

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

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Usman Choudry

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## **Report Summary/Argentina**

Since the tensions between Argentina and United Kingdom have increased over Falkland Island, Argentinean government has ordered that the boat sailing will have to use permit while traveling between South Georgia and South Sandwich Islands. Argentina also claims over Falkland Islands and the tensions increased between both countries when UK's drilling companies arrived in the Island and Argentinean government protested over it. Geologists consider the cause of tension is high reserves of energy in the Falkland Island.

## **Report Summary/Brazil**

Brazilian Deputy Foreign Minister is going to pay a visit to China where he will meet the president of China and discuss about the preparations of Chinese president to participate in BRIC summit in Brazil. The he will meet with Chinese Foreign Minister and the Minister for Trade and Commerce to discuss bilateral and mutual interests' issues. Both countries are emerging economies of the world, facing similar challenges and working with a coordination to face the challenges. Also both countries want to launch a Joint Plan of Actions to establish priorities of action for next five years.

Chinese president Hu made a telephone call to his Brazilian counterpart and discussed mutual interests' issues as energy, infrastructure and environment. Both countries are also the members of BASIC and deeply focus on environmental issues. Last BRIC meeting held in Russia and this year BRIC leaders in Brazil are going to observe that how to deal with the world in a post-crisis environment and how the four countries could coordinate their efforts to better face the new challenges ahead.

Brazilian Justice Minister Genro has resigned from his post and run for governor of Rio Grande do Sul which is a southern state of the country. He would be replaced by the executive secretary of the Justice Ministry Mr. Barreto. Before leaving the office he defended his decision of granting the political asylum to the left-wing political activist Cesare Battisti in early 2009. This action by the Brazilian minister tensed the relationship between both countries Brazil and Rome and Rome took this case to the Brazilian Supreme Court. The Supreme Court left the final decision on the President of Brazil who is silent on the issue.

Swedish foreign minister visited Brasília for the advertisement of Swedish air jets. France and Sweden are good manufacturer of air fighter jet planes and in a competition with each other. Last year the government made a plan to buy 36 air fighter planes and France was selected a country to purchase by the president of Brazil. France was preferred due to its strategic partnership with Brazil. But the final approval is pending in national security council. Swedish foreign minister arrived because the deal is not absolutely final to buy planes from France and this deal is from \$ 5-7 billion.

The president of Worker's Party announced that after the success of the Rouseff, the fiscal and monetary policies will remain as are Lula's. He said neither the fiscal nor the monetary policies will be changed. It has been declared by the heir of Lula, Ms. Rouseff during her campaign. Lula's monetary policies are quite successful and uplifted Brazil's economy. Actually the Worker's Party president is telling it all to the investors that Rouseff is not altering current president's policies but following the same policies.

Serra, the governor of the wealthiest and most populous state, belongs to the opposition Social Democracy Party and leading his position on Rousseff, according to previous polls. But in recent polls the Rousseff has narrowed the gap from 19 percentages to 7 which is her great achievement. According to the Christopher Garman, who is the Latin America director at the Washington-based Eurasia Group said in a telephonic interview from Washington, the heir of a successful president has more chances to become his successor.

The governor of Brasília is found involved in corruption in a video clip. It is shown in a video clip that he is getting bribe from someone. This act annoyed much to the president of Brazil and he took the case to the Brazilian supreme court on the request of attorney general. The president is going to appoint the new governor of the state as the constitution of Brazil allows to the president that he can appoint anybody in such a situation. The president also said if the court declares the verdict against the governor, we shall set it an example so that no one dares corruption.

International Olympic Committee has granted \$14.4 billion funds to Brazil to uplift its infrastructure for the preparation of Olympic Games of 2016. Other than this, the Brazilian government has also allocated \$359 billion funds to build country's airports, seaports, bridges, highways and other facilities. Rio was declared the host city of Olympic Games by the enthusiastic speech declared by the Brazilian president. It is the first time that any South America country is hosting the Olympic Games. Obviously these games will uplift Brazil's economy. Prior Olympic Games, Rio is going to host the FIFA World Cup too in 2014. Rio was the previous federal capital of Brazil till 1960 and almost 6 million people are living in it. It is having many three star and some five hotels in it. It is a very beautiful city with rocky shaped mountains and sea bays. It is also having Maracanã soccer stadium which is the largest soccer stadium in South America.

Crimes in the Brazilian society were a very big problem in past recent years which are somehow controlled now. Even the last international meeting on earth held in 1992 in which the presidents and the experts gathered in Rio from around the world. That meeting was held under the protection of army and tanks in the city. But the current situation seems different than before as the crime rates have been lower than the previous years. Previously Rio was considered the most victim city by the criminals in the whole Latin America but the situation is different now. It is said the economic prosperity in the country reduced the crimes. It does not mean that the crimes have finished but even the criminals are residing in the slums of Rio which is at a bullet's range or a stone's throw. But the government seems very serious to tackle that groups as in last year it has operation against the criminals and captured.

Attiya Mahmood is the Additional Foreign Secretary (Americas) met Roberto Jaguaribe, Sub-secretary General, Ministry of External Affairs of Brazil in Brasília for the first round of Pakistan-Brazil Bilateral Political Consultations to discuss the regional and political issues of mutual interests. Both of them agreed to increase bilateral relations especially in the field of economics as trade, agriculture, bio-fuels including ethanol and citrus products. Both countries are enjoying their cordial relations since 1948. Next round will be held in 2011 in Islamabad.

By bringing economic prosperity in Brazil, Lula has been the favorite president in the lower and middle class, even the business class is also much satisfied by the economic policies of him. Brazil's middle class was earning from \$617 to \$2,600 a month, has risen from 38% to

50% by his policies. Lula has not only lifted Brazil on economic level but also on diplomatically. He has taken bold stand before World Trade Organization, as against farm subsidies in the European Union, Japan, and the U.S. that he says harm developing nations. Brazil's struggle to grab UN permanent seat also goes in favor of Lula. Just due to his very positive behavior towards his country forced US president Barak Obama to call him "the most popular politician on earth".

Aside from this, Brazil's state oil company Petrobras has discovered a huge oil reserves in the coast of Rio de Janeiro and São Paulo. It is said that these new oil reserves are having oil in a huge storage which will double Brazil's oil output. Now Petrobras is going to invest \$174 billion to double Brazil's production to 3.5 million barrels a day by 2012.

Carnival in Brazil has started which is celebrated in the month of February and people start gathering in Rio de Janeiro which is considered the most sinful city in these days. Evangelicals and Protestants are avoiding it due to its absurdity and do not take part in it. It is a very big opportunity for Brazilians businessmen. Economists become very optimistic about Brazilian economy in this season. Just like previous years, the economists are claiming that the economy will increase 5-6% this year. It is not considered bad but not much good as compare to the previous years.

### **Report Summary/Mexico**

President Felipe Calderon is going to pay a visit to the northern border state of the country where a massacre of 12 teenagers happened by the drug gangs last week. Especially these killings of the schools children have flamed the emotions and anger of people and the president has to visit to Juárez. It is expected that the president will announce the funds to build parks, infrastructure and may announce jobs for the residents of the border city. The governor of Chihuahua state has demanded 3 billion pesos (\$230 million) to rebuild the city. Police has captured a suspected person who took part in the killings of the children who were celebrating the party. He said that it happened during a clash between to cartels.

The police have dispersed the protestors who are chanting slogans against the president who arrived in Juárez city to announce the new strategy of war against drug cartels. People were gathered outside the convention centre where president is going to announce the new strategy. They were holding placards on which it was written that go back police go back army which shows that the residents of that state are reluctant of this war in their state because they have lost thousands of lives. The president apologized with the parents of the teenager students who died in the presence of 6,000 soldiers. A doctor named Valenzuela told that the number of murders has risen from 200 and 300 (per year in Ciudad Juarez) to more than 1,600 in 2008 and more than 2,650 in 2009.

Another achievement in Mexico's war against drug cartels is this that the son of a drug lord has been captured by the Mexican forces and extradited to US. He was involved in drug smuggling from Colombia to California, New Jersey and New York. He smuggled drugs in tones to US and his father is also working with the most wanted drug lord of Mexico. Some other cases have also come before when some headless bodies were found in Michoacán which is the home state of Mexican president Calderon. Then the heads were found in other places.

