

BUSINESS AND POLITICS IN THE MUSLIM WORLD
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- Chavez hails anti-capitalism role as Assad visits
- Venezuela arrests top Colombian drug trafficker

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- Arturo Valenzuela declares
- US Government: "Relationship with Venezuela is the toughest we have"

- U.S. Picks New Venezuela Ambassador Amid Strained Relations
- Obama seeks continuity in relations with Venezuela
- Chávez holds bilateral meeting with Ecuador's Correa
- Colombia's Santos Invites Chavez to Inauguration
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Report Summary/Argentina

Political Issue

The government of Argentina has appointed Hector Timerman as its new foreign minister as the former minister resigned due to a clash between the president and foreign minister. Hector is a Jew and the president Kirchner said the appointment of the Jew foreign minister of Argentina shows our society is not an anti-Semitic society. Hector previously had been Argentina's ambassador to the United States. The new foreign minister said the former ambassador to Venezuela will face the charges of bribes before the judiciary and if he is found guilty he will be sentenced. So later when the ambassador's case was pursued by the court the ambassador found guilty and sued due to his perjury.

The opposition party of Argentinean congress has asked government to run a trial of the ex president of Argentina and the current deputy of Buenos Iris province in the court. The ex president and the husband of the current president of Argentina is alleged of taking bribe from the exporters of Argentina on their export goods.

Economic Issue

Social/Humanitarian Issue

A political analyst from Buenos Aires analyzed over the interest of people about sports in Argentina. He said the soccer for the Argentineans is not a game because the people want just victory in soccer and cannot see their defeat by another country. Argentinean president Cristina Fernandez de Kirchner provided free cable networks for Argentineans and on the other hand the coach and the ex soccer player of Argentinean soccer team said he will jog barely in Buenos Iris which shows an extreme of soccer in the society.

Food, Environment and Energy Issue

Geostrategic Issues

The dispute between the government of Argentina and China has been over on soy oil export. In the end of March Chinese government did not import soy oil from Argentina even it was in so much cheaper than other market of the world. It was in the retaliation of Argentina's hailing of Chinese anti-dumping products to Argentina. The process of negotiation took place after the pressure from Argentina's soy oil exporters. In the meanwhile the president of Argentina is gonna pay a state visit to China in the mid of July. It is her first state visit to China since she took office in 2007 and the visit is expected to bring a boost in trade and cooperation between the both countries.

British government has said to the government of Argentina that it would not change its stance on Falkland Island issue even after the change of the prime minister. Hence the people of the Falkland Island are willingly to live under the control of British government but the government of Argentina has very strict stance over this issue and both countries had gone for war in 1982 on the same island. The newly appointed foreign minister of Argentina said Argentina and the other South American countries are very conscious about the presence of British drilling company in the Falkland Island and on British's stance on the island so the government of Britain should rethink over the issue. He has also opened the case in the United Nations.

The Chairman of FPCCI Standing Committee on Trade and Investment Mr. Shaikh Humayum Saeed said to the Deputy Head of Mission, Embassy of Argentina that both Argentina and Pakistan are enjoying good cordial relations but not as both have potential to prove it. Sheikh said Pakistan is ready to export its home production goods like textile, sports, pharmaceutical, leather, surgical instruments and rice etc and the deputy of Argentina said Argentinean investors are also ready to invest in Pakistan in various fields as livestock, dairy products, cold storage of fruits, vegetables, fish and some edibles like oil etc. Other than this Argentina can use its expertise in some fields as iron, steel, CNG and pharmaceutical products.

President Bisharaul Asad of Syria visited Argentina and signed several agreements with the government of Argentina in the field of technology, transportation and culture. Both countries have increased their trade since last year and despite some controversies between the two countries on the bombing issue on Jewish Community Center in Buenos Iris in which some Syrian are wanted the president Fernandez de Kirchner did not talk publicly. Syrian president also talk before the representatives of the Syrian community members as 2.4 million Syrians are living in Buenos Iris.

The tensions between EU and Mercosur are increasing once again due to the ban on the food products from Argentina. Argentina has banned the food products unofficially from EU last month which created a controversy between the two blocks and EU's trade minister said he will take this case into WTO which would see its regulations. Such controversies had also taken place in South American trade block when Brazil refused to import food stuff. Now the negotiation process if going to take place between the two blocks with the efforts of both parties.

Report Summary/Brazil

Political Issue

Italian Prime Minister Berlusconi is visiting to Brasilia after attending the G 20 summit in Toronto. He will meet his Brazilian counterpart and both leaders will sign several agreements of mutual interests as building infrastructure, transportation system and telecommunication sector. Italy is interested in building a highway for train t link Rio de Janeiro and Sao Paulo and also wanna build a motor vehicles factory in Brazil. The Italian president spoke in favor of president Lula and said he and Brazilian people will be happy if Lula becomes president of Brazil for two more times. President Lula said both trading blocks EU and Mercosur would have to oversee their policies and work jointly to overcome global economic crisis.

He also showed regret to the Italian prime minister of early departure of Italian soccer team in the meanwhile said he is hopeful the four Mercosur countries will be together in the semifinal and one of them will get a FIFA World Cup. But on the defeat of Brazilian football team the president said on his radio show to forget the defeat but to cheer up for the next football world cup which is gonna take place in their country. He said to cry over spilt milk is for those who don't have won the world cup before so the soccer squad should do efforts hard to win the next soccer world cup. Brazilians said they would be happy if Netherland win the world cup so that they would know that the toughest team has defeated Brazilian soccer team.

Syrian president Bisharul Asad visited Brazil after Argentina, Venezuela and Cuba and appreciated Brazil's role in Middle East conflict in Palestine and in mediation in Iran and IAEA. He also appreciated Brazil's role in UNSC in these issues and the Syrian president said Brazil deserves a UNSC's permanent seat to bring a change in world system. He praised president Lula's for serving his country and addressed to the Syrian community in Sao Paulo as a lot of Syrian are living in Argentina and Brazil. Later both countries signed trade agreements in health and education sector. President Asad said he is keen to do trade with South American trade block Mercosur. Brazilian president also said to Israel to life the Gaza blockade which is not its legal action and give back the Golan Heights to Syria which was captured by Israel during the 1967 Middle East war.

