

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

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### **Report Summary/Argentina**

Argentine government has threatened the government of Britain that if the Britain do not call his oil drilling companies back from Falklands Island, Argentine will ban on the companies which are working in the colony. The parliamentarians are going to debate on the issue in the next session of the congress and they have going to think over the deadline of 30 days for the British government to call its companies back. British government is not willing to negotiate with the government of Argentina but enjoying the trade relationships with it. The premier Gordon Brown has said that we are not gonna fight now by sending our forces to the Island but our nukes will fight now.

The issue of the appointment of the new president of Argentina's central bank was challenged in the court but later the judge sent it to the upper house of the Argentina's congress to decide over the issue. So in the last session of the senate of Argentina, the majority of the congress refused the appointment of the new president of the central bank and the president Kirchner Fernandez remained unable to appoint the new president according to her will. This issue emerged two months back when the president of Argentina asked the president of central bank to release the funds from the bank's reserves to pay the foreign debt but the president of the bank refused to do so. President Kirchner dismissed him and appointed the new president of the central bank but the opposition, which has gained power since the midterm elections in Argentina, challenged the case in the court of Argentina and then the court sent this issue to the senate to decide among the politicians.

The president of Argentina visited Peru in this week and this is the visit of any Argentinean president after sixteen years. Because the relationships were collapsed between both countries when Argentina sold arms to Ecuador in 1995 in a fight between Ecuador and Peru. The entourage of the president included some important ministers and businessmen as the tour was to boost up bilateral relationship. Argentinean government

sees this tour very important which will increase the relations between both countries in various fields.

### **Report Summary/Brazil**

The president of Brazil Lula de Silva arrived in Middle East tour and met with his Israeli and Palestinian counterparts there. Last day he met with the king of Jordan and both of them discussed on the current situation of Middle East and its solution. They talked in a closed room and thought the way to create peace in the region. When he met with the leader of Palestine at Ramallah, he said that Brazil is ready to talk with HAMAS as well and it should not be ignored from the negotiations. Notably HAMAS is the organization which is declared as terrorist organization but Lula said without including it in negotiation the peace is not possible. He said in negotiation not only the HAMAS but Hezbollah, Iran and Syria etc would be involve. Mr. Lula also appreciated the role of Syrian president Bisharul Asad in creating coordination and peace process in the region and to have relationships between Arab community and Latin American countries.

President Lula criticized over Israeli policies and said that Israel is hurdle in peace process in Middle East as sometimes it creates problems by doing a crackdown of Ghaza and sometimes by building houses in the land of Palestine etc. he said Israel should lift up the barriers on West Bank which is actually the part of Palestine. Lula's visit to the mausoleum of Yassir Arafat and putting a wreath on the grave of him annoyed Israeli authorities. The foreign minister even said that he visited the grave of a terrorist government but not the grave of a Zionist leader in Israel. The donning of a kaffiyah on Lula's shoulders also annoyed Israeli authorities. Brazil is the largest trade partner of Israel in Latin America and it also enjoys good relationships with Iran which is the worst enemy of Israel. Brazil is supporting Iran's nuclear issue as well which is annoying western powers.

On his return to Brazil the president told in his weekly radio show 'Breakfast with the President' that his tour to Middle East was to create an environment of peace in the region. He said all three parties are agree to work on the peace process by negotiations and in the peace process the role of Brazil is very important. He also said that without peace there cannot be economic prosperity so peace is very important in the region for economic prosperity and it is in the advantage of USA, Israel and all other countries. He said everyone talk on peace of Middle East but no one take steps for it including UN.

The government of Brazil is facilitating its public by introducing new plans as it has launched a program "My Home, My Life" by which it will provide one million houses for the low income households. Also the government is decreasing transportation fares by expending rail tracks as the minister of transportation said that the government is gonna announce the new rules for railway and it is expending 10,000 kilometers rail line around the country. Brazil's next presidential candidate from the opposition of Lula's Worker's Party is Mr. Serra who said that all these are the part of presidential campaign for Ms. Rousseff. According to the Ipope's recent poll Mr. Serra's favoritism is declining as 35 percent from 38 percent and Ms. Rousseff is attaining her good will before public as she jumped from 30 percent from 17 percent.

The head of the central bank of Brazil said that an imbalance between the two largest economies i.e. dollar and yuan will be solved soon and it would not affect the Brazilian economy. He said the economy of Brazil is diversified and mostly its market is domestic so lesser chances of being affected. The US senators are putting pressure on Obama to pressurize China to not to keep its yuan cheap and said that it is doing yuan cheap to get an attention of world market.

### **Report Summary/Mexico**

After the killing of three American consulate's employees in Ciudad Juarez the US ambassador visited the city after the visit of Mexican president Felipe Calderon and warned American citizens not to travel in the city as it has become a violent city especially for Americans. He said the killers attacked them because they were working for US government in the embassy. The death toll in Ciudad Juarez has increased from 15,000 since 2006 and it has become the most violent city of the world. The observers see the war against drug cartels as fruitless because many people have lost their lives as according to an estimate 2,600 people died last year and almost 500 in last month. Some analysts are saying to strengthen Mexico's army, police and judiciary system to control crimes. Merida Initiative provided \$300 million to Mexico to control drug activities across border but the problem is still unsolved.

The government of Mexico claims that the death toll and the violence has decreased after the war against drug cartels but the people refuse this and say opposite of it. When the president of Mexico visited Ciudad Juarez after the killing of three US consulate's employees the people of the city protested against him and his war. They said that the violence has increased since he started the war against the drug cartels. As the death toll keeps climbing in Calderon's crackdown on the drug trade, there is a growing feeling that the army has been less than effective as a police force. The president said if US continue funding Mexican government to fight against the drug cartels the government can counter them. He said the cooperation of the both countries is necessary in this war. The secretary of state Hillary Clinton met with her Mexican counterpart and they both discussed over the development of the war against Mexican based drug cartels, strengthening Mexican democratic institutions and the human rights law.

The senators of US asked president Obama to visit Mexican border and analyze the situation. They were saying that why the drug cartels are creating violence in the Mexico? If it is due to the operation against them then here in the US the restrictions are too much than Mexico but here is no violence but a peaceful environment. But in Mexico if the government is taking actions against the drug cartels they are becoming more violent and killing the police, army or other government officials. So the senators urged president Obama does a visit because the violence could spill into the US as well. The US president Obama discussed the drug related issues with his Mexican counterpart Calderon on phone call.

The US police and FBI raided in the border city of Texas and captured several persons which were having ties with the drug gangs in Mexico and they were suspected

in the killings of three American consulate's employees in Mexico. The Mexican government has also detained several police officers from the department who were alleged of supporting drug cartels in Mexico. The US government started taking serious actions against the drug cartels in the southern border city since the time more Americans are being killed.

Mexican army mistakenly has killed two graduate students of Prestige University in Monterrey state of Mexico. They were told suspected so the army shot at them but later come to know that they were students not the gangsters. Later the heads of two police officers were found dumped before the police headquarters in the city. Medina is the brigadier general and the director of military education at the University of the Army and Air Force said that the army cannot win this war without the support of international community.

### **Report Summary/Venezuela**

The president of Colombia said that he appreciates the efforts of his Dominican Republic's counterpart in the mediation process with Venezuela. He said his doors are always open for reconciliation with its neighboring country Venezuela. He also said that our purpose is to defeat terrorism so our neighbor countries should also join us in this cause. The foreign minister of Colombia and a candidate of Colombia's vice president said that Chavez is not an issue in the relationships of both countries and the relations will be better soon once again. Colombia also offered the supply of energy to Venezuela but the government did not respond to Colombian government yet.

The president of Belarus visited Venezuela and made several agreements with Venezuelan government. Both of the leaders signed agreements in the field of natural gas shifting from Venezuela to Belarus and to plant an industry to manufacturing the tractors and lorries in Venezuela. The agreement regarding oil export was also signed from Venezuela to Belarus and former Soviet Union. The president of Belarus said that the aim of both countries is common as we want to get rid of American hegemony from the other countries.

It is said that as the Venezuelan elections are coming near the international campaign has started against Venezuela. The tour of secretary of state Hillary Clinton was also the part of this campaign. Venezuela is alleged of supporting some terrorist groups like FARC in Colombia and Basque in Spain but which could not be proved. So US cannot see Venezuela under socialist rule once again and started blaming on it. The guardian reported that if the opposition boycotted in the upcoming Venezuelan elections, the elections would be declared as illegitimate and the win of Chavez would not be accepted.

The chief of the U.S. military's Southern Command told that Venezuela is officially supporting FARC in Colombia as they have got the proof of it when the US military captured a FARC commander and found such information from his laptop. But the US ambassador to Venezuela said that the US government has not any proof of it but it is alleging Venezuelan government just to justify its arrival in Colombia and it is also the part of United States' political move against Venezuela. Chavez said that the former

president of Colombia arranged a meeting of FARC with him but the former president denied of it. An opposition leader of Venezuela also confessed that when he declared that the government of Venezuela is involved in drug trafficking, the police arrested him for trail due to this allegation. He said I confess before everyone here on TV that I'm responsible of my saying.

Venezuela is the second largest trade partner of United States after Mexico and especially it is exporting oil to the US. Even the worst diplomatic relations between both countries could not harm trade relations of both countries. The defense minister of Peru also stated that Venezuela is the transit of drug trafficking in the Central America and it could be possible that it has link with the terrorist group in Colombia. Peru is increasing its relationships with Colombia.