Mexico's lower house has approved a bill of separation of church and state which is going to become a constitution if the senate also approves it. The president of Mexico has ratified it. The tension between the religious and political leader increased in Mexico when the government of Mexico legalized the same sex marriages and the abortion. The Roman Catholic Church raised voice against it so now the government is going to form it as constitution that Church won't come in state's affairs. The religious class is not satisfied with it and declares it secularism.

Mexico's embassy in Chile went under attack by some youngsters when they threw some stones and paint on the embassy. Stones damaged the windows and the Mexican ambassador to Chile showed the feeling of surprised that both countries are enjoying good relationships then why this happened here. The Mexican ministry has asked Chilean authorities to properly investigate the matter that what caused of this incident. The foreign ministry has also surprised by this attack and asked for the inquiry of it.

Mexico is the second largest economy in Latin America and it shrank last year till 6.8 percent due to global financial crisis. Mexico is trade partner of its neighbor country USA and it is doing almost 80 percent trade with it. As the global financial crisis overlapped US, automatically it also affected its trading partner too. Now the Mexican president said that Mexico should rely on European countries rather than its northern trade partner. UN has estimated that Mexico's GDP will increase till 3 percent in this year.

The economists are very optimistic about the increase in Mexico's economy this year. As Mexico's 80 percent economy rely on US due to its trade so it was also under a shock when global financial crisis overlapped the US, but not it is hoped that an increase in Mexico's auto production will come again till 20 percent. Automakers are going to invest about \$800 million to \$900 million this year in Mexico. Even the Nissan Automaker Co has also planned to build small cars and it is hoped that Mexico will be selected for this investment. Mexico is near to US which is a big market of automobiles and the labor is available on cheap prices.

World climate change conference of 2010 is going to be held in Mexico in December. But Mexico has posted a letter to UN Framework Conventions on Climate Change (UNFCCC) that two other or primary sessions should be held prior to this meeting in the mid-April and second in September-October. UNFCCC is struggling to reduce the greenhouse gas emission around the globe. But the UNFCCC has already arranged a discussion meeting in Germany for the preparation of the final conference in Mexico.

### **Report Summary/Venezuela**

The Venezuela Ministry of Electric Energy has advertised in national newspapers that billboards are not allowed. It is decided by undertaking the recent electric shortage in the country. But the hospitals and pharmaceuticals are exceptional cases in this law. The state run power company has asked his employees to seek divine intervention to help Venezuela out of energy crisis. It is titled as "Clamor to God for the National Electricity Sector." Chavez declared emergency in power sector due to the shortage of electricity. He is being lambasted by the opposition as he remained fail to run a successful government. Chavez said the businessman and factories owners should be punished as they were not using the electricity in care, so the

government is shutting down the electricity from factories 24-48 hours. Other energy saving initiatives have also been taken by the government as by launching new energy saving bulbs etc.

Pravda newspaper reported that US is just striving to destabilize Venezuela by adopting every way. First it was behind a failed military coup in 2002, then sometimes UN is making allegation on it that the government is violating the human rights while the ratio is decreased as compared to previous years, it is blamed the people have not liberty as media channels are sanctioned but the media channels are operating now, most of them belong to the opposition of private cable operators. But on the other hand tremendous advances occurred as in health, education, grassroots democracy, indigenous representation, recuperation of history and culture, and a massive decrease occurred in poverty and extreme poverty. But just due to the electricity crisis, it got an opportunity to blame and destabilize government.

Venezuela is awarded the largest oil investment of billions of dollars. It is the largest oil investment since Chavez nationalized the operations in the Orinoco Belt in last three years. Chavez said during his address to the oil companies that we are happy to find them here in our country as we want foreign investment but this is also the benefit of you. The oil companies of US and Spain have invested for oil exploration in the country. According to the US Department of Energy, Venezuela's oil production has fallen below 2.5 million barrels per day (bpd) from more than 3 million bpd in 2001. The reason behind this is the less international investment and less qualified personnel.

Recently Iran has banned on the usage of gmail and now it is considering that Venezuela will also ban on it. The Iranian government sanctioned on the google mail on the occasion of the celebrations of 31<sup>st</sup> anniversary of its revolution. Now it is said may the government also ban the twitter. The government argues that these blogs are preparing rebellions so it is banned. The owner of the TV channel which is banned in Venezuela left a tweet on twitter social blog that the channels' boards of directors asked him to resign but he refused. But the government argued that the channel was misleading to the public against government. So Chavez declared that he wants to serve as a leader of the country till 2030 to counter the influence of capitalism.

Chavez has urged Obama to rectify his position and he said this to increase bilateral relations between both countries. Venezuela is a largest exporter of oil to the United States and also importing US goods in a huge quantity in Latin American countries. So he is also in need of rectification from the president Obama to increase bilateral trade.

Colombian Foreign Minister says that his government is open to dialogue with Chávez but the dialogue should be on the mutual basis. In this week the president has rejected the Colombian offer of supplying electricity to Venezuela. The vice president said the electricity which is offered at very high price so we cannot bear so expensive.

## **Detailed Report/Argentina**

Buenos Aires, Feb 16 (Reuters) - Argentina said on Tuesday that boats sailing between it and the British-ruled Falkland Islands will need a government permit, deepening a row over oil exploration in the disputed archipelago.

Permits also will be required by ships sailing between Argentina and South Georgia and the South Sandwich Islands, Cabinet Chief Anibal Fernandez told a news conference in Buenos Aires. Argentina also claims sovereignty over those British-controlled islands.

Argentina protested to Britain earlier this month over plans to begin offshore exploration drilling near the remote Falklands, which are called the Islas Malvinas in Spanish. The nations fought a short war in 1982 over the islands.

"Any boat that wants to travel between ports on the Argentine mainland to the Islas Malvinas, South Georgia and the South Sandwich Islands ... must first ask for permission from the Argentine government," Fernandez said.

He said a presidential decree would force all ships bound for the islands or traveling through waters claimed by Argentina to secure the new permit.

Geologists think the area around the Falklands could hold rich energy reserves, raising the stakes in the sovereignty disputes.

Nearly three decades after the Falklands War that killed almost 1,000 people, tensions over the islands simmer.

Falkland Oil and Gas Ltd (FOGL.L) said on Monday it had agreed with Desire Petroleum Plc (DES.L) to contract a rig to drill the first ever well in the East Falklands Basin.

## **Detailed Report/Brazil**

Brazilian Deputy Foreign Minister Antonio Patriota will kick off his first official trip to China today, making the last preparations for President Hu Jintao's attendance to the upcoming BRIC summit in Brazil.

Patriota is scheduled to call on Foreign Minister Yang Jiechi and Minister of Commerce Chen Deming tomorrow to exchange views on bilateral and multilateral issues.

"As two large emerging economies, Brazil and China share common interests and face similar challenges in the international agenda," said Patriota, adding the two nations have developed a high level of coordination and convergence at key international conferences.

"Our cooperation has reached the multilateral sphere and that is, in my opinion, one of the most important latest developments in the bilateral relationship," he said in a written interview with China Daily. The deputy foreign minister is very confident of China and Brazil's role in addressing some of the world's current challenges.

He said he is expecting President Hu to participate in the BRIC summit in April and pay an official visit to his country to further examine the perspectives of the Sino-Brazilian relationship.

"As Brazil and China are strategic partners, both sides agree that we should have a long-term view of our relationship. Therefore, we also plan to launch a Joint Plan of Action to establish the priorities of cooperation for the next five years," he said.

The US investment bank Goldman Sachs came up with the BRIC concept in 2001, referring to Brazil, Russia, India and China, the four major emerging economies in the world. President Hu Jintao, and the three other leaders held their first formal meeting last year in the central Russian city of Yekaterinburg.

According to Patriota, one of the major themes of discussion of the upcoming summit will be how to deal with the world in a post-crisis environment and how the four countries could coordinate their efforts to better face the new challenges ahead.

Brazilian Justice Minister Tarso Genro resigned Wednesday to run for governor of Rio Grande do Sul, a southern state of the country, in October.

Genro would be replaced by Luiz Paulo Barreto, who has been the executive secretary of the Justice Ministry for seven years.

Before leaving office, Genro defended his decision to grant a political asylum to left-wing Italian political activist Cesare Battisti in early 2009.

Rome's demand for Battisti's extradition triggered a diplomatic rift between Italy and Brazil, and took the case to the Brazilian Supreme Court, which overturned the asylum granted by Genro.

However, the Supreme Court determined that a final decision must be made by President Luiz Inacio Lula da Silva, who has not taken any action on the issue yet.