According to Datafolha's recent poll in Sao Palo, the Brazilian Democratic Party's candidate and the governor of Sao Paulo state rose in percentage in the country by 2 points while the Worker Party's candidate and the handpicked candidate of president Lula got just 1 percent increase in her poll. In the meantime the candidate of Green's Party and the former environmental minister of president Lula's cabinet got decrease from 12 percent to 10 percent.

Rousseff went to Sao Paulo to run her election campaign and addressed to the business class of Sao Paulo which is mostly considered favoring opposition party leader Mr. Jose Serra who had been state governor of Sao Paulo state as well. She said she and her party is struggling for social justice and not exploiting the rights of poor people of the country. She also favored current president Lula's economic policies and said to follow them in future to uplift their country's status. She also talks about the change in tax reform by increasing taxes. Brazil's

Superior Electoral Court said Rousseff is gonna spend \$104 million to run her campaign in elections.

President Lula de Silva isn't gonna attend G 20 summit which is gonna take place in Toronto due to flood which took place in northeastern part of Brazil. Brazilian president also belongs to the state which is situated in the northeastern part of Brazil where flood took the lives of 51 people. An analyst told this is very critical time for the Brazilian president and he won't leave his country because he wanna see his president candidate Ms. Dilma Rousseff as winner and he is striving for her win. In the meantime a the BRIC countries also called their meeting after G 20 which was denied by a member country due to the absence of Brazilian president Lula. BRIC countries are having 43 percent of total world's economy and growing rapidly. BRIC's first meeting took place in 2009 in Russia and second in Brasilia.

At last after the struggle of 122 years the black people of Brazil could achieve their equal rights in the society. Recently the congress of Brazil has passed the bill of racial equality after the seven years' long discussion. Blacks are 45 percent of Brazilian society and 80 percent low wage workers in Brazil are black. Also they were considering themselves as the useless part of the society but now the time has disproved it by passing the new law.

Economic Issue

According to the chief economist of Brazil the economy of Brazil is expending more than expectations of the government and the recent growth is most in last two decades. The government estimated the growth will be 5.2 percent but it has increased the figure of 5.7 percent which is a great expansion in Brazilian economy. Bloomberg also noted that the rapid growth in economy broke the records of previous years which is a great achievement of the current government. It is also noted that the economic growth of Brazil is more than any country in South America which may decreased the unemployment as 7 percent in Brazil.

Social/Humanitarian Issue

Food, Environment and Energy Issue

Geostrategic Issues

Brazil and Venezuela are gonna sign an agreement to increase trade relationships. They will talk about electricity, cars and other agricultural goods' trade between each other. Chavez said he is hopeful current president Lula's presidential candidate Ms. Rousseff would win the election but the actual power is in the hands of the people of Brazil who are gonna elect their president in October. On the other hand Brazilian government has also signed it neighboring country Argentina by which Brazil's central bank will provide US \$100 million to Argentina's trading companies in Brazil and in response Argentina will also provide financial advantages to the Brazilian trading commercial companies in Argentina.

President Lula has made 53 African countries' visit to boost economic relations with them during his 8 years. He is considered as the general secretary of African countries due to his

inclination towards African countries. Recently he went on a visit to some African countries to hold bilateral talks on trade where ECOWAS and Brazil have agreed on new initiatives that will boost their economic and political cooperation focusing on addressing the issues of poverty, food security, environment, renewable energy, capacity building and political dialogue. In a declaration at the end of a special summit of regional leaders and their Brazilian counterpart in Sal, Cape Verde, the two parties agreed to focus their political initiatives on the promotion of political dialogue, security collaboration, private sector partnerships, improving infrastructure, capacity building and cultural exchange.

By focusing on these priorities, the summit said both regions would be expanding, upgrading and strengthening their strategic partnership for our mutual benefit.' The parties said in their declaration at the end of the historic summit 'we express our common desire that by forging deeper ties between and ECOWAS, we would improve our capacities to cope with the development challenges, as well as to strengthen the political, social and economic institutions and the process of peace and stability-building, particularly in post-conflict countries'.

During president's visit to Kenya he said to the Kenyan officials that Brazil will provide them biodiesel technology to make the environment clean. He said Brazil has a long years long experience in producing biodiesel and its technology and Kenya has wider land to produce it where biodiesel can be produced.

Report Summary/Chile

Political Issue

Economic Issue

Social/Humanitarian Issue

Though Chile's football squad has been defeated in FIFA world cup but in spite of it the soccer team is welcomed as winners. Chilean people left their work and schools remained closed to welcome their football team due to their best ever performance in the history of football world cup. They are brought to the presidential palace and greeted by the president.

Food, Environment and Energy Issue

Geostrategic Issues

Report Summary/Colombia

Political Issue

Economic Issue

The economy of Colombia grew since Juan Manuel Santos charged presidential office. The economists expected a little growth in the end of this year but from the beginning it started growing and reached at 5.7 percent growth. IMF is also very hopeful in Colombia's economy this year and hoped Santos's friendly relations with Venezuela will boost trade with Venezuela which will uplift Colombia's economy once again. Meanwhile Bloomberg noted the peso declined 0.3 percent in Colombia but there are chances of growth.

Social/Humanitarian Issue

Since Uribe took office eight years back the foreign investment increased in the country because he successfully created a peaceful environment in the country and provided social security. It is hoped in the time of Santos foreign investment will increase more as he is also following Uribe's policies regarding fighting Colombia's rebel group FARC and other drug related cartels. Secondly the energy sector has also explored more reserves of oil and coal in the country which will uplift country's economy and attract more foreign exploration companies in Colombia.

The Colombian court has sentenced two former deputy chiefs into prison for eight years. The former deputy chiefs were involved in anti humanitarian activities such as kidnapping and murders etc.

Food, Environment and Energy Issue

Geostrategic Issues

Colombian president has said to the president of France Mr. Sarkozy to search the foreign minister of FARC rebel group which is expected in France. The president said FARC's leader which is called as foreign minister of FARC had been involved in kidnapping and murder of the daughter of the former president of Paraguay and some terrorist activities in Colombia. President has also asked police chief of Colombia to search two main terrorists of FARC which ran in the jungles of Colombia when former president Uribe started action against them. The police took action so quickly and killed 12 FARC gorillas in the northern side of Colombia.

Former President of Colombia Uribe said the president of Colombia should take step on the offer of Venezuelan president Hugo Chavez to work together on common issues and increased trade relations with each other. President Santos also welcomed Chavez's remarks and said he is willing to shake hand with Venezuelan president Chavez and to increase trade relations with him. In the meantime the foreign minister of Colombia said Colombia is ready to work on security and trade issues with Venezuela.