Since Chavez announce ban on internet the issue has been very common talk in Venezuela. The lawmakers discussed that it could be against the freedom of expression so they asked Chavez to leave the internet on its circumstances. Chavez banned some social blogs when some people started propagating against the government but now may he has to restore the restrictions on it. Chavez said that he is not against internet or its blogs but he himself is pro-internet. He said he had to ban on some internet blogs and radio stations which were plotting for a military coup in the country. He said to his supporters to combat against the false news spreaders on internet.

The government of Venezuela announced some malls and shops to reduce the electricity usage and fixed a schedule to run their business according to that schedule but when they did not obeyed the rule by the schedule and failed to reduce usage in the first punitive measures of a nationwide drive to save energy amid an electricity crisis then on Sunday the government cut-off the power for 24-hour for dozens of companies. The forecasters of Venezuela claimed that in next days the rain in Venezuela is expected which will fulfill the shortcomings of power ion the country. Also the president Chavez announced \$1 billion to create energy by strengthening the grid and to overcome the shortcomings in the country.

The supreme court of Venezuela has also approved the request of the p[resident Chavez to extradite the former president Perez from USA. The president ruled from 1979 to 1989 and then till 1993 and he was accused of violation of human rights and corruption.

### **Detailed Report/Argentina**

Argentina increased pressure on the British government over sovereignty of the Falkland Islands yesterday – by threatening to ban companies operating in the colony.

Firms could be forced to choose between the Falklands and Argentina under proposed new legislation.

Argentine MPs are set to debate a bill imposing a 30-day deadline on firms forcing them to axe ties with the Falklands or be kicked out the country.

The move, led by Argentine film director and politician Pino Solanas, has the backing of the country's former chancellor Rafael Bielsa.

Supporters of the proposed bill want to target the likes of Barclays, a shareholder of British company Desire Petroleum, which is drilling for oil offshore.

The search for oil has reignited the Falklands Islands dispute.

Yesterday it was reported that a Royal Navy attack submarine has been sent to the Falklands to boost security amid speculation oil has been discovered.

HMS Sceptre, a Swiftsure-class nuclear powered submarine, is said to have been sent from southern Africa to make Argentina think twice about laying serious claims to the Islands.

Britain refuses to negotiate with Argentina over sovereignty but says they have a strong working relationship.

British Premier Gordon Brown is banking on Argentina invading the Falkland Islands prior to any election - thus ensuring a victory for Labour after Britain responds with Nuclear Weapons.

Brown along with MoD Top Brass has hatched up a plan that involves the UK responding to any invasion by launching a Nuclear strike from one of the Royal Navy's Trident submarines currently of the coast of Argentina.

Brown reportedly told his cabinet "When the Argentines invade we will respond not by sending our already overstretched troops to the Islands but respond with the ultimate deterrent - our nukes!"

Argentina is reportedly ordering the evacuation of two major cities - Mendoza and Cordoba - in preparation for any attack.

Buenos Aires, March 17 (Reuters) - Argentina's Senate failed on Wednesday to vote on the appointment of a close government ally as central bank chief, prolonging uncertainty over the president's bid to pay debt with foreign reserves.

A drive by President Cristina Fernandez to tap \$6.6 billion in central bank reserves to meet rising debt obligations is mired in legal and political wrangling just as her government prepares to launch a \$20 billion swap of defaulted bonds.

Ruling party senators blocked a vote on the naming of pro-government economist Mercedes Marco del Pont despite saying they had enough votes to confirm her at the helm of the monetary authority.

Political analysts said the ruling party senators refused to take their seats to prevent a vote on an opposition bill to give provinces a bigger share of a financial transactions tax, which raised some \$5.3 billion in revenue last year.

"Stopping the opposition's attack on state finances is (the government's) priority," said Rosendo Fraga, director of the Nueva Mayoria think-tank.

The opposition wants to increase the portion of the tax that is shared with the provinces to 56 percent from 15 percent today, which would deprive the cash-strapped central government of about \$2.5 billion per year.

Argentina's upper house is closely split between Fernandez's allies and opponents, which could extend the deadlock over using part of the Central Bank's \$48 billion in reserves.

Last week, opposition lawmakers failed to drum up the necessary votes to throw out Marco del Pont, who they have criticized for helping the government transfer \$4.4 billion in reserves to pay private creditors.

Soon after Fernandez signed a decree, the money was transferred to the Treasury, but a judge blocked its use.

In a separate development on Wednesday, another judge issued a ruling that could help Fernandez tap the funds.

The judge backed a government complaint over the composition of a joint congressional committee that recommended Congress vote to annul the presidential reserves decree.

Argentina's government faces debt obligations of about \$15 billion this year and has a funding gap estimated at up to \$7 billion.

Officials hope a planned debt swap to mop up bonds left over from the country's massive 2002 default will allow it to sell debt in global markets at rates of 10 percent or less.

Argentine President Cristina Fernandez paid an official visit to Peru on Sunday to boost bilateral ties, Xinhua reported.

The visit, the first by an Argentine president to Peru in 16 years, will "leave behind the mistakes done in recent history," an official source said, referring to the dispute in 1995 over Argentina's arms sale to Ecuador which had just fought a brief war with Peru.

Fernandez, whose entourage included key ministers and more than 100 businessmen, was expected to sign a strategic association agreement with her Peruvian counterpart Alan Garcia, the official source said.

Peru has been Argentina's staunch ally in the impasse with Britain over the Malvinas (Falkland) Islands and their nearby maritime spaces, the Argentine Foreign Ministry said in a statement.

Fernandez's visit "has very great political importance," which will help completely turn over "the page of history," Argentine Foreign Minister Jorge Taiana said.

The visit also aimed to boost mutual investment and bilateral cooperation in various fields, Taiana said.

Two-way trade between the two countries in 2009 amounted to 856 million U.S. dollars, according to the Argentine Industry Ministry.

### **Detailed Report/Brazil**

Amman - Brazilian president, Jordanian king review ways to overcome hurdles preventing Palestinian-Israeli peace talks. Visiting Brazilian President Luiz Inacio Lula da Silva and Jordan's King Abdullah II explored ways of reviving stalled Middle East peace talks on Wednesday, a palace statement said.

In a closed-door meeting, the two leaders "reviewed regional developments and ways to overcome the hurdles preventing Palestinian-Israeli peace talks based on a two-state solution from advancing," the statement said.

Later, their two delegations joined in for talks to "examine ways of developing bilateral economic relations, particularly in the energy and technology fields," it added.

Lula arrived in Amman on Wednesday for a two-day visit as part of his first regional tour of the Middle East which also took him to Israel and the Palestinian territories.

Lula is due to leave Jordan after a visit Thursday to the ancient Nabatean city of Petra.

Brazilian President Luiz Inacio Lula da Silva said on Wednesday his country is prepared to talk with the Islamic Hamas movement, listed by the European Union and the United States as a terror organisation.

Speaking at a press conference with Palestinian president Mahmud Abbas after talks at his Ramallah headquarters, Lula responded to a question by saying he believed nobody, Hamas included, should be ignored in efforts to resolve the Israeli-Palestinian conflict.

"Brazil is prepared to talk to everybody," he said. "All the parties involved must be listened to."

Lula, on the first visit to the region by a Brazilian head of state, was due to travel to Jordan after his West Bank visit.

On Tuesday he met Israeli leaders.

Laying a wreath Wednesday at the Ramallah tomb of iconic Palestinian leader Yasser Arafat, Lula welcomed the Palestinian authorities' decision to name the road leading past the site, "Brazil Street."

"This shows the affection which the Palestinian people have for the Brazilian people," he said.

March 17 (Bloomberg) -- Brazilian President Luiz Inacio Lula da Silva will extend subsidies for low-income housing that were begun last year in a program to build 1 million homes, Marcio Fortes, Minister of Cities said.

Lula will announce he is expanding the homebuilding drive beyond the original goal on March 29 before funding for the program runs out in September, Fortes said. That will ensure the plan is continued no matter who succeeds Lula next year, Fortes said, without providing more details.

"We want the program to become a lasting one," Fortes, 68, said in an interview in Brasilia. "This is important news for the markets and the industry -- the program continues."

The government will have earmarked in the third quarter the entire 34 billion reais (\$19.3 billion) it set aside for the homebuilding plan a year ago, Fortes said.

So far, state-owned bank Caixa Economica Federal has commissioned the construction of 340,872 new homes to private builders and is assessing projects for another 757,135, the minister said.

The program known as "My Home, My Life" was designed to help Brazil surmount a deficit of 6.3 million homes. It offers cash incentives toward the purchase of a home to families earning up to 5,100 reais a month.

Brazilian Cabinet Chief Dilma Rousseff, Lula's chosen successor, has narrowed the gap with the opposition candidate Jose Serra, as her message of continuity in social spending resonates ahead of the October presidential election.

Backing for Rousseff rose to 30 percent, up from 17 percent at the end of last year, according to an IBOPE poll distributed today by the National Industrial Confederation. Support for Serra fell to 35 percent from 38 percent in the previous survey, the poll shows.

The survey of 2,002 people taken between March 2 and 6 has a margin of error of plus or minus two percentage points.

Brazil's president has criticized Israeli policies towards the Palestinians, warning that Israel's separation barrier, its blockade of Gaza and its continued settlement building was extinguishing "the candle of hope".

Luiz Inacio Lula da Silva made his comments while on a visit to the West Bank where, on Wednesday, he placed a wreath on the tomb Yasser Arafat, the late Palestinian leader.

What Lula terms his "mission of peace" began in Israel on Tuesday, and is the first visit by a sitting Brazilian president to Israel and the Palestinian territories.