Beijing, Feb. 11 (Xinhua) -- President Hu Jintao held a telephone conversation with his Brazilian counterpart Luiz Inacio Lula da Silva on bilateral ties Thursday, with both sides expressing willingness to promote cooperation.

The Chinese president said China-Brazil relations have been deepening in a comprehensive way, marked by frequent exchange of visits between their leaders and political mutual trust.

The Brazilian president's state visit to China last year brought the two countries' strategic partnership to a new level as the two sides reached consensus over a broad range of major issues, Hu said.

The two countries have agreed to map out a joint action plan, he said, adding that exchanges and cooperation in various fields have seen new momentum and the two sides have maintained close coordination and cooperation in international and regional affairs.

China-Brazil cooperation enjoys solid political foundation and broad prospect for development, Hu said.

He said further development of their strategic partnership is in the fundamental interests of both countries and is their common aspiration. It is also conducive to world peace and common development, he said.

He also said China highly values its relations with Brazil and is ready to work with the Brazilians to further promote strategic partnership between the two countries.

On cooperation between the BRIC nations -- Brazil, Russia, India and China, Hu said the four countries share the same or similar opinions on many global issues and have great potential in bilateral and multilateral cooperation.

China attaches great importance to the cooperation platform of BRIC countries and is willing to strengthen communication and cooperation with Brazil, Russia and India, he said.

Hu emphasized China and Brazil are both members of the BASIC countries and share extensive consensus on the issue of climate change. Through qualitative coordination and cooperation, both countries have played an important role in the climate summit held in Copenhagen not long ago.

He said China would like to further enhance communication and coordination with Brazil as well as G77 countries to preserve and promote the interests of developing nations so that to facilitate a positive outcome of the climate summit to be held in Mexico this year and to keep on contributing constructively to the international cooperation on climate change.

Lula extended his greetings to President Hu and the Chinese people on the coming Chinese Spring Festival, adding that Brazil has prioritized the development of the relations with China and he is glad to see a smooth pragmatic progress in various fields between the two sides.

He said that Brazil is willing to strengthen cooperation with China in fields like energy, aviation and infrastructure. Brazil would like to work with China on a stronger cooperation among the BRIC countries.

He added that during the U.N. climate summit in Copenhagen, along with a number of other countries, Brazil and China cooperated closely and played an active role in making the conference successful.

Brazil is willing to continue working with China on a successful climate summit in Mexico, Lula said.

Swedish Foreign Minister Carl Bildt argued the advantages of the Gripen NG jet fighter over rivals from the USA and France while on a visit to Brazil.

The Gripen offered "the possibility of a strategic alliance" because of how involved Brazilian industry could be in its assembly, Bildt said during a visit to Brazil's capital Brasilia.

Unlike the Dassault Rafale being offered by France and the Boeing F/A-18 Super Hornet put forward by the United States in a tender about to be decided by Brazil, the Gripen NG has yet to go into production.

That offered great opportunities for Brazilian businesses to contribute to its manufacture, Bildt stressed in a joint news conference with Brazilian counterpart Celso Amorim.

Brazilian President Luiz Inacio Lula da Silva has already declared his preference for France's Rafale to win the tender to supply 36 modern fighters to his country's air force, in part because of Brazil's strategic alliance with France.

But a final decision, involving his national security council, has not yet been made.

The contract is expected to be worth in the range of \$4 billion to \$7 billion.

Brazil is keen to win technology transfer out of the deal and Dassault has said it would supply all the knowhow behind its jet.

The US technology in the F/A-18, on the other hand, is subject to oversight by the US Congress, which has in the past refused to allow Brazil to export aircraft using US components.

Although the Gripen NG is powered by a US-made engine, maker Saab has insisted there should be no barrier to the rest of the aircraft's technology being passed on to Brazil.

Feb. 12 (Bloomberg) -- Brazilian President Luiz Inacio Lula da Silva's party leader pledged to keep in place the country's current monetary, fiscal and exchange rate policies should Cabinet chief Dilma Rousseff win the October election.

"The pillars, the fundamentals of the economy will be upheld as they are," José, who will be inaugurated as the Workers' Party president on Feb. 19, said in a telephone interview from Brasilia. "The exchange rate will be floating as it is. Neither the fiscal nor the monetary policies will be changed."

Lula's party will lay down the principles for its campaign platform at its national congress next week, Dutra said. At the same meeting in Brasilia, Rousseff, Lula's chosen heir, will be formally designated as the party's official candidate.

As elections approach, the Workers' Party is seeking to assure investors that Rousseff wouldn't alter the policies of Lula's that won Brazil its first investment grade rating, brought in record flows of foreign capital and kept inflation within target for the past six years.

In 2002, Lula's frontrunner status during the presidential race led to a plunge in the currency and raised concern Latin America's biggest economy would default.

"Dilma's project is one of continuity with improvement," said Dutra, 52, who Lula appointed as his first head of state-controlled oil company Petroleo Brasileiro SA, Brazil's biggest company

by market value. "We won't change the fundamentals of the economy because it's proven they are solid and work."

#### Dilma in Polls

Rousseff has narrowed the gap with Sao Paulo Governor Jose Serra, who leads in the polls, to 7 percentage points from 19 points in November, according to a Sensus poll published Feb. 1.

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.

Rousseff is the favorite to win this year's race, Christopher Garman, the Latin America director at the Washington-based Eurasia Group, said.

"Comparative data suggests that voters are very satisfied with the status quo, a sitting president has a high probability to elect his successor," Garman, a political analyst, said in a phone interview from Washington.

Brasilia, Feb 12, 2010 (Xinhua via COMTEX) -- Brazilian President Luiz Inacio Lula da Silva said Friday he may designate someone to govern the Brazilian capital in the wake of a local government crisis sparked by a corruption scandal, if the Supreme Court rules in favor of such federal intervention.

The intervention was requested by Brazilian Attorney-General Roberto Gurgel on Thursday after the governor of Brasilia, Jose Roberto Arruda, was arrested on corruption charges.

"If the court decides that there must be intervention, there will be. If there is no accusation against the vice governor (of Brasilia), then he has the right to govern. I just await the decision," Lula said.

Gurgel said in his request that all officials in line of succession to the governor, including the vice governor, are suspected of being involved in the corruption case.

According to Brazilian laws, if the supreme court rules in favor of federal intervention, the president will then appoint an interventor to govern Brasilia. That will be an unprecedented event in Brazil's history.

Commenting on the corruption case, Lula said he was shocked.

"I am shocked when I see a complaint of corruption in this country. I was shocked by the video showing Arruda receiving money. It is absurd to imagine that, in the 21st century, we still see that in Brazil," he said.

"I hope that what happened will serve as an example, so that it does not happen anymore," said the president.

If there was any doubt that Brazil is on a roll—economically, politically, and diplomatically—that doubt was dispelled Oct. 2 when the International Olympic Committee voted to hold the 2016 Summer Olympics in Rio de Janeiro. The IOC chose Rio over Chicago, Madrid, and Tokyo after Brazilian President Luiz Inácio Lula da Silva made an impassioned plea for the Games to be held for the first time in South America.

"I honestly believe it is Brazil's time," Lula, as the President is popularly known, told the Committee before the vote. "Our rivals today have all hosted the Games in their countries before. For them it will be just one more Olympics. For us, it will be an unparalleled opportunity."

There is no doubt about that. Rio de Janeiro, a city of some 6 million people, has budgeted \$14.4 billion to prepare for the Games, the largest amount offered among the four cities vying for the event. And it will need to spend every penny to build infrastructure that is sorely lacking in the fabled seaside mecca of sun, samba, and soccer.

#### Brazil Also Has the 2014 World Cup

Rio, which served as Brazil's capital for nearly two centuries until a new capital was built from scratch in Brasilia in 1960, is a beautifully situated city, ringed by ocean, tropical coastal rainforest, and a series of dramatically shaped rocks jutting from the ocean, including the picture-postcard Sugar Loaf mountain.

As gorgeous as the city is, its infrastructure went downhill after the capital moved to Brasilia. Few new roads and tunnels have been built in the past 20 years. Rio has dozens of three- to five-star hotels that each year receives hundreds of thousands of tourists for the world-famous Carnival festivities, but many more will be needed.

Rio does boast the storied Maracanã soccer stadium, the largest stadium in South America, which was built in the 1950s for the FIFA World Cup and is being refurbished for the 2014 World Cup, which Brazil is hosting. Other facilities were built for the Pan American Games that Brazil hosted two years ago. But many more sports venues must be constructed.