The trade minister of Colombia said he is gonna sign a free trade agreement with the government of Korea in this year and Korea will be the first Asian country Colombia is gonna sign FTA with. The minister said Colombia and Korea have old relations when Colombia sent its

forces to help Korea during Korean War. Korean companies will provide auto vehicles plants of KIA, Daewoo and Hyundai etc in Colombia.

Report Summary/Mexico

Political Issue

Almost 12 states of Mexico are holding elections for governor or mayor ship in the next week. And the violence has started everywhere by the drug cartels so in this situation it is hoped few people will come for vote due to fear. On the other hand to encounter drug cartels' activities in Mexico US president has approved the appointment of more 524 security forces for southern border security at US-Mexican border which is considered the base of all drug related activities. This new group of soldiers will come in August on the border to assist the soldiers.

After elections in Mexico's 12 states both major parties that are PRI and PAN claimed their victory over each other but PRI remained successful in this regard as it dominated over PAN with the win of 9 states' governorship among 12 and ruling PAN could just win 3 seats with the coalition of the leftist Democratic Revolution Party (PRD). It is said the lose of PAN is due to hate against president's war against drug cartels which has taken the lives of more than 22,000 people in Mexico. Now some political analysts say they are not hopeful about the future of PAN in 2012 elections due to the results of the recent elections.

Economic Issue

Mexican economy minister said the murder of the gubernatorial candidate of a northern state will not affect on Mexico's economy. He said the foreign investment will not stop with the killing of the candidate but in previous year after the killing of a gubernatorial candidate the peso was declined which could not be stable for a long time. The opposition party was hoping the decline in Mexican economy die to riots after the death of candidate.

Social/Humanitarian Issue

Mexican president said Mexican auto industry will pay the taxes of poor families in Mexico. Mexican auto industry is very powerful industry as it produces 20 percent of total GDP of Mexico and 11 percent of total industrial jobs for Mexicans. In this year the growth in autos has increased once again after a decline in it due to global financial crisis.

Riots happened in Mexico's northern state when some gunmen opened fire on a political rally of PRI. The persons who shoot at rally were in a car and then shoot at PRD's political personalities. So such environment created an environment of anarchy and people became in mob and targeted buildings and vehicles. They burnt 20 vehicles and made many people hostages but the situation was under control after a long time and loss.

Minerva Bautista and her entourage were attacked by gunmen in Michoacan which is the turf of La Familia drug gang. The chief suspects are well known to her. She said she is scared but convicted in her mission. She also said she has no confidence on her security forces which even could not do before the gangsters who easily escaped after shooting on her entourage in which some of her security guards killed and some got injured including her.

One of the gubernatorial candidates of PRI was killed in a northern state of Mexico by the drug cartels. It is expected he would be denying for a work for drug cartel so they killed him which usually happens in Mexico. His personal guard is captured on the doubt of links with drug cartels and in his killing. President Calderon grieved for him as he was a senior and well known candidate and said he will not stop war against drug cartels whatever they do and the government is determined and more convicted in its mission. Now the party has nominated the brother of the slain candidate as new gubernatorial candidate. The National Action Party or PAN has criticized on PRI's action that PRI doesn't have democracy in Tamaulipas state where the PRI has been dominated and its candidate is slain and PRI has nominated the brother of the slain candidate as the new candidate. This Tamaulipas state is bordered with Texas a US state as

Mexican government has recently captured a drug cartel's member who was belonging to the Los Aztecas cartel which is on number three in Mexico. The person is charged of killing of three US embassy employees in the northern city Ciudad Juarez in the beginning of this yea.

Food, Environment and Energy Issue

Geostrategic Issues

Mexican government said the trade between Mexico and China is very low but it is expected to grow from both sides. Recently the Mexican government is exporting pork to the China and Mexican government is ready to export other poultry meats to China and other Asian countries.

Report Summary/Venezuela

Political Issue

Presidents and representatives of ALBA countries (Venezuela, Ecuador, Bolivia, Cuba, Nicaragua, Antigua and Barbuda, Dominica, and St. Vincent and the Grenadines) gathered in Ecuadorian city for their 10th ALBA summit and discussed several issues of common interests. They discussed the issues related to racism in the region, to increase trade among ALBA countries and environmental issues.

Syrian president Bisharul Asad paid his first ever state visit to Venezuela and he was welcomed by the president Chavez warmly. Both countries showed their sympathies with each other by signing agreements for trade between both countries. Chavez said both countries should increase trade as much as they can because both have similar stance against the capitalist powers and are near to socialist group.

Economic Issue

Social/Humanitarian Issue

Food, Environment and Energy Issue

Geostrategic Issues

Venezuela and Brazil are gonna sign an agreement to increase trade relationships. They will talk about electricity, cars and other agricultural goods' trade between each other. Chavez said he is hopeful current president Lula's presidential candidate Ms. Rousseff would win the election but the actual power is in the hands of the people of Brazil who are gonna elect their president in October. Other than this Venezuela has allowed Cuba to search more oil fields in Venezuela and Cuban oil exploration companies are coming to Venezuela after that agreement. Venezuela and Iran has also launched a joint oil refinery with 50 percent share of each country. The agreement was finalized in Spain in the presence of both countries' representatives.

President Chavez also welcomed Ecuadorian president at Caracas and signed several agreements with him. The agreements were signed related to social sovereignty, scientific knowledge, security and defense, productivity and financial, energy and trade issues. On the other hand Colombian president Santos has invited president Chavez of Venezuela and the Ecuadorian president to discuss the common issues in Bogota. President Chavez has welcomed his invitation which pleased president Santos. Chavez said it is easy to establish friendly relationships with Colombia but if Colombia expelling US forces from its country which is a great threat to Venezuela.

US secretary for the Western Hemisphere said the toughest relationships of US in the Western Hemisphere are with Venezuela. He said Venezuela is never agree on negotiations but on the other hand the president Chavez has said Venezuela is ready for negotiations with Venezuela if there is flexibility in US stance.

US government has nominated a new ambassador for Venezuela recently because Obama administration needs friendly relations with Venezuela in the region. The new ambassador is considered expert in his field as he has served as ambassador in Honduras and Sirre Leon so it is considered he will boost relationships with Venezuela which are in tensions since many years.