Brazil is Israel's largest trading partner in Latin America, but it also has close ties to Iran and Lula has defended Iran's nuclear ambitions, which Tehran says are peaceful but which Israel sees as a potential threat.

Lula laid a yellow and green wreath on Arafat's mausoleum in Ramallah and told a crowd of Palestinian officials and several dozen people waving Brazil's flag that he had participated in pro-Palestinian protests in the past.

Later Lula said that Brazil was willing to talk to Hamas, which is listed by the European Union and the US as a "terrorist" organization.

"Brazil is prepared to talk to everybody," he said. "All the parties involved must be listened to."

International player

Lula's comments are unlikely to have endeared him to Israel.

A day earlier, Avigdor Lieberman, Israel's foreign minister, said he had boycotted meetings with Lula because the Brazilian president did not pay a visit to the grave of Theodor Herzl, one of the founders of Zionism.

She continued: "It's difficult to say exactly how pressure on Israel might be exerted, it certainly wouldn't be exerted in public press conference, it's far more likely to go on behind the scenes.

"What Ashton did stress though was that the EU's role was much more an economic one than a political one ... she said the EU was there to provide the economic weight to support the process."

A Quartet meeting to be held in Moscow this week appears likely to be dominated by the issue of Israel's settlement construction.

Israel's continued settlement building has caused crisis Israel relations with the US after Israel unveiled plans to construct 1,600 new homes on occupied Palestinian land during a visit by Joesph Biden, the US vice-president.

Damascus, (SANA) \_ President Bashar al-Assad received Thursday afternoon an invitation letter, carried by Brazil's Foreign Minister Celso Amorim, from His Brazilian Counterpart, Luiz Inacio Lula da Silva, to visit Brazil.

President al-Assad promised to carry out the visit as soon as possible. The talks between President al-Assad and Minister Amorim dealt with the standing bilateral relations of friendship and cooperation, importance of reactivating consultations and coordination, whether on bilateral level or between Arab Countries and Latin America Countries.

Further, the talks touched upon new developments in the Middle East, halted Mideast peace process; President al-Assad asserted that the region status of instability requires international efforts and commitment as to deter whatever possible deterioration, caused by the presence of an extremist government in Israel. In relation to the conditions in the occupied Palestinian territories, viewpoints were in accord regarding the necessity for the achievement of Palestinian reconciliation, the basis for defending Palestinian People rights.

Minister Amorim, on his part, highlighted Syria's pivotal role as far as the region issues. Present at the meeting were Foreign Minister Walid al-Moallem, Professor Bouthaina Shaa'ban, the presidential political and Media Affairs Advisor, Latin America Directorate Chairman, and the Brazilian Ambassador to Damascus.

On a visit to Israel, Brazil's president president Luiz Inácio Lula da Silva refused to lay a wreath at the grave of Theodor Herzl in Jerusalem - and then donned a keffiyeh around his shoulders and laid a wreath at the tomb of Yasser Arafat in Ramallah.

"This is an insult," one senior foreign ministry official said. "It is offensive that he laid a wreath at the grave of a terrorist, but not at the tomb of Zionism's visionary."

Foreign minister Avigdor Lieberman snubbed da Silva on Monday because of his refusal to go to Theodor's grave on Mount Herzl.

When da Silva laid a wreath on Arafat's mausoleum on Wednesday, Ramallah Mayor Janet Mikhail draped a black-and-white keffiyeh on his shoulders.

The Brazilian president told the crowd that he had participated in pro-Palestinian protests in the past.

At a press conference, da Silva criticized the West Bank security barrier, called on Israel to lift the blockade of the Gaza Strip and described Jewish settlements in the West Bank as extinguishing "the candle of hope".

A Brazilian official said that visiting Herzl's grave "was never even considered as part of the president's agenda".

Earlier, da Silva had made a case for playing a larger role in Middle East diplomacy, despite Israel's deep discomfort with his opposition to sanctions against Iran over its nuclear program.

March 19 (Bloomberg) -- Brazil will double the size of its railroad expansion plan as it seeks to cut transportation costs and make the country's goods more competitive abroad, Deputy Transport Minister Paulo Sergio Passos said.

The government wants to build 10,000 kilometers (6,215 miles) of railways in the next 10 years, Passos said during an interview yesterday in Brasilia. The initial plan was to invest 18 billion reais (\$10 billion) to build 5,000 kilometers, he said.

Brazil, the world's second-biggest exporter of iron ore and soy, moves more than half its freight by truck, a mode of transportation that costs as much as four times more than by rail. The goal by 2025 is to move 32 percent of the country's cargo by train, up from 25 percent, Passos said.

"For a highly competitive economy, it is important to improve the logistics for our growing production of grains, mining products, fertilizers and fuels," Passos said.

New rules for railway auctions will be announced by the end of June, he said.

The average price to transport a ton of goods 1,000 kilometers by road is \$117 compared with \$27 by train, Mauricio Lima, director of Rio de Janeiro-based Institute of Logistics and Supply Chain, said in a phone interview.

March 19 (Bloomberg) -- Jose Serra, the governor of Brazil's Sao Paulo state, said he will officially announce his candidacy for president in the beginning of April.

"It's been decided," Serra told TV Bandeirantes in an interview broadcast by the Sao Paulo-based station today.

Support for Serra slipped to 35 percent in an Ipope poll released March 17, from 38 percent in December. Meanwhile, backing for Workers' Party candidate Dilma Rousseff rose to 30 percent from 17 percent in December, the poll showed.

Serra said Rousseff's performance is related to her "exposure" in the news.

"Opinion polls are a picture of the moment only," Serra told TV Bandeirantes. Rousseff is "in a favorable position now but, at a certain stage, Brazilians will start considering who will govern the country in the future," Serra said.

The March 6-10 poll of 2,002 likely voters, commissioned by the National Industrial Confederation, has a margin of error of 2 percentage points.

Brasilia, Mar 22, 2010 (Xinhua via COMTEX) -- Brazilian President Luiz Inacio Lula da Silva reaffirmed on Monday that his country can make a significant contribution to the peace process in the Middle East.

"I think Brazil, with our political shaping, with our history, with our pacifist experience, we can make an enormous contribution to peace in the Middle East," Lula said in his weekly radio show "Breakfast with the President." Lula stressed the importance of his visit to Israel, Jordan and the West Bank last week, saying all the three parties have agreed to Brazil's participation in the peace negotiations.

As Brazil maintains good relations with all countries and political forces in the Middle East, it has much to contribute to the region, he said.

Peace is in the interest of all relevant parties, including the United States, Syria and Iran, because "only peace can allow economic development, income distribution and social justice," Lula said.

"We need to talk to the Iranians, with Syria, with Israel, the Palestinians, Hamas, with Hezbollah. With people who are involved in the conflicts in the Middle East, Brazil has to talk and try to find a solution," he said.

Meanwhile, the Brazilian president called on international forces such as the United Nations to exert more efforts to fulfill their role in the peace process.

"A set of countries, represented by the UN, could definitely solve the Middle East conflicts," said Lula.

"To the extent that the UN does not fulfill that role, there is a void, that is, everyone talks on the Middle East crisis, but no one solves (the issue)," he said.

Brazil, which has a community of 10 million Arabs and descendants, as well as 200,000 Jews who are living in harmony, has set an example for others, Lula said.

That shows the task of bringing peace to the region is not impossible, said Lula.

"There is nothing in this world that cannot be fixed," he said.

March 21 (Bloomberg) -- Brazil's Central Bank President Henrique Meirelles said an imbalance between the U.S. dollar and Chinese yuan would be resolved over time and is unlikely to hurt the Brazilian economy.

"I'm expecting the imbalance between these two countries to be resolved over time," said Meirelles, speaking to reporters in Cancun, Mexico, on the sidelines of the annual Inter-American Development Bank's annual meeting.

Meirelles said that Brazil would not be affected by a rebalancing of the two currencies because its trade portfolio is diversified.

U.S. lawmakers are urging President Barack Obama to step up pressure on China to allow the yuan to rise, accusing Beijing of keeping its currency unfairly cheap to gain export advantage. The Treasury Department is set to decide in April whether to label China as a currency “manipulator.”

China has kept the yuan at 6.83 per dollar since July 2008 to shield the exporters from the global recession. It allowed the currency to appreciate 21 percent in the previous three years.

“Our economy is diversified and is growing now basically led by domestic demand, which means that we are prepared to face these kinds of scenarios,” Meirelles said.

Meirelles said the greatest foreign threat to the Brazilian economy is increasing risk aversion caused by credit problems in some Europe nations.

### **Detailed Report/Mexico**

Mexico City (AFP) – US ambassador to Mexico Carlos Pascual said Wednesday that Mexico's clampdown on drug traffickers could provoke more violence in the short term.

In comments to Mexican media days after deadly attacks on US citizens and their families in Ciudad Juarez, Pascual warned of a possible escalation of violence.

"It's possible that the measures they (the Mexican authorities) are taking will provoke a reaction from the drug traffickers and that violence could increase in the short term," Pascual said in Spanish, according to El Universal newspaper.

Mexican President Felipe Calderon's military clampdown on organized crime, involving some 50,000 troops, is increasingly under fire at home, as more than 15,000 people have died in suspected drug attacks since it was launched at the end of 2006.

The Obama administration -- which has admitted joint US responsibility in Mexico's drug trafficking problem -- has up to now shown strong support for Calderon's measures.

However US Homeland Security Secretary Janet Napolitano said that Mexico's military strategy had failed to improve the situation in the country's most violent city of Ciudad Juarez, in comments on US broadcaster MSNBC on Tuesday.