"Rio de Janeiro needs to dramatically improve its infrastructure for an event of this magnitude," says Adriano Pires, director of the Rio-based Brazilian Infrastructure Center. "You name it—public transportation, subway, water and sewer, electricity."

#### Another Achievement for Lula

Rio's selection as the 2016 host city for the Olympics caps a remarkable record of achievement for Lula, 63, a former lathe operator who rose to become the country's most prominent labor union leader before winning the presidency in 2002 on his fourth try. Although he never finished elementary school, the bearded, folksy leftist leader has skillfully managed the country's economy, setting aside his old populist rhetoric to hew to prudent, conservative fiscal and monetary rules that kept the country from suffering unduly from the international economic downturn. That helped nab an investment-grade rating for the country's sovereign debt last year.

At the same time, he used the country's fast-growing pile of international reserves—now at a record \$224.2 billion, thanks to recent record-high prices for soy, iron ore, and steel exports—to beef up social policies that have boosted the minimum wage by 45% in real terms in seven years and helped push 24 million Brazilians above the poverty line. The middle class, those earning from \$617 to \$2,600 a month, has risen from 38% to 50% of the population since 2003. The President also has guided the country to international diplomatic prominence, taking bold stands before the World Trade Organization, for example, against farm subsidies in the European Union, Japan, and the U.S. that he says harm developing nations. And recently, he has pushed hard for Brazil to occupy a seat on the U.N. Security Council.

Even U.S. President Barack Obama, who unsuccessfully lobbied the IOC on behalf of Chicago, acknowledges Lula's charisma, recently calling him "the most popular politician on earth."

### Oil Discoveries Fuel Growth

Politics aside, Brazil has been helped by Mother Nature as well: Over the past two years, state-run oil company Petrobras (PBR) has discovered huge new deepwater oil reserves off the coast of Rio de Janeiro and São Paulo that could turn the South American nation into one of the world's leading oil producers and exporters in a decade. Petrobras has embarked on a five-year, \$174 billion investment program to double Brazil's production to 3.5 million barrels a day by 2012. Already, Petrobras has placed several years' worth of orders for offshore oil platforms, supply ships, and other industrial equipment—so much that the world's oil majors are having trouble placing their own orders.

Those oil discoveries, plus strong domestic consumer demand thanks to increasing incomes, helped Brazil emerge quickly from recession. Although the economy will shrink slightly this year, it's expected to grow by as much as 5.3% in 2010, according to a new estimate by Bank of America/Merrill Lynch (BAC).

The government in 2007 announced a major Growth Acceleration Program that is fueling some \$359 billion in infrastructure investment to build new airports, highways, ports, and other facilities throughout the country by 2010, in a bid to boost economic growth from an average of just 2.5% per year to 5%. Although Lula has embraced many free-market concepts, he is still a big believer in a strong role for the government in promoting economic growth.

But the government will likely need major help from the private sector to be ready in time for the 2016 Olympics. "I hope that Lula understands that the government's role should be to oversee investment and that the private sector should have a preponderant role in getting things ready for the Olympics," says Pires, the infrastructure consultant.

### Cleaning Up the "Favelas"

One big task the government will have to take the lead on is making sure the hordes of tourists and athletes who go to Rio in 2016 will be safe. Southern Brazil, where Rio is located, has one of the highest homicide rates in Latin America. When Rio hosted the 1992 Earth Summit, which drew presidents and environmental leaders from around the world, worried organizers placed army tanks on strategic street corners around the city, providing residents with a weeklong respite from muggers, pickpockets, and other petty and not-so-petty crime.

No one is expecting to see army tanks on the streets this time; although crime is still a problem, Brazil's economic advancement over the past decade has reduced poverty and helped chip away at the huge gap between rich and poor that contributes to a high crime rate.

But Rio is pockmarked by several hundred "favelas," or shantytowns, where hundreds of thousands of poor people live in cramped, precarious quarters just a stone's throw—or a stray bullet's path—from upscale condominium complexes where the city's wealthy minority live.

Ruthless drug-trafficking gangs control many of the favelas, although the city government has moved in recent years to start cleaning them up and provide security, proper electricity, water, and sewage facilities. "It's a shame that it takes something as big as the Olympics to get this needed investment, but hopefully this will be what it takes to finally transform Rio de Janeiro into a better city," says Pires.

Islamabad, Feb 15 (APP): The first round of Pakistan-Brazil Bilateral Political Consultations was held in Brasilia where the two sides exchanged views on regional and global issues of mutual concern. Attiya Mahmood, Additional Foreign Secretary (Americas) and Roberto Jaguaribe, Sub-secretary General, Ministry of External Affairs of Brazil, led their respective delegations, said a Foreign Office press release issued here.

They agreed to intensify their multifaceted engagement and explore new avenues of bilateral cooperation, particularly in economic field with a focus on areas such as trade, agriculture, bio-fuels including ethanol and citrus products.

Since the establishment of diplomatic relations in 1948, Pakistan and Brazil enjoy cordial relations based on mutual respect and trust.

These consultations are one of the high-level institutional mechanisms established between the two sides to discuss issues of mutual interest.

The next round of Pak-Brazil Bilateral Political Consultations will be held in Islamabad in 2011.

The run-up to Carnival, which this year starts on the weekend of February 13th-14th, is a strange time in Brazil. At the airports that serve the most sinful cities, arriving passengers are handed free condoms as part of a government public-health program. There is a run on mouthwash in Salvador, where kissing as many people as possible has become as traditional a Carnival pastime as watching the fierce competition between samba schools in Rio de Janeiro. Catholics and evangelicals tut-tut, and the middle-aged try to avoid it all. This year excess is on the minds of economists and financiers too. Having left behind a slowdown induced by the world financial crisis, many expect the economy to grow at 5-6% this year.

The Central Bank now sees signs of overheating. Inflation, at 0.75%, was surprisingly strong in January, pushing the rate for the past 12 months to 4.6%. The minutes of the latest meeting of the bank's monetary-policy committee suggest that it will raise its benchmark interest rate in March or April, for the first time since September 2008. Though the São Paulo stockmarket had a poor January, some big share offerings are expected (from Petrobras, the state-controlled oil firm; Banco do Brasil, a state-controlled bank; and OSX, a company with designs on shipbuilding and oil services). Familiar worries about creaking infrastructure are returning. *Folha de São Paulo*, a newspaper, recently reported that Brazil had to forego \$1 billion in export earnings from soya because of congestion in a port in Maranhão state, in the north.

To slow things down a little and to head off a string of interest-rate rises, Guido Mantega, Brazil's finance minister, said this month that the budget will be pared back, with the aim of posting a surplus for the year of 3.3% before debt payments. He also announced the end of tax breaks on cars and white goods that made up part of last year's stimulus package.

Withdrawing the stimulus in an election year shows welcome political maturity. But only up to a point: at about 1% of GDP, Brazil's fiscal stimulus, launched in 2008, was comparatively small. Most of the extra spending went on hiring more public-sector workers and on social-security payments, rather than on building roads, ports or hospitals. Since public-sector workers are close to unsackable and trimming social security is even harder, the stimulus will leave the government's balance sheet with an enduring hangover.

Second, to create Mr Mantega's surplus, the government would have to strip out 496 billion reais, or half of its total discretionary spending, according to economists at Itaú, a bank. This will be hard in an election year, when the federal government usually splurges. Curbing the hunger for pork of the government's coalition is always hard. It will be harder still as the political leverage of Luiz Inácio Lula da Silva, the president, ebbs ahead of the presidential election in October.

Almost continuously since 2003, federal-government spending has gone only one way, rising at an annual average rate of 8% in real terms (see chart). This year the budget allows for a 15% increase, which puts the finance ministry's talk of prudence in perspective. This binge has been possible because revenues have risen fast, too, because of economic growth and because more businesses have left the informal economy and gone legal. But so long as the extra money continues to go on hiring civil servants rather than doing things that will allow the economy to grow faster without overheating, interest rates will remain high. At its present level of 8.75%, the benchmark rate would be absurdly high in most big economies. For Brazil, it is apparently too loose.

There is a trade-off at work here that is familiar to many Brazilians. The government could spend less and create room for interest rates to come down. Or it can carry on spending and see them stay high, restricting Brazil's sustainable rate of growth to around 5%. This is not bad compared with even the recent past, but not as good as it could be. Carnival, though, is all about enjoying the present and forgetting about tomorrow.