Venezuela has captured a most wanted and drug related person in Caracas yesterday. US had announced his reward as \$5 million. He belonged to the most powerful drug cartel in the world. The Norte del Valle cartel is considered one of the largest drug trafficking organizations in the world. He is charged of killing of 1,500 people since 1994 and smuggle 500 tones of cocaine into US via Mexico. Venezuelan government has also captured another wanted terrorist in Caracas which was wanted to Cuba for bombing in 1994 and the government has extradited him to Cuba.

Detailed Report/Argentina

Update 2-Argentina reaches deal on China soy oil row-govt.

Buenos Aires, June 25 (Reuters) - Argentina has reached an agreement with China to end the Asian giant's freeze on Argentine soy oil imports, the government said on Friday, but some traders were skeptical the trade dispute had been resolved.

China, the world's largest buyer of soy oil, halted shipments from Argentina, the top global exporter, in late March in retaliation for anti-dumping measures imposed by the South American country on some Chinese manufactured goods.

"Thanks to the talks the Argentine government has been holding with China. Soy oil exports to China have been normalized," Pablo Lopez, an agriculture ministry spokesman told Reuters.

The spat threatened a key hard currency earner for Argentina and forced Argentine exporters to look for new soy oil markets as exports to China slowed.

In a move that ignited the dispute, Beijing imposed new import standards on soy oil from Argentina.

Argentina exported 1.84 million tons of soy oil to China last year, bringing in \$1.4 billion and accounting for 77 percent of Chinese soy oil imports.

Traders questioned the news, saying they were waiting for an official announcement from Beijing.

"We've heard rumors but I'd like to see confirmation from China's government," one trader who asked not be named said.

"It wouldn't be the first time Argentina announces something and another country hasn't agreed to it yet," the trader added.

Several shipments from Argentina to China set for April and other months were delayed but not canceled while the two countries reached a solution.

"It's odd that with Argentine soy oil \$40 to \$50 cheaper than other countries, not a single Chinese importer is asking us to load the contracts that we had already agreed upon," another trader said.

No talks on Falklands, David Cameron tells Argentina

David Cameron is set to restate "robustly" Britain's sovereignty over the Falkland Islands in unscheduled talks with the Argentine president at the G20 gathering of world leaders.

British sources said the Prime Minister would starkly turn down a fresh request from Cristina Fernandez de Kirchner for talks on the issue as tensions rose once again between the two nations. Mr. Cameron was expected to make his point to Ms Kirchner either during an official leaders' dinner at the Toronto summit last night or at some point in the "margins" of official discussions on Sunday.

A source close to Mr. Cameron said: "He will be robust. He will make the point again that our position on the sovereignty of the Falklands has not changed and will not change."

Tensions have risen since Rockhopper, a British drilling company, announced "potential signs" of oil in Falkland Island waters - although they did not say that commercial quantities were present.

British sources say Argentina has used the find as a pretext to "revisit the sovereignty issue". Last week a United Nations committee passed a non-binding resolution calling for the two countries to restart talks.

Mr Cameron was telling Ms Kirchner there would be no talks so long as Islanders said they still wanted to be governed by Britain under the internationally recognized legal principle of "self determination."

Since the 10-week Falklands War in 1982, which claimed 257 British and 649 Argentines, Argentina has continued to claim sovereignty over the islands and officially refers to them as "Las Malvinas."

The US recognizes Britain's "administration" of the Falklands, stopping short of fully endorsing its sovereignty.

Some observers were surprised that Mr Cameron was ready to use his first attendance at a major international gathering to go out of his way to restate Britain's cases.

But government sources said they expected it would be Ms Kirchner who raised the issues - and added that Mr Cameron was simply preparing a tough response.

Maradona Running Naked Isn't Enough to Carry Kirchners to 2011 Ballot Win

A World Cup championship for Argentina would mean more than a third title for the South American country and a victory lap run naked by soccer idol Diego Maradona. With an election due next year, it could boost the popularity of President Cristina Fernandez de Kirchner -- temporarily.

"There's a strong link between politics and soccer," said Rosendo Fraga, a political analyst who runs Nueva Mayoria, a polling company in Buenos Aires. "Winning a World Cup has political effects, but they last weeks or months."

Maradona, who as a player led Argentina to its second world title in 1986, is overcoming criticism of his coaching abilities by Buenos Aires newspapers including La Nacion and Ole. While Argentina barely qualified for the tournament, it advanced to play Germany in tomorrow's quarterfinal. If the team wins the cup, Maradona pledged in an interview aired by Radio Metro in May, he will jog naked through downtown Buenos Aires.

Fernandez, 57, and her husband and predecessor Nestor Kirchner, 60, may have more difficulty surviving criticism of their policies, which have slowed investment and pushed inflation above 20 percent. Investors betting on a change of government have no need to be concerned that any post-World Cup popularity surge would last long enough for one of the Kirchners to win election in 2011, said Siobhan Morden, a debt strategist with RBS Securities Inc. in Stamford, Connecticut.

"You can have spasms of patriotism, as you did for the bicentennial, but that's not going to carry them" to re-election, Morden said in a telephone interview this week. In May, Argentina celebrated the 200th anniversary of the revolution that shook off Spanish rule.

Higher Yields

Argentine debt probably will gain as investors with an abundance of cash created by expansive monetary policies worldwide pursue higher yields, Morden said. Policy reforms by a new government, such as reducing utility and transportation subsidies and ending underreporting of inflation, could boost gains, she said.

The yield on benchmark 7 percent dollar bonds due in 2015 has risen 225 basis points, or 2.25 percentage points, this year to 13.04 percent, as the European debt crisis sapped demand for higher-yielding emerging-market debt. The price has fallen 6.48 cents to 79.4 cents on the dollar.

Television Rights

Fernandez has taken steps to help Argentines view their favorite sport. In the months before the World Cup, she gave away almost 1.2 million digital cable-television decoders to provide access to high-definition coverage of matches on free government channels.

Last year, she secured the television rights to transmit Argentine Soccer Federation games for free after the league broke an existing contract with cable providers.

“We’re taking a big step in the democratization of Argentine society,” Fernandez said at a ceremony last August in Buenos Aires alongside Maradona, 49. She likened pay-per-view soccer matches to “kidnapping” goals, “like they kidnapped and disappeared 30,000 Argentines” during the seven-year military dictatorship that began in 1976.