"President Calderon of Mexico has been deeply involved (in tackling the violence), even sending in the military into (Ciudad) Juarez. That hasn't helped," Napolitano said.

Pascual underlined Wednesday that the United States "has completely supported Calderon's policy," according to El Universal.

The US ambassador traveled to Ciudad Juarez with Calderon on Tuesday, where the Mexican leader was met with protests by hundreds of residents frustrated by almost daily attacks, extortion and kidnappings which plague the violent city of some 1.3 million.

Mexican authorities have blamed Saturday's killings of an American employee of the US consulate who was three months pregnant, her husband and the husband of a Mexican consular employee on "the Aztecas," hitmen linked to the powerful Juarez drug cartel.

The United States said Wednesday it had no information that the attackers had gunned down the victims because of their work at the US consulate.

Mark Toner, a US State Department spokesman, told reporters that the consulate in Ciudad Juarez had reopened Wednesday after closing for a security assessment.

The United States shares technical expertise and has provided military equipment to Mexico under the multi-year 1.3-billion-dollar Merida Initiative to fight organized crime.

Seven people died in suspected drug-related violence overnight in Mexico's most violent northern border state of Chihuahua, justice officials said on Wednesday.

In the border city of Juarez, Mexico, authorities continue to investigate the murder of three people with connections to the US consulate that occurred on the streets of that city in broad daylight Saturday. Many observers on both sides of the border, however, question the Mexican government's ability to solve such cases as the violence continues to rage out of control.

In his third visit to the embattled city of Juarez in recent weeks, Mexican President Felipe Calderon on Tuesday spoke of the need for U.S. cooperation in the investigation of criminal violence on the border.

He said U.S. and Mexican authorities should cooperate, each on their respective sides of the border, and he called on the United States to curb gun smuggling and drug consumption in order to weaken the power of the drug trafficking groups.

But many citizens of Juarez are demanding more of their own government. Hundreds of protesters greeted Calderon in Juarez, condemning him for failing to curb the border violence. Mexican news media have shown graphic scenes of bodies lying in the streets and the cries of people who have lost loved ones.

One woman whose husband was murdered blamed President Calderon for the violence that began to soar after he started his drive against drug cartels upon assuming office in December, 2006.

The Mexican government recently claimed that the murder rate has fallen 40 percent in Juarez, but local citizens' groups dispute that, noting that close to 500 people have been

killed there since the start of this year. Around 2,600 people died violently in Juarez last year and it is considered one of the most dangerous cities in the world.

Across the Rio Grande River, which forms the boundary with the United States, sits the relatively quiet and peaceful city of El Paso, Texas. At the University of Texas in El Paso, Anthropologist Howard Campbell keeps a close watch on the Juarez violence and sympathizes with citizens there who express frustration with their government.

"There is no way to put a pretty face on this. The Mexican government is failing to protect its own citizens and in the most blatant way is in Juarez. We are talking about two years and almost three months now of constant killings, day after day," he said.

The United States is assisting the Mexican government's war on drug trafficking groups through the Merida Initiative, which has provided more than \$300 million in support to Mexico's police and military in the past three years. But Campbell says that aid may not be effective absent deep reforms in the Mexican system.

"A lot of people are arguing that what we really need to do is to help Mexico fix its judicial system and police system and the military, so that these institutions are accountable and do the job, the job they are supposed to do and protect the common people instead of preying on them. That is not an easy thing to do because Mexico is a sovereign nation and the United States cannot tell Mexico what to do. But I think just giving Mexico money and military hardware in the past has not solved the problem, so I do not think that should be the one answer," he said.

Meanwhile, investigators continue their probe of Saturday's killing of two U.S. citizens, one of whom worked at the US consulate, and a Mexican man whose wife worked at the consulate. U.S. law enforcement agents say there is no evidence indicating the victims were targeted because of their connections with the consulate, saying it might have been a case of mistaken identity. If so, it would not be the first time gunmen in Juarez have killed people by mistake.

Gunmen for two rival cartels are battling for control of lucrative drug smuggling routes in the Juarez-El Paso area and are often indiscriminate when they spray bullets into vehicles, homes and businesses in Juarez. What many Mexican citizens and law enforcement experts question, however, is how such murders can take place in broad daylight in downtown Juarez, where hundreds of Mexican soldiers and police are on constant patrol. If the murder of the three people associated with the consulate is ever solved it will also be a rarity. In Juarez, 96 percent of killings remain unsolved.

Washington - US Secretary of State Hillary Rodham Clinton is to lead a high-level delegation to a meeting with Mexican counterparts on March 23 in Mexico City, the State Department said late Wednesday.

The cabinet-level talks of the so-called High-Level Consultative Group are a follow-up to a similar meeting held in December 2008 in Washington before current President Barack Obama took office.

The meeting is to focus on developments in combating Mexico-based drug-trafficking cartels as well as strengthening democratic institutions, respect for human rights and the rule of law.

The delegation is to include Defense Secretary Robert Gates; Admiral Michael Mullen, chairman of the Joint Chiefs of Staff; Homeland Security Secretary Janet Napolitano; National Intelligence Director Dennis Blair; and other top officials from law enforcement and related agencies.

The State Department said the meeting has been 'in preparation for several months.'

However, its announcement followed Saturday's slayings in the border city of Ciudad Juarez, Mexico, of an American employee at the local US consulate, her husband and the husband of a Mexican employee of the mission.

Mexican Foreign Secretary Patricia Espinosa is to lead the Mexican contingent.

Washington --Texas' U.S. senators on Wednesday urged President Obama to visit the Mexican border and assess the threat that drug-cartel violence could spill into the U.S.

The threat is "real and it is escalating," Sens. Kay Bailey Hutchison, Republican of Texas, and John Cornyn, Republican of Texas, told Obama in a letter. "Our border patrol agents and local law enforcement are more regularly engaged with gunmen associated with drug cartels, but our resources and personnel are limited."

The senators urged Obama to accompany them on a visit to the U.S.-Mexico border, craft a "concrete plan to address the increasing violence" and provide senators a classified intelligence briefing on whether the wave of cartel killings "poses a threat to the safety of other American citizens and to our overall national security."

The senators wrote the president in the aftermath of the weekend killings of three American citizens in Ciudad Juarez, including two employed by the U.S. consulate.

Cornyn told reporters that Obama would find it "helpful to travel to the border to see it for himself," adding: "I think part of the problem in Washington is that the knowledge that people assume they have about the border is derived from reading novels and watching movies."

A White House official speaking on background said the administration "will be responding to the senators' letter, laying out the extensive and unprecedented steps we have taken -- and continue to take -- across the government to ensure the safety and

security of border communities and to support the Mexican government's efforts against drug trafficking organizations."

An official with the Department of Homeland Security rejected the senators' claim that federal law enforcement personnel are engaging with cartels.

"There is no evidence, neither scientific nor anecdotal, to show that Border Patrol personnel are more regularly engaging with gunmen associated with drug cartels," said the DHS official, speaking on condition of anonymity.

Obama administration officials say they are not seeing the kind of cross-border violence that would require beefing up federal law enforcement personnel along the border or deploying the National Guard troops requested by Perry and three other border state governors 14 months ago.

Drug cartels are targeting rival cartel members, Mexican civilians, police and senior Mexican government officials in their struggle for trafficking routes and territories. But as Matt Chandler, spokesman for the Department of Homeland Security put it: "We are not, however, seeing any indications of similar violence here in the U.S."

Hidalgo County Sheriff Lupe Trevino said his county remains "very safe and secure" despite violence in the nearby Mexican state of Tamaulipas and the border city of Reynosa. "Do we experience border violence? Yes, but we always have. There is no need for the military in a law enforcement function and we are not under siege and we are not overrun."

The senators made their letter public a day after Texas Gov. Rick Perry activated what he described as the first phase of Texas' "spillover violence contingency plan" to protect against escalating drug cartel violence in Juarez and other Mexican border communities.

The State Department on Monday gave dependents of U.S. personnel at six U.S. consulates along the border the option of returning to the United States.

Homeland Security chief Janet Napolitano has not responded directly to Perry's request for surveillance aircraft or his renewed request for National Guard personnel to augment Texas law enforcement. "We're constantly revisiting what is happening at the border," said Napolitano, a former governor of Arizona.

"We've added manpower. We've added technology. We've added lots of things there."

Drug cartels are targeting rival cartel members, Mexican civilians, police and senior Mexican government officials in their struggle for trafficking routes and territories.

In response to questions, Cornyn said he did not have evidence of cartel-related violence in Texas but warned that the state continues to face "the threat of potential spillover violence" warranting "preventative" efforts.

Police and FBI agents in the US state of Texas have launched a series of raids on a gang thought to have been behind the killings of three people linked to the US consulate in the Mexican border city of Ciudad Juarez.

Around 200 law enforcement officers took part in Thursday's raids targeting suspected members of the Barrio Azteca gang in El Paso.

Officials said the goal of "Operation Knockdown" was to generate leads in the investigation into last week's killings in Ciudad Juarez.

"We believe that major intelligence can be collected here on the US side by going after and getting these members of Barrio Azteca, and that's what they're doing down in El Paso," Rusty Payne, a spokesman for the US Drug Enforcement Administration, told AFP news agency.

The Barrio Azteca gang "most definitely" has ties to gangs in Mexico, he said.

The gang is said to operate on both sides of the US-Mexico border in conjunction with drug cartels.

However, Payne did not say how many suspected gang members had been detained in the raids.