### **Detailed Report/Mexico**

Mexico City — Though their deaths represented just a fraction of the thousands of people killed by gangland violence in Mexico, the murders of 12 teenage students in Ciudad Juárez is igniting calls for an overhaul of the drug-war crackdown on which President Felipe Calderón has staked his presidency.

“It really captured a lot of people's attention in a way that the literally tens of thousands of other killings have not,” said political scientist David Shirk, who specializes in Mexico's drug war at the University of San Diego.

“The impression of a lot of Mexicans is that things are getting worse because of what the government is doing, not despite it.”

Calderón is scheduled to fly to Juárez today as a sign of his commitment to setting things right in the city of more than 1.3 million bordering El Paso.

He's expected to announce funding for parks, jobs programs and other projects aimed at reducing the poverty and despair anchoring the violence.

“The visit itself, his presence, is the most important thing,” said Lucinda Vargas, whose Juárez organization has struggled to find ways to end the killing. “They can't solve problem from Mexico City, or with an occasional statement of support.”

Calderón promised Wednesday to pacify Juárez's concerns but also to keep pursuing Mexico's narcotics smuggling gangsters with federal troops and police.

Fifteen people, 12 of them teenage students, were massacred at a party in a poor neighborhood Jan. 31.

Police arrested a man who confessed to taking part in the killing, saying it was the result of a feud between two Juárez gangs.

Some survivors of the attack have publicly blamed Calderón's strategy, which put nearly 10,000 federal troops on Juárez's streets.

Even with the troops, violence has spiked, with Juárez accounting for a quarter of Mexico's nearly 17,000 gangland killings over two years.

“The soldiers come and just drive around. Everything stays the same,” said Luz Davila, whose two teenage boys died in the massacre.

“When I see them actually do something, I might believe.”

Many commentators, opposition politicians and security experts have called on Calderón to come up with a new strategy for taking on the gangs.

“Contrary to what some think, this violence and feuding wouldn't end with the pullback of federal forces,” Calderón said Wednesday. “Retreat would leave the citizenry totally abandoned and in the bloody hands of the criminals.”

Nationwide, public support for Calderón and his anti-crime efforts has remained strong.

But the slaughter of working-class students, who authorities said had no apparent connection to criminal gangs, has shocked even the most complacent.

“Somebody called it Mexico's rock-bottom moment. I hope that's true,” Shirk said. “But Mexico's had many rock-bottom moments. And things keep getting worse.” Ciudad Juarez, Mexico – Mexican police have broken up a protest against President Felipe Calderon's visit to a northern border city terrorized by drug gang violence.

Police have dragged away dozens of demonstrators outside a convention center where Calderon is to announce a new plan for curbing violence in Ciudad Juarez and other cartel strongholds.

The protesters are demanding the president resign after a recent massacre blamed on drug gangs in the city across from El Paso, Texas. Many of the 15 dead were teenagers with no known gang ties.

The protesters held signs Thursday reading "Calderon out!" Police forced them across the street, shoving them through muddy puddles.

Feb. 11 (Bloomberg) -- Mexico's lower house of Congress approved a constitutional amendment that formally establishes the separation of church and state after religious leaders criticized legislation on gay rights and abortion.

The bill was approved today with 363 votes in favor, one vote against and eight abstentions. It "guarantees the autonomy of institutions from religious norms, rules and convictions or individual ideologies, as well as the equality of people before the law independent of their convictions," according to the document published today in the legislative gazette.

The legislation comes as the Roman Catholic Church in Mexico has criticized such measures as a Mexico City law passed in December that allows same-sex couples to marry and adopt children, and the capital city's legalization in 2007 of abortion in the first trimester.

The legislation passed today aims to inhibit the Church from seeking to influence political decisions, said Jose Antonio Crespo, an analyst at the Center for Economic Research and Teaching in Mexico City. While in practice Mexico has acted as a secular state since the 19th-century, it never stated this explicitly in its constitution, he said.

"This allows acts that go against the spirit of secularism to be more easily reproached," Crespo said.

For the measure to become part of the constitution, it would have to be approved by the Senate, signed by President Felipe Calderon and ratified by more than half of Mexico's state legislatures.

Mexican ambassador in Santiago Mario Leal condemned the attack against the Mexican embassy in Chile Wednesday.

"It is displeasing, because we think that there are excellent ties between Chile and Mexico, that is why we are surprised for this attack," Leal told a local radio station.

The attack occurred at 6:15 p.m. local time, when nine youngsters threw paint to the Mexican embassy, broke 10 windows and threw flyers demanding freedom for "the political prisoners of Mexico and the world."

Leal said the attack has been recorded by the embassy's security cameras and they are being checked by the police, which suspects the attack was carried by anarchist groups.

Meanwhile, the Mexican Foreign Ministry also condemned the attack, saying that "the intolerable event attempts against the inviolability that the buildings of all the diplomatic or consular representations must have."

The Mexican Ministry also said in a statement that it expects "this incident to be properly clarified by the Chilean authorities."

Ciudad Juarez, Mexico (Reuters) - Seeking to ease public anger at gruesome drug violence on the U.S. border, Mexican President Felipe Calderon announced aid for the area on Thursday but was short on detail as he struggles to reinvigorate his war on drug gangs.

The murders of a group of teenagers by gunmen at a high school party in Ciudad Juarez last month provoked outrage across Mexico, forcing Calderon into a new strategy of social spending to combat drug gangs.

"If those deaths ... mean anything it is that we need to change after that absurd sacrifice," Calderon told a tense meeting flanked by cabinet ministers where he heard the emotional pleas of community leaders in the city across from El Paso, Texas.

Army helicopters flew overhead as federal police in riot gear dispersed dozens of students and activists who protested outside the convention center in Ciudad Juarez holding signs saying "army and police, leave!"

Calderon sought to reassure Ciudad Juarez residents, who deal with daily shootouts and have to witness murdered drug traffickers hung from bridges, with a promise of more schools, parks, clinics and welfare for the poor in the long-neglected city surrounded by shantytowns and garbage dumps.

Many were angry the president did not go to the neighborhood where the unprecedented high school shooting took place. Despite heavy security, one woman confronted him and told him "you are not welcome here".

Thirteen teenagers and two adults died in the shooting, which police blamed on drug hitmen seeking rivals. Victims' families deny the youths had any involvement with traffickers.

Since thousands of soldiers were first deployed in Ciudad Juarez almost two years ago, hitmen have killed more than 4,300 people in the city, making it one of the world's most violent.

"Calderon's afraid ... We want justice, we want him to resign," said Luz Davila, whose two teenage children were killed in the January 31 shooting.

Calderon is still popular in Mexico but escalating violence threatens to undermine the middle-class support crucial for his army-led fight against drug gangs.

Ciudad Juarez is a major manufacturing center for exports to the United States and some U.S. companies have held off increasing their investment because of the violence.

Vague On Aid

The governor of Chihuahua state, where Ciudad Juarez is located, has asked Calderon for at least 3 billion pesos (\$230 million) for the manufacturing city, which lacks paved roads and public transport.

More pledges could come over the longer term as Calderon focuses on creating jobs and building schools, while also keeping soldiers and police on city streets.

"Calderon is realizing you need a multidimensional strategy. You cannot just treat the drug gangs as a threat, send in the military to pound the city and expect everything to go back to normal," said Tony Payan, a drug trade expert at the University of Texas at El Paso.

Officials in Ciudad Juarez say Calderon is hoping to emulate Colombia's Medellin, which slashed murder rates of up to 6,000 deaths a year in the 1990s by creating jobs, enticing youngsters out of drug gangs and regenerating the city's most dangerous shanty towns with museums and libraries.

Ciudad Juarez, Mexico -- President Felipe Calderon promised a new strategy against drug-related violence in Mexico on Thursday, after apologizing to angry parents of 16 youths killed here last month despite the presence of 6,000 troops.

"As far as I'm concerned, you're not welcome here.... if somebody killed your child, you'd be looking for his murderer," one woman told the president at a meeting with grieving parents and civic leaders.

Two of her sons were among those killed in the January 31 shooting massacre, which shocked even Ciudad Juarez -- Mexico's murder capital, with more than 2,600 killings last year.

Mr. Calderon, whose military crackdown on crime in the past three years has made little impact on the spiraling murder rate, gave the families of the young victims his "most heart-felt apology."

"We think the crackdown has failed," local security official Arturo Valenzuela told Calderon and the eight government ministers accompanying him at the meeting.

"The number of murders has risen from 200 and 300 (per year in Ciudad Juarez) to more than 1,600 in 2008 and more than 2,650 in 2009," said Valenzuela, a doctor.