When Argentina hosted the 1978 World Cup, junta leaders cheered from the stands. After the national team’s 3-1 win over Holland in the final, crowds poured onto the streets to celebrate.

Popular Support

“The dictatorship considered the organization of the event and the possibility of an Argentine triumph as something that would ease tensions, and hoped to benefit from it,” said Mario Toer, 66, a University of Buenos Aires professor, who spent more than five years as a political prisoner and followed the tournament through detainees who were allowed to watch news. “They succeeded in easing tensions, but only for a short time.”

Fernandez and her husband, both of whom are eligible to run in next year’s election, are counting on a triumph in South Africa to revive popular support, though neither has a chance of winning, said Jorge Giacobbe, who runs Buenos Aires-based polling company Giacobbe & Asociados.

“They think that a cheerful society will vote for them, but the Kirchners’ cycle is over,” Giacobbe said in a June 29 telephone interview. “The government is worried, if not desperate to improve its relationship with society, and it grasps any opportunity. It was the bicentennial celebrations in May and now it’s the World Cup.”

Presidential spokesman Alfredo Scoccimarro didn’t respond to phone calls placed this week to his cell phone, office and e-mails seeking comment.

Farm Conflict

Higher inflation and a conflict with farmers over an increase in export taxes led Fernandez to lose her majority backing in both houses of Congress in June 2009 midterm elections. Even so, she overcame congressional resistance this year to her plan to tap central bank reserves to pay debt and to her firing of the central bank president, Martin Redrado.

Confidence in the government rose 1.3 percent in June from May to 1.61 points, on a scale of zero to five, after climbing 14.4 percent the previous month, according to a poll by Buenos Aires-based Poliarquia Consultores. Since the 2009 election, voter confidence has climbed 20 percent. The poll of 1,200 people, conducted June 2 to June 11, had a margin of error of 3.2 percentage points.

Voter satisfaction is closely tied to economic growth and inflation, and another term by one of the Kirchners could occur if they improve, said Daniel Kerner, an analyst at Eurasia Group, in a telephone interview this week from New York.

Argentina's economy expanded in the first quarter at the fastest annual pace since 2008, growing 6.8 percent from a year earlier, according to government statistics.

Growth Forecast

RBS this week lifted its forecast for 2010 growth to 7 percent from 4.4 percent, citing the likelihood that Fernandez will fuel consumption ahead of the election.

Fast growth, bolstered in part by rising demand for Argentina's soybeans and grains as the world economy recovers, will push inflation above 25 percent this year, RBS economist Boris Segura wrote in a June 30 report.

Government inflation data has been questioned by economists and politicians including Vice President Julio Cobos since January 2007, when Kirchner began changing personnel at the National Statistics Institute. Morgan Stanley and RBS estimated that 2009 inflation was about double the 7.7 percent the government reported.

Any euphoria generated by a third soccer title would soon be forgotten as rising prices eat into household budgets, said Hugo Godoy, a leader of the union that represents state workers.

Wave of Strikes

Employees of Buenos Aires province, who won a 17 percent pay rise earlier this year, want to reopen negotiations to lift the increase to 30 percent to offset inflation, Godoy said in a telephone interview from the provincial capital of La Plata. If the demand isn't met, a wave of strikes will occur this year, he said. The province is home to more than a third of all Argentines.

While workers would enjoy the spectacle of Maradona's naked jaunt, World Cup victory won't sway their votes, he said.

"Manipulation of such events is nothing new," Godoy said. "The people aren't stupid and they will demand what they are due."

Argentina's first Jewish foreign minister: Our society is no longer anti-Semitic

Hector Timerman lived in self-imposed exile from 1978-1981 following the arrest and torture of his father, a human rights activist.

Argentina's first Jewish foreign minister, Hector Timerman, has hailed his recent appointment as a "symbol of progress" for a society historically plagued by anti-Semitism.

Timerman, a 56-year-old U.S.-educated human rights activist, was named minister of foreign affairs earlier this week after predecessor Jorge Taiana resigned due to unspecified personal motives.

"The appointment of a Jewish foreign minister is a symbol of significant progress in Argentine society, a result of all we have learned since the end of the dictatorship," Timerman told local media this week.

The country's Jewish minority was once subjected to extreme hatred, but Argentine society is no longer anti-Semitic, said Timerman, "Maybe one day we'll even get to see a Jewish chief of staff in the Argentine army," he added.

Hector Timerman is a former human rights activist and journalist like his father Jacobo Timerman, who was arrested by the military and exiled after two and a half years of torture.

Timerman's father, who wrote about his ordeal in "Prisoner without a Name, Cell without a Number", claimed his captors had been anti-Semitic and accusing local Jewish leaders of failing to fight the systemic anti-Jewish sentiment within the government.

Hector Timerman fled Argentina in 1978 and went on to study international relations at Columbia University in 1981. He returned to his native land in 1984. Timerman was named Argentina's Consul General in New York in July 2004 and was appointed ambassador to the United States in December 2007.

Ex Argentine ambassador to Venezuela questioned by Congress

Former Argentine ambassador to Venezuela Eduardo Sadous will respect "the laws" and the "rules of the game" in a hearing scheduled for Wednesday at the Argentine Congress in connection with the alleged payment of bribes for exports to Venezuela, said Foreign Minister Héctor Timerman.

Sadous, who reported the alleged payment of bribes, a case that is investigated by the Argentine Judiciary, was subpoenaed to testify "behind closed doors" before a parliamentary committee.

Controversy is under way between Timerman and opposition sectors according to which government officials are putting pressure on Sadous to prevent the former diplomat from disclosing "secrets" of the operation, Efe reported.

Argentina's Foreign Minister Presses Falkland Claim at UN

Argentina's new foreign minister carried an old complaint to the United Nations Thursday, reiterating his country's position that the United Kingdom's control over the south Atlantic Falkland Islands is illegitimate.

Hector Timerman made it clear that Argentina's position regarding the islands, which it calls the Malvinas, has not changed since he replaced Jorge Taina as foreign minister this week.

Argentina and other South American countries are concerned over "the clearly aggressive declarations from the British government, including those from representatives in the illegitimately occupied islands," Timerman said in a press release. He met with UN Secretary General Ban Ki Moon and the Decolonization Committee on Thursday to press the case.

Argentina and the U.K. briefly went to war over the islands nearly three decades ago. Argentina lost that clash but has maintained its contention that the South Atlantic islands are under illegal U.K. occupation.