Lesley Enriquez, an American working at the consulate in Ciudad Juarez; her American husband, Arthur Redelfs; and Jorge Alberto Salcido, the Mexican husband of another US consular employee, were killed in ambushes just minutes apart last week after leaving a birthday party in the Mexican city.

Police officers detained

The Texas raids came at the same time as Mexican authorities on the other side of the border detained two-thirds of the police force in the northern town of Villaldama, for suspected ties to drug cartels.

Erasmus Villarreal, a local official, told the Associated Press that the marines arrested eight of the 12 officers on the force.

Villaldama is a town of about 4,000 people near the city of Monterrey in the state of Nuevo Leon.

Javier Trevino, the state secretary-general said the town's police chief was among those arrested on Wednesday.

Felipe Calderon, the Mexican president, has been waged an aggressive campaign to eliminate corruption from municipal police forces, and hundreds of police across the country have been arrested or fired for alleged ties to criminal gangs.

The military has led many of the arrests, and in some towns, army officers have taken over as police chief.

The arrests in Villaldama came two days after scores of police officers in other regions were detained in probes into a wave of drug-related killings and kidnappings.

Monterrey, Mexico - A shootout in the northern city of Monterrey killed two suspected drug cartel gunmen and wounded a soldier Friday. Suspected gang members also blocked roads in the city for the second day, in a bold attempt to impede security patrols.

Gunmen opened fire on an army patrol outside the gates of a prestigious private university in Monterrey, Mexico's third-largest city and a major industrial hub, the army said in a statement.

Soldiers seized guns, ammunition and hand grenades at the scene.

The wounded soldier is in stable condition.

Gang members blocked more than 30 roads in the Monterrey metropolitan area over 24 hours, including several leading out of the city, said Nuevo Leon Public Safety Secretary Luis Carlos Trevino. He said the blockades were intended to keep the military from carrying out operations.

Most suspects fled after parking the trucks and other vehicles across the roads, but at least two were arrested, he said. Authorities towed the cars away, the official said.

The street blockades, a novel tactic, drive home how imbued Mexico's drug war has become in the daily life of some cities - and how audacious cartels have become in their battle against the military and federal police.

Two of the vehicles blocking the roads Thursday were set on fire a few hundred yards (meters) from toll booths.

The same day, gunmen in a convoy of six vehicles opened fire on a navy helicopter on a reconnaissance patrol in Fresnillo, outside of Monterrey. Marines aboard the chopper returned fire, killing one of the gunmen.

Separately, the navy announced the capture of Alberto "Bad Boy" Mendoza, suspected of being a chief cartel operator linked to the Beltran Leyva gang and others in Monterrey.

President Felipe Calderon has deployed tens of thousands of soldiers and federal police across Mexico over three years in a US-backed campaign to crush brutal cartels battling each other for trafficking and drug-dealing turf.

Gang violence has since surged, claiming nearly 18,000 lives.

At least 40 soldiers have been arrested on drug trafficking charges and another 38 have been accused of abuse against civilians, including torture and killing, said Brig. Gen. Jose Luis Chavez, Mexico's top military prosecutor.

He said ongoing investigations may lead to the arrest of 50 more soldiers on abuse charges.

To date, however, no soldier has been convicted of abuse, prompting criticism from local and international human rights groups, who also say Mexico should be trying soldiers accused of human rights violations in civilian rather than military courts.

Chavez insisted the military does not systematically engage in abuse or corruption.

"Mistakes are inevitable when working in such a risky situation, in which your life is in danger every day," Chavez said. "But mistakes must be punished."

In the northern border city of Ciudad Juarez, meanwhile, police found the skeletal remains of three people in a clandestine grave. Federal police said they were led to the grave by an anonymous tip and would keep digging in the area to seek more bodies.

The identities of the people or how they died were not known. Ciudad Juarez, across the border from El Paso, Texas, is Mexico's most violent city.

In the western state of Michoacan, a judge ordered the release of yet another of 12 town mayors arrested last year for suspected cartel ties.

In the western state of Michoacan, a judge ordered the release of yet another of 12 town mayors arrested last year for suspected cartel ties.

The mayors have all maintained their innocence.

After nearly 10 months behind bars, Ixtlahuac walked out of a prison outside the state capital of Morelia hours after the judge gave the order. He smiled and told reporters he felt vindicated before driving off in a black Mercedes Benz with several relatives.

Mexico City: More Americans in Mexico are falling victim to a wave of drug violence sweeping the country, a change driven home by the recent killing of a US Consulate employee and her husband who were gunned down after leaving a children's birthday party.

The number of US citizens killed in Mexico has more than doubled to 78 in 2009 from 37 in 2007, according to the US State Department's annual count. No figures were available for the first two months of 2010.

While only some of the killings are specifically listed as "executions" or "drug-related," the increase in homicides appears to be related to drug battles. In Ciudad Juarez, the northern border city hardest hit by drug violence and where the consulate employee was killed, homicides of Americans rose to 23 in 2009 from two in 2007.

The annual murder rate for the estimated 500,000 American citizens in Mexico at any one time has risen — but still remains lower than in some US cities: about 15 per 100,000. Baltimore's 2009 homicide rate was 37 per 100,000 residents.

American deaths make up only a tiny fraction of Mexico's 17,000 drug-related killings since December 2006, when President Felipe Calderon launched a military-led drug war.

The government says the majority of those killed were involved in the drug trade. But an increasing number of bystanders are dying in the crossfire, and Americans are among them.

Tania Lozoya, 15, of El Paso, Texas, was killed by a stray bullet at her aunt's house across the border in Ciudad Juarez in May 2009, after gunfire broke out when two men chased another man into the backyard of the residence.

In December, a California assistant school principal, Augustin Salcedo, was killed after he was abducted from a restaurant along with five other men while he and his wife were visiting her hometown of Gomez Palacio, in the northern state of Durango. The motive for the mass abduction remains unclear.

Other Americans appear to have been specifically targeted.

US anti-kidnapping expert Felix Batista was abducted by gunmen in December 2008 in the northern city of Saltillo, where he had gone to advise local businessmen on how to avoid becoming victims of the country's wave of kidnappings. He has not been found.

Monterrey, Mexico—Two men killed in a shootout between soldiers and gunmen near a prestigious university in this northern Mexican city were graduate students, not suspected drug traffickers, officials said.

The victims were studying engineering at Monterrey Tech University, according to Nuevo Leon state Attorney General Alejandro Garza y Garza.

Army officials mistakenly told state prosecutors that two suspected gunmen died in Friday's clash, Garza y Garza said late Saturday.

Monterrey Tech University rector Rafael Rangel said in a news release that both students had scholarships for academic excellence and had been at the college minutes before the shootout.

On Sunday, gunmen targeting the police chief of a town outside Monterrey killed his bodyguard and wounded three other people, said a Nuevo Leon State Investigative Agency spokesman, who was not authorized to give his name.

The spokesman said it was not immediately clear if Santa Catarina police chief Rene Castillo was among the wounded.

Phones rang unanswered at local government offices at Santa Catarina.

There has been a series of shootouts over the past week in the area around Monterrey, Mexico's third-largest city and an industrial hub. Gangs last week also used abandoned cars to block several main roads in the city in an attempt to impede military patrols.

The federal government has said gangs are lashing back over the arrests of suspects tied to Beltran Leyva cartels and other organizations in the area.

The body parts of two police officers were dumped outside the police headquarters of Mexico's Guerrero state in eight black bin bags, state security officials said yesterday. The victims, commander Predix Luna Simon and officer Cristobal Luna Garcia, had been missing since Saturday, a statement from the state security ministry said. The discovery came amid a wave of drug-related violence, particularly in northern border areas as well as the southwestern Guerrero state. More than 15,000 people, including many police, have died in suspected drug attacks since President Felipe Calderon launched a military crackdown on organised crime, involving some 50,000 troops, at the end of 2006.

Reporting from Mexico City - When Mexican President Felipe Calderon declared war on drug cartels in 2006, he summoned his military to serve as the tip of the spear.

Since then, nearly 50,000 uniformed Mexican military personnel have manned roadblocks, patrolled cities haunted by drug killings and raided houses in search of traffickers and contraband.

But as doubts mount over the effectiveness of Calderon's anti-drug crusade, with its death toll of 18,000 people, so do the political risks for Mexico's military, traditionally one of the nation's most trusted institutions.

Brig. Gen. Benito Medina has indicated that the Mexican military cannot succeed alone against a powerful foe whose reach spans national boundaries.

"We need the collaboration of the international community," Medina, director of military education at the University of the Army and Air Force, said in remarks published Monday in El Universal newspaper.

The United States, as part of its \$1.4-billion multiyear Merida Initiative, is sending Defense Secretary Robert M. Gates, Adm. Michael G. Mullen, chairman of the Joint Chiefs of Staff, and Homeland Security Secretary Janet Napolitano to accompany Secretary of State Hillary Rodham Clinton in Mexico on Tuesday for talks on the country's drug war.

The Mexican army is increasingly a lightning rod for those who say the Calderon strategy has failed to curb a skyrocketing death toll. Human rights advocates accuse soldiers of abusing residents as they hunt drug traffickers. And there is a growing feeling that, despite the army's firepower and resources, it has been less than effective as a police force.

Street demonstrations against runaway violence in the border city of Ciudad Juarez aimed more vitriol at troops than at drug-trafficking gangs, and many residents say they would like to see soldiers called back to the barracks. As the military's presence has grown along the U.S.-Mexico border, many residents ask whether it will prove as susceptible to corruption as the police have been.

