The country also accepted bids Jan. 28 for three 400,000- barrel-a-day projects in the Carabobo areas of the Orinoco. The Russian group decided against bidding on the Carabobo blocks to focus on the Junin-6 project, Sechin said.

Beijing -- Venezuela energy and oil minister Rafael Ramirez arrived in Beijing Tuesday for talks with government and company officials on joint-venture refinery projects and Chinese investment in Venezuela's heavy crude oil reserves.

While Chinese oil companies didn't bid in Venezuela's Carabobo oil round a week ago, the two sides have extensive energy ties, which were recently expanded by new oil pacts.

In late December, China National Offshore Oil Corporation joined its two larger state-owned peers already active in Venezuela by signing a draft deal to help develop the Boyaca-3 block in the Orinoco belt in the east of the ...

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El Universal

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TMC Net

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