Tensions between the two countries have resurfaced in recent months amid the prospect of that there may be significant reserves of oil and gas in waters around the dispute islands. Argentina was angered when Britain unilaterally granted drilling permits to a number of companies, one of which has struck oil.

In February, Argentina introduced rules requiring ships sailing to or from the Falkland, South Georgia and South Sandwich Islands to seek permission if they want to travel through Argentine waters, a move the U.K. says is illegal.

Former Argentine envoy links Néstor Kirchner to corruption

Opposition lawmakers plan to create a special commission to investigate the case. Eduardo Sadous, a former Argentine Ambassador to Venezuela, said that former president and current deputy for Buenos Aires province Néstor Kirchner was aware of the irregular situation in Argentine exports to Venezuela, as reported by an article published by newspaper El Clarín.

According to the Argentinean newspaper, the diplomat "heard complaints from Argentine businessmen who said that they had to pay a 20 percent commission to export their products to Venezuela."

According to the newspaper, Sadous told deputies that the Ministry of Foreign Affairs began to be "displaced" in 2004 when a trust was created.

When Sadous was questioned by lawmakers, he said that Kirchner could not be unaware of "these operations," El Clarín reported.

Argentina says Europe fiscal focus is wrong

Europe's focus on cutting deficits is "absolutely wrong," Argentine President Cristina Fernandez said on Saturday, citing her country's experience with austerity she said helped lead to a huge default in 2001.

Speaking to Reuters, Fernandez sounded a warning on the plans of several European nations,

saying Argentina also cut salaries for public sector workers to get public accounts in order. "It all ended in an implosion and in default," she said.

Fernandez is in Toronto for a meeting of the leaders of many of the world's biggest economies. The Group of 20 is trying to forge consensus on how quickly to shrink government deficits, how best to strengthen banks so they can withstand any new downturn, and how to harmonize financial regulatory reforms.

Europe's simmering debt troubles have led countries like Greece and Spain to embrace painful spending cuts.

But Fernandez said spending cuts in Europe would hit economic growth, reducing government revenues and hitting states' ability to pay back their debt. "This focus is absolutely wrong," she said.

Before Argentina's default, the government cut public spending in the middle of a recession, deepening the country's economic malaise.

At the same time, Argentine policymakers also refused to devalue the currency, which was pegged to the dollar. That set the stage for a currency crash that eventually provoked a record \$100bn debt default and left one out of four Argentines unemployed.

Fernandez said Argentina's economy would grow more than 5% this year, and that the country felt it was in no rush to return to international capital markets after its recent debt swap aimed at satisfying creditors affected by the 2001 default.

Cristina Kirchner's government asks for publication of Eduardo Sadous' testimony

Former Argentine official sues ex-ambassador to Venezuela

Former Argentine Ambassador to Caracas Eduardo Sadous was sued on Monday by Claudio Uberti, the former head of Argentina's road management authority (Occovi). Uberti accused Sadous of "perjury" for denouncing alleged bribes in trade with Venezuela.

Uberti, who headed the Monitoring Body of Road Concessions (Occovi), appeared before Federal Judge Rodolfo Canicoba Corral, reported the News Agency of Argentina.

The plaintiff is one of the Argentine officials that have been mentioned in the case of the suitcase stuffed with USD 800,000 that was seized from Venezuelan-US businessman Guido Alejandro Antonini Wilson in a Buenos Aires airport.

The former head of the road concession watchdog until 2007 asked the judge to examine Sadous' testimony to Julián Ercolini, another federal judge, before whom the Argentine diplomat made his allegation about the payment of bribes in trade between Argentine and Venezuelan companies.

Uberti, whose legal counsel is Diego Pirota, said that there were "contradictions" in the testimony of the former ambassador. The former head of Occovi asked the judge to summon

Sadous to testify as accused, and bring him face to face with other witnesses that have already testified.

Meanwhile, Argentine newspaper Clarín said that the Office of the Presidency has urged the judge to publish the confidential testimony made by Sadous.

President Cristina Fernández de Kirchner and members of her government have described as a "soap opera" the complaints about government corruption.

Pak, Argentina to improve bilateral trade in different sectors

Islamabad, Jul 3 (APP): The relationship between Pakistan and Argentina are moving in the right direction and with the passage of time it will get further improve, with the hope that bilateral trade volume would increase in different fields and sectors. Sheikh Humayun Sayeed, Chairman FPCCI Standing Committee on Trade and Investment said these remarks, while paying a courtesy call yesterday to Eduardo Bustamante, Deputy Head of Mission, Economic and Commercial Section, Embassy of Argentina here in the Capital.

Currently bilateral trade between the two countries stood at US \$ 116.75 million and is in favor of Argentina with imports from Argentina US \$ 80.06 million and exports to Argentina US \$ 30.69 million.

Regular exchange of business delegations, business and industrial exhibitions, exchange of information, close cooperation between of both the countries may help to enhance economic and trade relationship.

Further he said, people-to-people interaction, dialogue, mutual understanding, student exchange programs, business community contacts, politicians and press meetings can be beneficial for both the countries.

He said Pakistan has huge potential in the traditional exports to Argentina like rice, sports goods, Mango, orange, surgical instruments, pharmaceutical, leather and textile products etc and at present both the countries have not been able to realize their full potential despite being enjoying cordial relations at the governments and public levels.

Sayeed proposed that we should organize joint Seminar for highlighting the untapped potentials of trade and investment in the two countries.

Eduardo Bustamante, Deputy Head of Mission, Embassy of Argentina said that Pakistan is an attractive destination for foreign investors and Argentinean investors are taking keen interest to invest in Pakistan in sectors of Food, Agriculture, Livestock, dairy farming, hybrid sunflower, Cold Storage for Fruits, Vegetables, Fish, Pasteurization, Sunflower and soybean seed production and installation of meat and milk processing units etc.

Argentina has expertise in edible oil, iron, steel, CNG, pharmaceutical products, chemicals etc, the joint venture in these sectors can increase bilateral cooperation between the two countries and technological transfers can improve the efficiency and productivity of Pakistan in these sectors, he added.

Argentinean President meets with Assad

During the first official visit of a Syrian president to Argentina, the South American nation's leader Friday expressed support for Palestinian statehood and Israeli border security and called on Israel to return the Golan Heights to Syria.