"If the fundamental institution of any state, the armed forces, can't prevail in the battle against narco-trafficking, then what is next?" asked Jose Luis Pineyro, an expert on national security at Mexico City's Autonomous Metropolitan University. "It is the last recourse."

Mexico's 250,000-strong armed forces -- an army, navy and air force -- enjoy high esteem nationwide, despite modest signs of slippage during the three-plus years of the drug war.

The military ranks third among the most trusted institutions in Mexico, behind the Roman Catholic Church and higher education, according to a survey published in January by the Mitofsky polling firm. A year earlier it was first.

Another poll last year, by Demotecnia, showed that 72% of Mexicans view the army favorably, though the most recent figure represents an 11% drop since 2007.

Mexico's human rights commission has received more than 3,400 complaints of alleged violations, including torture and unlawful detention, by military personnel since December 2006, when Calderon took office. Defense officials say the commission has recommended disciplinary action in only a small fraction of those cases, but the military's hermetic legal system makes it difficult to track how they turned out.

Calderon has acknowledged the military's limitations. In Ciudad Juarez, where a turf war has killed more than 4,000 people since 2008 despite the presence of 10,000 troops and

federal police, the Mexican president promised fed-up residents to retool his drug war strategy to aim more of the government's attention at jobs and living conditions.

Most Mexicans support using troops in anti-drug operations, though the margin has shrunk since two years ago. Given rampant police graft, especially at the state and local levels, soldiers are seen as the most reliable force to take on heavily armed drug gangs.

The drug war has boosted the military budget and created an opportunity for the armed forces to gain clout.

"If they win, they will be stronger politically," said Raul Benitez, a specialist in national security at the National Autonomous University in Mexico City. "They think they will win."

Yet the deaths related to drug traffickers and the government's failure to land a decisive blow against the cartels has many Mexicans questioning the effectiveness of the military-led strategy. And military leaders, who have never appeared eager to join the drug war, are concerned that they could end up bearing the blame, analysts say.

"They have made it really clear that they take orders from the civilian leadership," said Roderic Ai Camp, an expert on the Mexican military at Claremont McKenna College.

Napolitano irritated Mexican officials last week when she appeared to question the military's effectiveness in Ciudad Juarez. Her comments came after the fatal shootings of three people connected to the U.S. Consulate there.

Mexico City. Mexico has settled into a pattern of growth that is attracting both tourism and investment to the nation, Mexico's President Felipe Calderon told the Inter American Development Bank (IADB) conference on Monday, Xinhua News Agency informed.

"There are clear signs of economic recovery. A year ago, the most optimistic forecast for 2010 growth was for 1.2 percent. Now most of them are around 4 percent and some have even reached five percent," he said from resort city Cancun on Mexico's Caribbean coast. "Despite the depth of the financial crisis, Mexico's banks did not need a single cent from the government," he added.

Mexico suffered a severe economic contraction in 2009, with the economy declining by 10.3 percent at its worst point during the second quarter when the country was also the epicenter of the A(H1N1) flu outbreak. The disease also frightened away tourists, who sustain the economy in cities resorts like Cancun.

"Last weekend hotel occupation rates were 85 percent, a big difference to the 20 percent seen the days after the influenza outbreak," said the president during his inaugural address to the conference.

He also said that Mexican international reserves were at record levels of 95 billion U.S. dollars and that inflation remained comparatively low at 3.7 percent, an achievement for the nation's central bank given that the Mexican peso lost a quarter of its value during 2009.

Washington—President Barack Obama and Mexican President Felipe Calderon discussed the ongoing battle against drug trafficking when they spoke by phone ahead of a visit to Mexico by U.S. officials.

In a statement Monday night, National Security Council spokesman Mike Hammer described the afternoon conversation as an effort by Obama to underscore the administration's commitment to U.S.-Mexico relations.

Obama also highlighted the importance of the U.S. fulfilling its responsibilities in the effort against Mexican drug trafficking organizations and the U.S. commitment to support Mexico's own efforts.

The American delegation to Mexico this week is being led by Secretary of State Hillary Rodham Clinton.

### **Detailed Report/Venezuela**

Colombian President Álvaro Uribe reiterated that his government is as "determined" to defeat terrorism as it is to "seek agreements" with all its neighboring countries "especially with brotherly countries," referring to the differences he has with Venezuelan President Hugo Chávez.

Uribe made these statements during the closing session of the Annual Meeting of the Colombian-Venezuelan Chamber of Commerce. The Colombian ruler also referred to the mediation process carried out by Dominican President Leonel Fernández, as part of a plan to foster rapprochement between Bogotá and Caracas, Efe reported.

"We have to be determined to defeat terrorism and violence, but we must also be firm to seek agreements with all countries, especially with our brotherly countries," Uribe said.

"We will continue working (on mediation efforts)," the Colombian Head of State said. He added that the "doors are open for dialogue," and Colombia is willing to reach agreements with brotherly countries.

Venezuela and Belarus strengthened energy and trade co-operation on Wednesday, with President Hugo Chavez saying that the two allies are seeking to increase their independence from the US and other "imperialist" states.

At a meeting in Caracas, Mr Chavez and his Belarusian counterpart Alexander Lukashenko agreed to invest \$1.6 billion (£1.05bn) to create a joint venture to develop oil and natural gas projects in Venezuela.

The projects are expected to produce 200 million cubic feet of natural gas a day by 2012, part of Venezuela's efforts to triple gas output.

Officials also reached an agreement for Venezuela to ship 80,000 barrels of heavy crude oil a day to the former Soviet republic.

Belarus has also pledged to build public housing complexes and a factory to manufacture tractors and lorries in Venezuela, and the two nations have agreed to promote trade in construction materials and equipment.

Mr Lukashenko said: "They are very serious plans aimed at allowing Venezuelans to enjoy some of the advantages the Belarussian people enjoy.

"We're prepared to transfer everything we have so this becomes a reality," he went on.

Mr Chavez emphasised that Mr Lukashenko's visit was important, not only for consolidating their relations in the political, economic and social realm, but also in the ideological sphere.

He said that Venezuela and Belarus were united in their "anti-imperialist" orientation.

"Our ideas are based on socialism, on independence and on sovereignty, which are essential factors in the multi-polar world that we are striving for," Mr Chavez said, adding: "This has brought us together as brothers."

Venezuela has an election for its national assembly in September, and the campaign has begun in earnest. I am referring to the international campaign. This is carried out largely through the international media, although some will spill over into the Venezuelan media. It involves many public officials, especially in the US. The goal will be to generate as much bad press as possible about Venezuela, to discredit the government, and to delegitimize the September elections – in case the opposition should choose to boycott, as they did in the last legislative elections, or refuse to recognize the results if they lose.

There's no need for conspiracy, since the principal actors all know what to do. Occasionally some will be off-message due to lack of co-ordination. A fascinating example of this occurred last week when Senator John McCain tried to get General Doug Fraser of the US Southern Command to back his accusations that Venezuela supports terrorist activities. Testifying before the Senate armed services committee on March 11, General Fraser contradicted McCain:

"We have continued to watch very closely ... We have not seen any connections specifically that I can verify that there has been a direct government-to-terrorist connection."

Oops! Apparently Fraser didn't get the memo that the Obama team, not just McCain, is in full campaign mode against Venezuela. The next day, he issued a statement recanting his testimony:

"Assistant Secretary Valenzuela [the state department's top Latin America official] and I spoke this morning on the topic of linkages between the government of Venezuela and the Farc. There is zero daylight between our two positions and we are in complete agreement.

"There is indeed clear and documented historical and ongoing evidence of the linkages between the government of Venezuela and the Farc ... we are in direct alignment with our partners at the state department and the intelligence community."

Well it's good to know that the United States still has civilian control over the military, at least in the western hemisphere. On the other hand, it would be even better if the truth counted for anything in these Congressional hearings or in Washington foreign policy circles generally. The general's awkward and seemingly forced reversal went unnoticed by the media.

The "documented and historical and ongoing evidence" mentioned by General Fraser refers to material alleged to come from laptops and hard drives allegedly found by the Colombian military in a cross-border raid into Ecuador in 2008. Never mind that this is the same military that has been found to have killed hundreds of innocent teenagers and dressed them up in guerrilla clothing. These laptops and hard drives will continue to be tapped for previously undisclosed "evidence", which will then be deployed in the campaign against the Venezuelan government. We will be asked to assume that the "captured documents" are authentic, and most of the media will do so.

US secretary of state Hillary Clinton's attacks on Venezuela during her trip to South America were one of the opening salvos of this campaign. Most of what will follow is predictable. There will be hate-filled editorials in the major newspapers, led by the neocon editorial board of the Washington Post (aka Fox on 15th Street). Chávez will be accused of repressing the media, even though most of the Venezuelan media – as measured by audience – is still controlled by the opposition. In fact, the media in Venezuela is still far more in opposition to the government than is our own media in the United States, or for that matter in most of the world. But the international press will be trying to convey the image that Venezuela is Burma or North Korea.

In Washington DC, if I try to broadcast on an FM radio frequency without a legal broadcast license, I will be shut down. When this happens in Venezuela, it is reported as censorship. No one here will bother to look at the legalities or the details, least of all the pundits and editorial writers, or even many of the reporters.

The Venezuelan economy was in recession in 2009, but will likely begin to grow again this year. The business press will ignore the economic growth and hype the inflation, as they have done for the past six years, when the country's record economic growth cut the poverty rate by half and extreme poverty by 70% (which was also ignored). Resolutions will be introduced into the US Congress condemning Venezuela for whatever.

The US government will continue to pour millions of dollars into Venezuela through

USAid, and will refuse to disclose the recipients. This is the non-covert part of their funding for the campaign inside Venezuela.