Even worse than the murders, he added, were the armies of wounded people swamping the local hospital and the more than 7,000 children made orphans by the violence in this city of 1.3 million.

He said nearly 100% of local business owners, small and large, had been blackmailed at some point.

Dr. Valenzuela suggested the government do more intelligence work with fewer boots on the ground to fight crime.

A contrite Mr. Calderon acknowledged that even with 6,000 soldiers spread out in the city, the violence between rival drug trafficking gangs seeking control of lucrative smuggling routes across the border into Texas was growing all the time.

"The presence of troops and police is not enough," he admitted. "We need stronger actions that strike at the root of the problem, which has to do with the nature of society."

Mr. Calderon promised to listen to suggestions and comments from civil society groups and to redesign a new strategy against crime and violence with community cooperation.

The tight security measures surrounding Calderon's visit -- he was shielded by more than 2,000 federal police -- also raised complaints from locals who said young people wanting to see the president were not allowed inside the venue.

Before Calderon's arrival, Ciudad Juarez police reported three new murders in the city, including a father and son who died after their store was set on fire.

Drug-related crime has left more than 15,000 dead in the past three years in Mexico, despite the deployment of some 50,000 government troops countrywide to tackle the growing violence.

Mexico City (AP) -- A man accused of being an influential, second-generation member of the Sinaloa drug cartel was extradited from Mexico to the United States on Thursday on charges he helped move tons of cocaine from Colombia to California, New York and Chicago.

Vicente Zambada Niebla was turned over to U.S. authorities at the international bridge connecting Matamoros to Brownsville, Texas, Mexico's attorney general's office announced.

Zambada's father, Ismael "El Mayo" Zambada, controls the cartel along with Mexico's most wanted drug lord, Joaquin "El Chapo" Guzman, according to law enforcement officials.

The younger Zambada assumed major new powers in the Sinaloa cartel in 2008, with control over logistics and the authority to order assassinations, authorities say.

Zambada Niebla was arrested last year at a home in an elite Mexico City neighborhood.

The U.S. attorney's office in Chicago announced Thursday afternoon that Zambada-Niebla had arrived in Chicago and was scheduled to be arraigned Tuesday before U.S. District Judge Ruben Castillo.

Zambada-Niebla, 34, is one of three dozen defendants indicted in Chicago in August 2009 on what prosecutors described as the largest international narcotics conspiracy cases in Chicago's history. The indictment accuses the Sinaloa cartel of importing tons of cocaine and large amounts of heroin into the United States.

"This is an extremely significant development in the United States' effort to prosecute international drug importation conspiracies wherever the defendants may be operating," said Patrick J. Fitzgerald, U.S. attorney in Chicago.

The U.S. indictment accuses both Vicente and Ismael Zambada of using planes, boats, trucks and cars to move nearly \$50 million worth of cocaine from Colombia to New York, New Jersey, Chicago and California between August 2001 and June 2002.

Vicente Zambada apparently rose through cartel ranks after supervising the unloading of cocaine from ships off the Mexican coast and verifying quantities coming from Colombia, according to the indictment.

Mexico's drug cartels are increasingly on the defensive as the U.S. and Mexico mount a cross-border crackdown.

After taking office on Dec. 1, 2006, Calderon sent thousands of soldiers and federal police to drug strongholds across Mexico in an attempt to bring warring gangs under control.

Calderon launched his crackdown in his home state of Michoacan where on Thursday authorities found the decapitated bodies of five men and one woman.

The bodies and heads were found Thursday inside a car abandoned in the capital city of Morelia, Michoacan state prosecutors said in a statement.

Several of the bodies have a "Z" carved on their backs in an apparent reference to the Zetas drug gang, prosecutors said.

The Zetas have been involved in bloody confrontations with the Michoacan based La Familia drug cartel, in a drug war that has cost more than 15,000 lives nationwide in three years.

The Zetas are based in the border state of Tamaulipas across from Texas.

Feb. 15 (Bloomberg) -- Mexican auto production may rise 20 percent this year as demand locally and in the neighboring U.S. rebounds after the global economic crisis, said Ana Ruth Solano, the Economy Ministry official who oversees the industry.

Mexican auto plants are using more of their existing capacity and expanding to build new models after a 28 percent fall in output last year, Solano said in a Feb. 11 interview. Output may rise to 2.8 million units by 2014, from 1.5 million last year, outpacing gains in the U.S. and Canada, she said.

"We definitely expect to win market share in North America," Solano said. "The idea is to attract production of vehicles with new technologies."

Automakers will invest about \$800 million to \$900 million this year, Solano said, including \$550 million by Chrysler LLC at a plant in the city of Toluca. Mexico is drawing investment because of its lower labor costs, large base of suppliers and proximity to the U.S. market, Solano said.

Nissan Motor Co., Japan's third-largest automaker, is planning an investment to produce small cars and may choose Mexico, Solano said. Nissan hasn't announced the location yet, she said. Nikkei English News reported earlier this month that Nissan will begin making a subcompact priced at about \$10,000 in Mexico in 2011 and that annual production will start with 100,000 units.

Auto sales in Mexico may rise about 10 percent this year, Solano said. The government is working on a plan to help dealers offer low-cost loans to consumers to spur sales, Solano said.

The plan, which may tap a small-business fund or the government development bank Nacional Financiera, may be ready in two months. No amounts have been determined yet, she said.

The Mexican Association of Automobile Distributors predicts auto sales will rise about 7 percent to 809,000 vehicles this year, the trade group's President Jose Gomez Baez said in a Jan. 12 news conference. Last year, auto sales fell 26 percent to 754,918.

Mexican President Felipe Calderon said Friday that his country must reduce its economic dependence on neighboring United States and seek greater trade opportunities with Europe.

Standing beside visiting Prince Andrew of Britain, Calderon said that "a key strategy for Mexico is to diversify its trade and investment (and) reduce its dependence on the United States.

"The opportunity is primarily in the European Union," Calderon told reporters.

The president confidently stated that the Duke of York's three-day visit would help "strengthen the bonds of cooperation and promote better mutual investment" between Mexico and Britain.

More than 80 percent of Mexico's foreign trade is with its northern neighbor the United States, a movement of goods that has soared since the North American Free Trade Agreement (NAFTA) was implemented along with Canada in 1994.

The Mexican economy, the second largest in Latin America behind Brazil, shrank by around 6.8 percent in 2009, in a drop spurred by the US economic crisis, according to official figures released late last month.

According to a recent UN study, Mexico's gross domestic product will grow by three percent this year, while the Bank of Mexico projects a rise of between 2.5 and 3.5 percent.

Feb. 12 (Bloomberg) -- Mexico, which will host the United Nations' main annual climate change meeting in November and December, proposed two further negotiating sessions to prepare for the talks.

A week-long session should be held in mid-April, with another set of discussions in September or October, Mexico's delegation said in a letter posted today on the Web site of the UN Framework Convention on Climate Change, or UNFCCC, which organizes the global effort to lower greenhouse gas emissions.

The UNFCCC has already scheduled talks in Germany in June to prepare for the Mexican meeting. Mexican President Felipe Calderon said last month at the World Economic Forum in Davos, Switzerland, that governments need to reach a "comprehensive, robust and substantial agreement" at the Mexico meeting.

The 2009 summit in Copenhagen failed to produce a legally binding treaty to fight climate change. The NEX index tracking shares of 86 clean energy companies worldwide has fallen almost 12 percent since those talks finished.

## **Detailed Report/Venezuela**

The Venezuelan Ministry of Electric Energy has banned the use of electric power in billboards and indoor and outdoor advertising displays, as provided in the Official Gazette.

The Resolution provides that the use of illuminated billboards located in roads throughout the country is banned. Pharmacies, hospitals and public safety buildings are excluded from the measure. However, the resolution urges them to use LED illuminated billboards and energy-saving bulbs.

The resolution need to be adopted by both natural and legal persons, should they have any type of indoor and outdoor advertising systems.

Failure to fulfill the provision set forth herein will be deemed as a breach and will lead to indefinite power cut.

The National Electric Corporation (Corpoelec), along with its subsidiaries, is responsible for enforcement.

Caracas, Venezuela (AP) -- A state-run power company is urging its employees to seek divine intervention to help Venezuela resolve severe electricity shortages that prompted President Hugo Chavez to declare an energy emergency.

Edelca, one of the country's state power companies, called on its workers to attend a prayer meeting this week titled: "Clamor to God for the National Electricity Sector." The invitation, which includes a quote from the Bible, was sent to all the company's employees Monday in a letter signed by Edelca's president, Igor Gavidia Leon.