Argentine President Cristina Fernandez also swiped at Israel's reliable UN ally, the United States, at a luncheon for Syria's Bashar Assad on Friday.

"The countries who have a seat on the Security Council can violate and ignore United Nations resolutions, and only the smaller countries, or those without military or economic power, are obliged to follow them," she said.

Buenos Aires was the last stop on Assad's tour of left-leaning countries in Latin America, where he sought to deepen cooperation and trade with Cuba, Venezuela and Brazil.

Assad and Fernandez signed accords on transportation, information and culture. Last year's bilateral trade amounted to \$380 million.

Argentina is seeking the arrest of top officials of Iran, Syria's close ally, on charges of masterminding the 1994 bombing of a Jewish cultural center in Buenos Aires, but Fernandez did not explicitly address the issue in her public comments.

Assad planned to meet with representatives of Argentina's 2.4 million-member Syrian community before heading next to Spain.

Argentine president to visit China

Argentine President Cristina Fernandez de Kirchner will pay a state visit to China from July 11 to 15 as guest of Chinese President Hu Jintao, Foreign Ministry spokesman Qin Gang announced here Tuesday.

"China attaches great importance to President Cristina's visit," Qin told a regular news briefing.

This is Cristina's first visit to China since she took office in 2007.

During Cristina's stay, President Hu will hold talks with her and Premier Wen Jiabao will meet with her as well, Qin said.

Leaders of the two countries will exchange views on further enhancing the China-Argentina strategic partnership, expanding cooperation in various fields and other issues of common concern.

The two sides will also sign a number of cooperation agreements, he added.

"I believe her visit will be a complete success and advance the China-Argentina strategic partnership," Qin noted.

Argentine Import Ban Complicates EU, Mercosur Talks

Allegations of an Argentine import ban against EU food products are continuing to generate tension between the European Union and Mercosur, South America's largest trade bloc. The two parties met last week in Buenos Aires to discuss a potential EU-Mercosur trade pact, despite the opposition of some EU member states.

Argentina is currently under fire for allegedly imposing an informal ban on food imports - a subject that raised similar tensions between the South American country and its largest trading partner, Brazil, last month.

While there is no formal documentation of the ban, João Aguiar Machado - Deputy Director General for Trade at the European Commission - insisted at a 2 July press conference that the embargo does exist.

Argentine officials, however, deny that a ban is in effect. "I reaffirm that there does not exist any ban of any type of EU imports," said, Minister of Industry Débora Giorgi, according to a report in the Argentine newspaper Clarín.

She also insisted that all trade measures being taken by the Argentine government fall within WTO rules and regulations. The Argentine government has warned, however, that it will block imports that constitute "disloyal competition."

Argentine Industry Secretary Eduardo Bianchi took an even stronger tone. "If there is anyone who is protectionist, that would be the European Union," he said, according to Clarín. He accused the European Union of using "sophisticated mechanisms" to hide its agricultural subsidies, and criticized the EU's own high tariffs on imports.

EU calling for WTO involvement

Deputy Director General for Trade at the European Commission, João Aguiar Machado threatened last week that he would complain about the ban to the WTO's Council for Trade in Goods. That promise was fulfilled at the council's meeting on 5 July, when the EU expressed its unease over an internal Argentine government note that mentioned the restriction of food imports from the EU and other importers.

Australia, Canada, Colombia, Japan, Switzerland, and the US all cited similar concerns regarding the consistency of these measures with WTO regulations, according to the WTO. Argentina defended itself at the meeting, claiming that the note was purely for surveillance purposes and noting that food imports from the EU to Argentina increased from January through May of this year.

While Machado acknowledged at a 2 July press conference that the problem is, primarily, a bilateral one, he emphasized that the ban does have "implications at the bi-regional negotiations level," alluding to the Mercosur-EU talks. He added that it was important to "alert [Argentina] that it is advisable to find a solution," according to Clarín.

Argentine Commerce Secretary Guillermo Moreno released a letter on 23 April stating that he would be reviewing foreign purchases in an effort to assess the competitiveness of the Argentine market. New import controls were first announced - in verbal form only - in May.

The recently re-launched Mercosur-EU talks are likely to face other problems, mainly as a result of internal EU dissent over a potential free trade accord between the two regions.

Karel De Gucht, the European Trade Commissioner, noted that the talks were likely to be complicated, given that the "level of ambition depends on the political will of the EU itself to come to that kind of agreement," according to Business Week. The nine European countries that have already taken a public stance against the pact include France, Ireland, and Poland.

European farmers have also expressed intense opposition towards the trade pact, out of concern that they will lose their subsidies while at the same time facing competition from Mercosur's cheaper imports.

Detailed Report/Brazil

Venezuela and Brazil to sign deals on oil and power

Hugo Chavez and his Brazilian counterpart Luiz Inacio Lula da Silva will sign cooperation deals worth at least \$ 2 bn on oil and power generation, the Venezuelan president said.

"We are going to sign a package of agreements following what Lula was talking about in Caracas: speeding up the pace" of cooperation, Chavez said in a meeting of his cabinet broadcast on VTV state television.

The leaders will sign one pact worth \$ 2 bn to build in north-eastern Venezuela a petrochemical plant to process polypropylene with Brazil's Brasquen, Chavez said. He and Lula will sign other agreements on electricity -- as Venezuela confronts lingering shortages -- as well as finance, farming, and cars.

"The political relationship that we have consolidated has been a victory for both of us," Chavez argued in the meeting.

The two will meet at a series of regular direct talks, which they have been taking turns holding in each country. Chavez also meanwhile took sides in Brazil's upcoming presidential vote. He said he hoped Lula's ruling party candidate Dilma Rousseff, whom he called a "friend," would win. With Lula's Workers Party, she would be Brazil's first woman president.

"The Brazilian people will decide who they want to elect but one has one's little opinion," Chavez joked, noting "there is a nice friendship between us."

Rousseff has been running second in opinion polls behind social democrat Jose Serra leading up to the October vote.

Brazil sets up fund to promote trade ties with Argentina

The Brazilian government announced on Thursday in Sao Paulo the creation of a 100-million-U.S.-dollar fund to finance Argentine high-tech companies and Brazilian enterprises established in the neighboring country.

The Brazilian Development Bank (BNDES) will provide resources for the fund, which will become operational within two months and will be administered by two banks on the Argentine side, Argentine officials said.