The only part of this story that is not predictable is what the ultimate result of the international campaign will be. In Venezuela's last legislative elections of 2005, the opposition boycotted the national elections, with at least tacit support from the Bush administration. In an attempt to delegitimize the government, they gave up winning probably at least 30% of the legislature.

At the time, most of the media – and also the Organization of American States – rejected the idea that the election was illegitimate simply because the opposition boycotted. But that was under the Bush administration, which had lost some credibility on Venezuela due to its support for the 2002 coup, and for other reasons. It could be different under an Obama administration.

That is why it is so ominous to see this administration mounting an unprovoked, transparently obvious campaign to delegitimize the Venezuelan government prior to a national election. This looks like a signal to the opposition: "We will support you if you decide to return to an insurrectionary strategy," either before or after the election.

The US state department is playing an ugly and dangerous game.

Washington (Reuters) - The chief of the U.S. military's Southern Command said on Thursday that Venezuela's socialist government is a "destabilizing force" in Latin America and continues to back leftist guerrillas in Colombia.

General Douglas Fraser's comments in congressional testimony came a week after he told a U.S. Senate hearing that the Pentagon had no evidence of a "government-to-terrorist" connection between President Hugo Chavez's government and Colombian FARC rebels.

Southern Command is responsible for U.S. military activities in much of Latin America.

Fraser, testifying to the House of Representatives Armed Services Committee, said Venezuela remains a threat to U.S. interests.

"They continue to have a very anti-U.S. stance and look to try and restrict U.S. activity wherever they have the opportunity to do that," Fraser said.

"They are continuing to engage with the region ... and continuing to pursue their socialism agenda. ... They remain a destabilizing force in the region," the general said.

Fraser said Venezuela continues to provide the FARC a safe haven and "financial logistical support" based on information found on a laptop computer of a FARC commander seized by Colombian soldiers during a raid on a guerrilla camp in Ecuador in 2008.

## 'Aggressive Policy'

Venezuela's ambassador in Washington, Bernardo Alvarez, said the reversal of the general's position, to conform with statements by officials in the Obama administration, showed the United States has no proof of Venezuelan support for the FARC and the criticism was politically motivated.

During a recent tour of Latin America, U.S. Secretary of State Hillary Clinton stepped up criticism of Chavez, a populist leader who is the fiercest opponent of U.S. influence in the region even though his country is a major supplier of oil to the United States.

Alvarez said the data on the computer cited by Fraser had been "manipulated" to cook up accusations against Venezuela that are aimed at justifying the deployment of U.S. troops to bases in Colombia, the main U.S. security ally in the region.

"The Obama administration is continuing the aggressive policy against Venezuela of the Bush administration," Alvarez said in an interview.

"They cannot accept a government with a different ideological perspective in this hemisphere," he said.

Venezuela is among the five main oil suppliers to the United States and is its second-leading trading partner in Latin America after Mexico.

Alvarez said the ideological hostility between the two governments has not affected Venezuelan oil supplies to the United States. "Venezuela has no interest in reducing the oil trade," he said.

"There are suspicions that Venezuela is a corridor of 'drug trafficking' to Central America," said Rafael Rey, the Peruvian Minister of Defense, in an interview published on Friday in the Spanish newspaper El País.

Rey travelled to Europe to defend the image of Peru's Ministry of Defense, after the Commission of Truth and Reconciliation dedicated to investigate crimes committed during the internal war between the armed group Sendero Luminoso (Shining Path) and the Peruvian Armed Forces attributed to the Peruvian Army 22,000 of the nearly 70,000 victims of the military conflict.

Asked about drug trafficking cooperation between the Revolutionary Armed Forces of Colombia (FARC) and some armed groups such as Sendero Luminoso, the minister said that those groups protect illegal crops and transport drugs.

"The cooperation between Colombia and Peru has increased, although there are suspicions that Venezuela is a corridor of drug trafficking to Central America," Rey said.

Hernán Martínez, the Colombian Minister of Mines and Energy, said that Venezuela has not responded so far the offer made by Colombia to resume power supply to its neighboring country. The offer still stands, reiterated Martínez.

The Venezuelan government "despite its restrictions (in the supply of energy) has neither rejected nor accepted (our offer). They have not replied to our offer," Martínez said at a press conference.

However, "the offer still stands and if they want to take it, we are willing to sell them electricity," he said.

Colombia offered to resume a contract to sell 150 megawatts per day to Venezuela. Until late last year, Caracas had paid "on time" Colombian exports of electricity to Venezuela. Colombia exported 70 to 80 megawatts per day to its neighboring country but it decided to halt sales after the country was affected by drought.

Venezuelan lawmakers have begun debating ways to police the Internet at the urging of President Hugo Chavez, a firebrand socialist who has seen opposition groups increasingly use the Web to organize against him.

Venezuelan lawmakers have begun debating ways to police the Internet at the urging of President Hugo Chavez, a firebrand socialist who has seen opposition groups increasingly use the Web to organize against him, Dow Jones Newswires reported Friday.

Possible government meddling in the Internet drew immediate rebuke from the opposition, which is worried that policing of the Web would quickly lead to censorship or even government control of it. Chavez's government has already demonstrated its willingness to muzzle other communication outlets, especially television broadcasters.

Chavez and allied lawmakers say the criticism regarding the Internet is unfair, and call it a knee-jerk response by an opposition that it says calls any government attempt to establish rules an attack on basic freedoms.

"The Internet can't be something free from rules, where you do and say whatever you feel like," Chavez said on national television, adding that Germany's government feels the same way. "Each country needs to make its own rules and norms."

Venezuela's e-commerce chamber, Cavecom, urged the Chavez government to leave the Internet alone.

Cavecom "profoundly rejects any attempt at restricting or controlling the Internet in any way in Venezuela, whether it be access to Web sites or [the sites'] contents," it said in a statement.

The catalyst for possible regulation of the Internet came from comments made earlier this month in a readers' forum section of a popular opposition Web site called Noticiero

Digital. A forum participant falsely stated that two of Chavez' closest allies had been assassinated, and some of the statement remained on the Web for hours.

Manuel Villalba, a ruling party legislator and president of the committee that oversees the Internet and other media outlets, said lawmakers want to stop this from happening again. Some laws are already in place to send to prison those who allow the dissemination of false rumors that induce public panic, he said.

Villalba rejected the notion that the legislative discussion this week is the first step toward the government taking "control" of Internet access or content.

The possible crackdown on such forums or other parts of the Internet has even caused Web sites that support Chavez to scramble to adjust their rules.

Aporrea.org is a leading pro-Chavez Web site that overflows with messages of mobilization in defense of Chavez, and rails against the "imperialist yankee" U.S. government and the "mini-yankees," as the Venezuelan opposition is often called.

On its Web site Thursday, it said: "We're closing registrations in our forum for a few days, until the matter of the Internet stops being the big issue in opposition media outlets."

Officials at the Web site weren't available for further comment.

Former Colombian President Andrés Pastrana denied on Wednesday that his government (1998-2002) authorized a meeting between the Venezuelan President Hugo Chávez and members of the rebel Revolutionary Armed Forces of Colombia (FARC).

In an interview with Spanish radio station Onda Cero, Pastrana rebutted Chávez's statements. The Venezuelan leader said that Pastrana asked him to hold a meeting with Raúl Reyes, a former FARC spokesman and "number two" of the Colombian guerrillas who was killed in March 2008, Efe reported.

Pastrana said on Wednesday that Chávez's statements "were not true." He stressed that "Chávez's memory is failing him."

"We never authorized Chávez to talk with Reyes," the former Colombian President insisted.

"President Chávez worked with us in the process of trying to advance a peace process with Colombia's National Liberation Army (ELN), but never with the FARC," admitted Pastrana.

The Venezuelan Supreme Tribunal of Justice had approved a request of the government to extradite former President Carlos Andres Perez from the United States, local press reported Friday.

Perez is accused of being responsible for the death and disappearance of hundreds of people during street protests in 1989, which was known as the "Caracazo."

In February and March 1989, Caracas and other cities in Venezuela saw a series of street protests and demonstrations against the economic measures announced by then President Perez.

The General Prosecutor's Office accused Perez of violating human rights and corruption.

Perez, who ruled the country from 1974 to 1979 and then from 1989 to 1993, has lived in the Miami area for more than a decade. He suffered a debilitating stroke in 2003.

(Reuters) - Restaurants, liquor stores, hotels, gyms, car dealerships and a yacht club were on the list of 80 firms in the capital Caracas due to have their power cut on Monday for failing to bring consumption down 20 percent, the state utility said.

The local unit of Japanese firm Sony Corp will also be among those sanctioned.

President Hugo Chavez's government has introduced rationing, and demanded power cuts across the South American OPEC member, to cope with an electricity shortage that is jeopardizing Venezuela's ability to pull out of a recession.

Drought has hit the hydroelectric sector that produces more than 70 percent of Venezuela's electricity. Rains are due in weeks, with some showers already starting in recent days, and the government says fears of a "collapse" are unfounded.

The opposition, preparing for a September legislative election being cast as a referendum on Chavez and a curtain-raiser for the 2012 presidential vote, says he is to blame for incompetent management of the power sector.

Polls show Chavez's traditionally high popularity, especially among the poor, is suffering from the power crisis.

The latest survey, by Alfredo Keller and Associates, which is perceived by many to favor the opposition, gave Chavez a 43 percent approval rating, saying it was his lowest since 2003.

Only 26 percent thought the government was taking the right measures in the electricity campaign, according to the poll, made public on Sunday by private TV network Globovision.