The letter was obtained by The Associated Press on Wednesday.

Chavez declared an energy emergency this week, announcing that his socialist government will punish businesses and industries that use what the government considers excessive amounts of electricity, and give discounts to those that cut consumption.

Under the plan, large businesses and factories must cut electricity consumption 20 percent or face sanctions, including 24- to 48-hour shutdowns and hefty increases in electricity rates. Starting Wednesday, the government also prohibited illuminated billboards on city streets and highways.

The energy-saving initiative also targets ordinary Venezuelans who use more than 500 kilowatt-hours of electricity a month - an estimated 24 percent of all residential consumers, according to Chavez.

The plan is aimed at easing the energy shortages that Chavez blames on a month long drought caused by the El Nino phenomenon in the Pacific Ocean. A lack of rain has caused water levels

to drop to critical lows behind the Guri Dam, which supplies roughly 70 percent of Venezuela's electricity.

Government opponents claim the shortages are also a result of the president's failure to invest sufficiently in electricity production to meet growing demand over the past decade.

The United States has been conducting a strident program of disinformation about Venezuela, all aimed at a repeat performance of their 2002 attempt at a coup against the democratically elected government of Hugo Chavez and Venezuela. Numerous individuals in the employ or service of the US government have been writing articles and false reports stating that President Chavez continues to impose an authoritarian populist political model in Venezuela that undermines democratic institutions.

Contrary of these reports, Venezuela is in the process of extending democracy to all of its people. This includes finding a balance between the state and the market that allows it to guarantee the welfare of the people and to overcome the historical wrongs of poverty and inequality.

Venezuela's ranking on the UN Human Development Index has risen by 10 positions over the last decade, as levels of poverty have dropped and access to social services have increased. Political participation and consciousness in Venezuela have expanded dramatically over the last decade. These advances have occurred within what is being called, "Socialism of the 21st Century," a democratic political process centered around fostering the well-being of the people of Venezuela as an alternative to the capitalist model currently enmeshed in the global economic crisis.

Venezuela has been one of the countries least affected by the global economic crisis, which makes one wonder why do they single out Venezuela when in the United States many people have lost their homes and jobs? Unemployment in Venezuela increased by 0.6% last year from 7.4% in 2008 to 8%. This is not a good thing, but relative to other countries, is minor. Venezuela has made tremendous advances in health, education, grassroots democracy, indigenous representation, recuperation of history and culture, and a massive decrease in poverty and extreme poverty. Many new residences have been constructed, with people for the first time finding out what it's like to have running water, electricity and a telephone.

The propaganda and disinformation also claim that Venezuela has curtailed free expression and opposition activities by shutting down independent news outlets, harassing and detaining protestors, and threatening opposition leaders with criminal charges for corruption.

No independent media outlets have been shut down in Venezuela. However, relevant laws and regulations have been applied to outlets operating in the country, just like in any other democracy. In Venezuela, more than 76 percent of the media on public airwaves is privately owned and operated. Most of these are controlled by the political opposition to the government. Additionally, more than 184 channels broadcast freely through cable networks.

Caracas (Reuters) – Venezuela awarded on Wednesday the largest oil investment of President Hugo Chavez's 11-year rule, drawing tens of billions of dollars of much-needed foreign finance to the Orinoco Belt just three years after the leftist leader nationalized operations there.

U.S.-based Chevron and Spain's Repsol led groups that looked beyond the risks of operating in Venezuela to tap into the OPEC member's 100-plus billion barrels of reserves, a sign oil giants need to replenish crude reserves that are increasingly under control of producer nations.

The results show victories for both sides. Oil companies agreed to tough conditions laid down by Caracas while Venezuela softened fiscal terms in another sign resource nationalism around the world has been weakened by falling oil prices.

"This international investment is absolutely necessary for us, we could not develop the Orinoco Belt alone," Chavez told oil company officials during a ceremony in the Miraflores presidential palace.

"This is mutually beneficial. You are here because you need to be here. These are relationships of equals, of friendship," said the president, who has nationalized many of the South American nation's industries in a drive to socialism.

Chavez, known for his jocular manner and combative anti-U.S. politics, spent several minutes lambasting U.S. President Barack Obama, even requesting that Chevron's regional chief help Venezuela improve ties with Washington.

"Maybe Obama will come to the Orinoco Belt, bring him," Chavez said.

#### 'Pragmatism'

Analysts say the world's reserves of easy-to-produce light oil are quickly running out, meaning the future of the industry is in difficult production areas such as the Orinoco Belt, Brazil's deep water fields or Canada's tar sands.

"It is pragmatism on the part of the Venezuelans and international oil companies," said Jeremy Martin, director of the energy program at the Institute of the Americas in California.

"The Venezuelans know they can't do this without major capital and knowhow, and (companies) know there's nowhere else in the world where they would have access to world class reserves like these."

Venezuela's oil production has fallen below 2.5 million barrels per day (bpd) from more than 3 million bpd in 2001, according to the U.S. Department of Energy, due principally to limited oilfield investment and lack of qualified personnel.

PDVSA's own official statistics show output above 3 million bpd, though even those numbers have been flat for five years. The company has twice in the last five years pared down aggressive production increases.

Repsol will take 11 percent in its project, the same stake as consortium partners Petronas of Malaysia and ONCC of India. State oil firm PDVSA will take 60 percent, with two other Indian companies taking the remainder, a Repsol official said.

Chevron will lead a second project along with consortium partners that include Japan's Mitsubishi and Inpex, plus Venezuela's Suelopetrol.

The government did not receive offers for a third project and did not receive bids from several companies Chavez has openly courted, including China's CNPC and Russian firms such as Lukoil and Gazprom.

This may be in part because Venezuela is running a parallel process of direct adjudication for blocks in the Junin area of the Orinoco belt.

## Big Rewards, Big Risks

Venezuela holds the world's fifth-largest oil reserves at an estimated 100 billion barrels, according to the BP Statistical Review. The Venezuelan government says it holds at least 210 billion barrels that could yet be produced and last month the U.S. Geological Survey released a study that reached a similar conclusion.

In 2007 Chavez took over operations of four Orinoco projects, leading U.S. giants Exxon Mobil and ConocoPhillips to leave the country and sue Venezuela.

For years he led oil producing nations in seeking greater control over their industries, but the 2008 collapse in oil prices forced Venezuela -- along with other major producers such as Russia - - to more aggressively seek private investment and offer more flexibility in taxes and royalties. Companies still face a host of risks.

They must build infrastructure isolated rural areas that in some cases do not even have roads, shoulder nearly all the financing for the \$10 billion to \$20 billion projects, and ensure delay-prone PDVSA executes the projects on time.

They must produce oil from the Orinoco belt at more than twice the rate of existing projects. This will be a crucial technical challenge for companies, but one Venezuela insisted on -- precisely because it will help demonstrate to markets how much oil the Orinoco belt holds.

And they face the latent risk that Chavez -- who recently declared himself a Marxist -- could again embark on a nationalization crusade. On Wednesday he did not rule out changes to contract arrangements, but said any changes would be discussed with the companies.

"You, partners, allies, know that you have all the guarantees for the investments you're making," he said.

The Islamic Republic of Iran's Ministry of I.C.T. has blocked anyone inside Iran from using Google mail. Suspending access to Google email appears to be aimed at recent demonstrations against the government. Twitter maybe next. But can the government really stop the use of Google mail and other applications? There are methods around it and most will succeed. There are also other access services that can be used to stay connected to Google. It maybe a matter of time before an organization simply makes a duplicate email system like Google's and is web-based elsewhere.

The Wall Street Journal states:

An Iranian official said the measure was meant to boost local development of Internet technology and to build trust between people and the government.

The measure was announced on the eve of the culmination of celebrations to mark the 31st anniversary of the Islamic Republic. Competing plans for pro-government and antigovernment demonstrations have set the stage for clashes between authorities and opposition protesters, who have taken to the streets repeatedly since contested presidential elections in June.

Venezuelan citizens face the same policies in the near future as President Chavez continues to crack down on the protests, announcing that anyone using Twitter was guilty of an act of terrorism against the government.

As they attempt to rein in the student activists, control how the Internet can be used against their leaders and threaten further escalation, and embargo all Internet access, the more widespread such rebellions are likely to occur, particularly with the younger generation.

Jaime Bermúdez, the Colombian Minister of Foreign Affairs, said that his government has not ceased dialogue with Venezuela despite bilateral tensions, according to statements published on Thursday.

"Colombia is very clear: we are firm but cautious. We must defend our sovereignty and our interests to defend the interests of Colombians. We are cautious because we do not like microphone diplomacy. We do not fall into provocations," Bermúdez said in an interview published by Colombian newspaper El País in Cali, DPA reported.

Bermúdez added that such cautious approach has led Álvaro Uribe's government to resort to international bodies such as the United Nations, the Organization of American States (OAS), and the World Trade Organization (WTO) to complain about the Venezuelan government's attitudes.

Caracas, Venezuela—Venezuela's only television channel that remains critical of President Hugo Chavez has announced the departure of its director, a strident detractor of the government.

Globovision vowed to maintain its tough editorial line as the nation's only remaining anti-Chavez channel, but declined to say why Alberto Federico Ravell was leaving.

Ravell denied he stepped down as director voluntarily, saying in a message sent through the Twitter social network that the channel's board of directors pressured him to quit.

"They asked for my resignation. I did not resign," Ravell said in a tweet.

Ravell, a part owner of Globovision, is known for his pointed criticism of Chavez, whose government has repeatedly imposed hefty fines on Globovision for alleged violations of Venezuela's strict broadcasting laws. He did not respond to phone calls.

Chavez has repeatedly threatened to close Globovision, accusing its owners of conspiring against his government and attempting to foment political upheaval.

Ravell, one of the founders of Globovision, suggested in a second tweet that he was asked to sell his shares in the company that owns the channel. "I don't have a price. I proved that today," he added.

He also vowed to continue challenging Chavez, jumping into Venezuela's political arena as opposition parties gear up for critical congressional elections in September.

"I will work for the unity of the opposition," Ravell said.

Venezuelan President Hugo Chavez on Friday said he wanted to govern the country till 2030, to consolidate his socialist project against capitalism.

His statement came during the closing celebration of Youth Day, which began on Friday morning with a march of thousands of his followers, and ended at noon in Miraflores Palace, the government headquarters.

"The Venezuelan Socialism is just being born, but it is polluted by many vices including corruption and selfness," Chavez said.

The young people are the soul of the Socialist Revolution, he said, criticizing the opposition for manipulating them and using them to protest against his government and "even to destabilize the country."

Chavez praised the performance of the Venezuelan youth at the international sports events, including the Venezuelan women's national football team under-17, which was qualified to participate in the world game to be hosted in Trinidad and Tobago.

Venezuela will be a world power because at mid-century, it will have 50 million inhabitants, he said.

Venezuela's international isolation and economic dependence on the United States have apparently led President Hugo Chávez to ask his US counterpart Barack Obama to "rectify" his position and change the US policy towards Venezuela. Chávez called for a bilateral relationship with the United States similar to the approach established with former President Bill Clinton.

This request contrasts with earlier statements made by the Venezuelan leader with regard to the US government. Chávez's remarks have been characterized by a confrontational discourse.

"In recent statements and actions taken by President (Chávez) he seems to be nervous and angry because he has realized that the Venezuelan government is increasingly isolated from the international community," said former Venezuela's ambassador to the United Nations Milos Alcalay.

For the diplomat, such isolation is mirrored in the statements of the European Parliament for the sake of RCTV International and the acknowledgment of the new Honduras government by several countries.

#### Dependent economy

Caracas' trade dependence on Washington cannot be ignored. As stated by Alcalay, Venezuela's trade relations "are not with the ALBA (Bolivarian Alliance for the Peoples of Our America) or Cuba, which is given our money. The despicable dollar of the US empire is what sustains us."

"Venezuela is among the largest oil suppliers (to the United States) and one of the main Latin American customers of US goods," said the analyst as an example.

#### Diplomatic shift

The task of improving relations between the two countries looks complicated, because "the United States has not been the one which has launched such permanent confrontation," Alcalay said, therefore, the change must come from Chávez's government.

"If the relations between the two Heads of States are to go back to normal, a number of parallel steps needs to be taken," the ambassador said. He advised the Venezuelan government against having a confrontational stance and on substantiating any refusal of any accusation by Obama's administration.

"Saying that I want to talk is not enough; international agreements should be observed; the Inter-American Democratic Charter should be observed; property rights should be enforced in accordance with international agreements, based on principles and international values."

Caracas (Reuters) - Venezuelan President Hugo Chavez said on Saturday he had opened talks to buy a supermarket chain owned by France's Casino, a month after expropriating another chain owned by the same group.

Buying out the Cada supermarket chain would give Chavez, who has nationalized a swath of the nation's industries, considerably greater control over food distribution over two years after food shortages dented his popularity.

He also ordered the expropriation of warehouses belonging to diversified food processing company Polar, the maker of Venezuela's most popular beer and part owner of Cada.

"I have ordered a friendly negotiation to acquire all of Cada and its distribution centre," Chavez said in a televised speech. The takeover would give Chavez access to a network including 35 Cada grocery stores, eight distribution centers and a fleet of trucks.

The leftist leader in 2003 decreed price controls on staple products and in 2008, as food prices soared at the height of the commodities boom, decreed a law giving the Venezuelan state unprecedented control over the sale and distribution of food.

The issue of food prices came into focus again last month after a sharp currency devaluation led Chavez to take over the Casino-owned hypermarket chain Exito.

Cada is owned by a group called Cativen, which is majority owned by France's Casino and partly owned by Polar.

"I am sure that we can reach an agreement such that the republic will be owner of Cativen," Chavez said during the inauguration of a state-run chain created from the old Exito stores.

Chavez's popularity suffered in 2007 after products such as chicken and milk became increasingly scarce, due partly to price controls that were out of step with inflation.

He eased that problem by making price controls more flexible and launching a massive food imports campaign.

Polar Warehouses

The announcement came hours after Chavez slammed Polar in a television broadcast for maintaining warehouses in the middle of the Venezuelan city of Barquisimeto, urging that housing be built there instead.

"What is Polar doing with warehouses in the middle of the city?" Chavez said. He said he instructed the governor and mayor, with whom he is politically allied, to order Polar to move the warehouses to the outskirts of the city.

He told the labour minister to carry out an inspection of the company's facilities following complaints by Polar workers in the eastern part of the country that they were not being paid appropriately.

Inspections by Venezuelan state agencies have in the past been a prelude for nationalizations, most notably in the steel and cement sectors, which were taken over in 2008.

Chavez also said on Saturday he was replacing Commerce Minister Eduardo Saman, who has for months led government efforts to ensure companies obey price controls on staple goods that Chavez decreed in 2003.

Polar makes a host of staple products including precooked corn flour that is nearly omnipresent in the Venezuelan diet. Pollsters call it one of the nation's most popular companies.

Beer-drinking Venezuelans prefer Polar, whose logo pops up everywhere from malls frequented by the well-heeled to baseball games packed with working-class fans.

Colombia has "serious concerns" over Venezuela's government behavior, but it is open to dialogue with its neighboring country, said Jaime Bermúdez, the Colombian Minister of Foreign Affairs, according to statements published by El Tiempo, a Bogotá newspaper.

Despite this situation, Bermúdez said that "Colombia keeps its willingness to a direct dialogue with the Venezuelan government on the basis of mutual respect and under certain conditions," AFP reported.

"We will not cease to seek ways to improve the situation with Venezuela, always on the basis of respect," he said.

Bermúdez complained about the fact that Venezuela is still retaining a Colombian intelligence officer. He also said that Caracas has not provided any explanation about the over flight of a Venezuelan helicopter over the city of Arauca.

Venezuelan Vice President Elias Jaua on Monday brushed aside a Colombian electricity supply offer by saying that his country will solve its own energy problem by May.

The vice president made the remarks while inaugurating a 20-megawatt thermal power plant north of Caracas.

"We are going to continue working and speeding up the works for Venezuela to have its own independent energy sources in the Guri Dam," Jaua said.

The vice president said that the reason behind Venezuela's refusal of Colombia's offer is the high price.

Colombia on Monday made its offer through its Mines and Energy Minister Hernan Martinez.

Venezuela has been facing an electricity supply crisis since 2008. According to official forecasts; the problem will worsen in May, when the tropical summer begins, due to the low water levels at the Guri Dam.

Venezuelan President Hugo Chavez urged on Feb. 9 to speed up investment and construction of an electricity emergency campaign to prevent an electricity supply collapse in mid-April.

The president has authorized an investment of 4 billion U.S. dollars to generate 4,007 megawatts of electricity in 2010.

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