## Thermoelectric Hopes

"This (opposition) campaign has, of course, one single aim: declare Hugo Chavez guilty of everything, even the drought," the leftist leader wrote in a regular Sunday column he pens.

"Indeed, I would love to have the powers I'm accused of by the opposition to defeat this situation which not only hurts Venezuela but the whole world as a result of the destructive voracity of the capitalist system."

Chavez said Venezuela's planned addition of nearly 6 gigawatts of thermoelectric energy this year, taking national capacity to around 30 gigawatts, would help solve the crisis.

In a carrot-and-stick approach to businesses, state power firm Electricidad de Caracas also published a list of 81 companies that had surpassed the 20 percent reduction target.

If the companies to be sanctioned on Monday do not improve their energy-saving performance in the future, they face a three-day cutoff then possible indefinite power suspension.

Most attention in the energy crisis has centered on the Guri reservoir, which normally supplies more than half of Venezuela's electricity but has been drying up at the rate of about 6 inches a day in recent months.

Media have been showing pictures daily of lowering waters, and counting down to a danger-level of about 240 yards (meters) -- from 252 now -- when output would drop drastically.

But Environment Minister Alejandro Hitcher said imminent rains, energy-saving measures, and extra thermo-electric capacity would prevent the disaster some were predicting.

"Guri is not going to collapse," he said. "To the disappointment of those generating this campaign, ignoring the environmental disaster we are suffering and subjecting the population to a sort of state of terror."

Caracas (Reuters) – President Hugo Chavez denied on Sunday that he planned to censor or limit the Internet in Venezuela, saying on the contrary Web use had shot up more than nine fold during his decade in power.

The South American leftist leader's calls a week ago for greater controls on the Internet brought an outcry from opposition and freedom of information groups. Some said he was planning controls similar to his allies Cuba, China and Iran.

But Chavez, speaking on his weekly "Hello President!" television program, denied that, and said he was merely calling for controls against illegal use of the Web, similar to other nations trying to tackle cyber-criminality.

Internet subscriptions had risen from 274,000 in 2000 to 585,000 by the end of 2009, Chavez said, while users had risen more than nine-fold over the same period from 820,000 to 7.5 million.

"No one mentions that. On the contrary, the news flies around the world that we are going to finish off the Internet, that we are going to restrict the service," Chavez said, during a ceremony to inaugurate a free community Internet service.

"It's false, of course."

Chavez said a recent report of the deaths of two allies, and calls for a coup against him, were what had instigated his concern over Internet use in Venezuela.

A user of news site Noticierodigital incorrectly said earlier this month that a senior minister had been assassinated, prompting some private Web sites in Venezuela to block user comments or heighten internal controls.

In Venezuela's polarized political environment, Chavez foes have turned increasingly to social networking sites to organize protests and other opposition activities.

"The Internet is a trench in the struggle, because there's a conspiracy current building up. It's as if they had a gun, cannon," Chavez said. "They use so many pages and blogs, and terms like Blackberry and Twitter, these conspiracy currents."

Chavez urged his supporters to turn themselves, too, into "soldiers" on the Internet.

The president's closure of some radio stations, refusal to renew the license of TV station RCTV and pressure on another pro-opposition network Globovision are proof, critics say, of his agenda to stifle dissent.

They say that is part of a wider drift toward dictatorial practices by Chavez, who has replaced Cuba's Fidel Castro as the region's leading critic of the United States.

March 21 (Bloomberg) -- Venezuelan President Hugo Chavez said that his supporters must wage an Internet battle against false news and calls to overthrow his government as he denied seeking to eliminate or increase censorship.

Chavez, who spoke on state television during his weekly "Alo Presidente" program and inaugurated 24 community Internet centers, said that the opposition has tried to spread "lies" about increased online censorship after he called for an investigation into the Noticiero Digital Web site on March 13 for a false report about the death of one of his ministers.

"There's a story around the world that I want to eliminate Internet, no, we want to transfer power and knowledge to the people through Internet," Chavez said. "There have

been counter revolutions and coups online. We need to use these tools to wage the Internet war, the online battle. This is socialism versus capitalism.”

Chavez was accused by local opposition media of trying to censor Internet use after he called for legal sanctions on sites that publish false allegations and rumors. Venezuela’s National Assembly agreed to create a commission to investigate some Web administrators last week.

Venezuelan news site Noticias24.com, temporarily suspended the use of the comment sections last week, citing the inability to control content posted by users.

Chavez said that he will soon set up his own computer in the Miraflores presidential palace to publish news and to respond to his “enemies.

“I’m going to have my online trench from the palace to wage the battle,” he said. “I’ll provide information and even respond to my enemies.”

Venezuela's President Hugo Chavez announced in its Sunday TV program a special \$ 1 bn fund to strengthen Venezuela's power grid and prevent another energy crisis like the one the country is now suffering.

"We've decided to create a national electricity fund for electricity development," Chavez said on his weekly radio and television show "Alo President" (Hello President). He said a \$ 1-bn appropriation would go to develop 59 power generating and distributing projects and 50 operating and maintenance projects.

Venezuela is one of the top exporters of oil in the world but meets domestic energy demand with electricity generated by its hydraulic vast resources which supplies 76 % of the nation's power needs.

But with lack of maintenance of the existing non hydroelectric and hydroelectric generating plants and no investments in new developing projects to meet the growing demand the situation this year is very critical for the nationalized electric generating industry, half of the country is experiencing electric cuts on a daily basis.

The power shortage led to a programmed electricity cut for four hours in Caracas earlier, which the government had to revoke after the first day of public outage. The government said it needs to slash power consumption by 20 % across the country to avoid a total collapse of the electric grid and would soon announce a new power cutting plan for Caracas, said Electric Power Minister Ali Rodriguez.

An outspoken opponent of President Hugo Chavez said police took him into custody while he awaits trial on conspiracy charges for saying Venezuela has become a haven for drug trafficking.

Former Zulia state Governor Oswaldo Alvarez Paz, who has also been accused of spreading false information and publicly inciting violation of the law, said federal agents planned to escort him to intelligence headquarters in Caracas.

"I am assuming responsibility for the things I have said," Mr Alvarez Paz told the Globovision television channel.

The station broadcast footage of government agents accompanying Mr Alvarez Paz from his residence in the capital of Caracas to an awaiting car, which then drove off.

His attorney, Omar Estacio, said the charges are unfounded and expressed doubt that prosecutors would have any success in court.

"He is a political prisoner, there is no doubt about that," Mr Estacio said.

Representatives from the Attorney General's Office did not immediately answer phone calls seeking comment on the arrest.

The charges against Mr Alvarez Paz stem from comments he made during a talk show broadcast by Globovision, the only TV channel in Venezuela that remains critical of Mr Chavez.

"Venezuela has turned into a centre of operations that facilitates the business of drug trafficking," Mr Alvarez Paz said last month on Hello Citizen.

Mr Alvarez Paz has said he stands by the remarks and insists he has broken no laws. Opponents accuse Mr Chavez of growing increasingly intolerant of criticism and using the judicial system to harass and imprison opponents.

Mr Chavez denies holding sway over prosecutors and says only people who break the law are being prosecuted and jailed.

Former Colombian Minister of Foreign Affairs and vice presidential candidate Julio Londoño believes that "Hugo Chávez is not an issue" in the strained relations between his country and Venezuela. Therefore, he urged Colombian leaders to seek a compromise and new ties with their neighboring country.

In an interview published on Tuesday by Colombian newspaper El Tiempo, Londoño said that "ever since the times of Liberator Simón Bolívar, Colombia and Venezuela have maintained a relationship similar to a roller-coaster, but both countries are doomed to compromise," Efe reported.

"Hugo Chávez is not the issue," said the former foreign minister, who is the vice presidential candidate and running mate of former Medellín mayor Sergio Fajardo, an independent candidate for the Colombian presidency in the elections to be held on May

30.

"I hope that the future will lead us to a new relationship based on mutual respect rather than the personalization of foreign affair issues," Londoño said expressing his disagreement with the pro-government candidate, Juan Manuel Santos, who recently said that the problems with Venezuela would persist, no matter who the president is.

After imposing his socialist "revolution" on national radio and television, Venezuelan President Hugo Chavez is now intent on spreading his ideology worldwide through the blogosphere.

Chavez informed his South American nation on Sunday, via his weekly televised talk show "Alo Presidente" that he would be blogging to counter online detractors whom he accused of disseminating lies about his government on their own web pages and Twitter accounts.

"Maybe I'll reach millions, not only in Venezuela but in the world," Chavez said.

"I am going to dig my own trench on the Internet," he said, adding that the amount of information he intended to send out of the web would be a "bombardment" against his critics.

If and when the presidential blog is set up, it will add to the near-daily communications Chavez already makes over the airwaves and in print to his country of 27 million people.

The announcement deepened the unease of critics, who are concerned that Chavez's recent moves to close opposition radio and television stations could broaden to an attempt to crack down on anti-Chavez posts on the Internet.

"Everything on the Internet irritates the regime and makes President Chavez very nervous," the president of the Venezuelan newspaper El Nacional, Miguel Henrique Otero, told a conference of the Inter-American Press Society on the Caribbean island of Aruba.

"The president is afraid because up to now he has not been able to extend his communication hegemony into cyberspace," said an opposition lawmaker in the Justice First party, Yon Goicoechea.

Chavez, though, portrayed his blogging foray as a struggle between two economic models.

"All this is a battle between socialism and capitalism," he said.

"Our Internet -- the Bolivarian Internet -- has to be an alternative press," he said.

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