The initiative was announced following a meeting between Brazilian and Argentine officials on the integration of production and bilateral trade.

"The creation of this fund will help Brazil to develop a better trade relationship with Argentina, increase productive integration among countries, and help Brazilian companies to settle in Argentina," said Miguel Jorge minister of development, industry and foreign trade.

Brazilian Finance Minister Guido Mantega called on both countries to make full use of the dynamic local market.

Brazil and Argentina are both main partners in the Common Market of the South (Mercosur), a regional trade bloc which also includes Paraguay and Uruguay.

Lula skips G20 summit due to deadly Brazil floods

Toronto (Reuters) – Brazilian President Luiz Inacio Lula da Silva will skip the Group of 20 leaders summit in Toronto this weekend to deal with the aftermath of severe flooding in northeastern Brazil that has killed 51 people.

The northeast region is a political stronghold for Lula's government ahead of presidential elections in October in which the popular Lula wants Brazilians to elect his former chief of staff, Dilma Rousseff.

"He doesn't want to be away from Brazil at this difficult moment," a source from Brazil's G20 delegation said on Friday. The government later confirmed that Lula would miss the summit.

The Brazilian source said that Lula, whose home state of Pernambuco is one of those affected by the disaster, had been shocked by the destruction he saw when flying over flooded areas on Thursday.

The G20 is meeting Saturday and Sunday to seek a consensus on how quickly to shrink government deficits, how best to strengthen banks so that they can withstand any new downturn, and how to harmonize financial regulatory reforms.

Brazil is one of the rising powers among the world's emerging economies that have helped lead a global recovery from recession. Brazilian Finance Minister Guido Mantega will instead represent Brazil at the summit.

The floods in the states of Alagoas and Pernambuco have killed at least 51 people and devastated many towns that were struck by torrents of water from burst river dams. The state of Alagoas initially said that about 600 people were missing, but had revised that figure down to 76 by Friday.

The G20 groups the world's biggest economies and covers two-thirds of the world's population. It includes Australia, Argentina, Brazil, Indonesia, Japan, Mexico, Russia, Korea, Saudi Arabia, South Africa, Turkey and China in addition to the big European economies, the United States and Canada.

BRIC calls off meeting at G20 as Lula stays home

Toronto, June 26 (Reuters) - The leaders of Russia, India and China called off a meeting of so-called BRIC countries on the sidelines of the G20 summit on Saturday after Brazilian President Luiz Inacio Lula da Silva stayed home to deal with severe flooding.

The grouping of Brazil, Russia, India and China accounts for about 16.5 percent of global gross domestic product and has been seeking more say in world financial institutions.

"There will be no BRIC leaders' meeting as President Lula was unable to attend because of the situation in Brazil," said a source in one of the BRIC delegations who requested anonymity.

The BRIC term was coined by Goldman Sachs economist Jim O'Neill in 2001 to describe the growing power of the four emerging market economies, although critics say they have vastly different and often competing political agendas.

Goldman's models show China could supplant the United States as the world's biggest economy by 2027. Under that scenario, the world's biggest economies in 2050 would be China, the United States, India, Brazil and Russia.

In an attempt to turn the grouping's economic might into political power, the BRIC countries held their first official summit in 2009 in the Russian city of Yekaterinburg. Another summit followed in April in Brasilia.

China is the biggest player in the BRIC grouping, with an economy likely to grow to \$5.4 trillion this year, more than the three other members combined, according to IMF data. The BRIC countries have 43 percent of the world's population.

Lula is missing the two-day summit of the Group of 20, which includes the world's rich and emerging economies, after the flooding in northeastern Brazil, a political stronghold for his administration.

Brazil passes racial equality law but fails to endorse affirmative action

Eighty per cent of workers on minimum wage are black and university graduation rate is less than a third of that for whites

Earlier this month, 122 years after the abolition of slavery, the Brazilian Congress finally approved the Statute of Racial Equality. The law, which has been under discussion for seven years, aims to end the inequality suffered by black people in Brazil, who make up 45% of the population. The government hopes to redress the wrongs inflicted on the descendants of African slaves who first reached Brazil in the 16th century.

However black pressure groups have voiced their disappointment because the statute does not endorse any of the affirmative action policies that have been launched during the parliamentary debate. This is particularly true of quotas to make it easier for black people to obtain higher education, find jobs in the public and private sector, and enter politics.

"The text falls short of our expectations. Concrete action is needed to combat the injustice our community suffers," said Gilberto Leal, the co-coordinator of the National Council of Black Entities.

Other measures eliminated during the legislative process include tax breaks for employers with a workforce comprising more than 20% blacks and a health service targeting complaints specific to the black population. Demostenes Torres, an opposition Democratic party senator, who took his battle against quotas to the supreme court, arguing they were unconstitutional, said: "The concept of race is outdated. Genetic research shows there is only one human race."

Paulo Paim, the author of the original text, Brazil's only black senator and a member of the ruling Workers party, said: "The statute is a real step forward and an effective weapon, even if it does not come up to our ideals."

Under pressure from public opinion about 100 public universities and 1,000 private colleges have already introduced social and racial quotas for applications. Some 52,000 students covered by the quota scheme have graduated since 2003, "without lowering the overall standard", said Deborah Santos, a history professor at Brasilia University.

In Brazil black people account for two-thirds of those living below the poverty line and four-fifths of those earning the minimum wage. Some 18% of white youths graduate from university, as against only 5% among their black fellows. Black wage earners are only expected to catch up in 2040, thanks to existing affirmative action, the Institute of Applied Economics has calculated.

The statute offers at least one welcome guarantee, granting ownership of their land to the inhabitants of *quilombos* (remote villages) where runaway slaves used to take refuge. Even now 2.5 million people still live in *quilombos*.

Brazil's president to meet Italian PM in Sao Paulo

Italian Prime Minister Silvio Berlusconi arrived in Brazil on Monday for a two-day official visit during which he will meet with President Luiz Inacio Lula da Silva in Sao Paulo to discuss mainly topics on business, Xinhua reported.

The arrival of the premier had been scheduled for Monday morning, but his flight was delayed due to weather problems. Berlusconi attended this weekend, in Toronto, Canada, the G-20 Summit, which gathered the largest group of developed and developing countries.

In his visit to Brazil, Berlusconi will be accompanied by a group of Italian entrepreneurs, who will join the "Brazil-Italy Forum: New Strategic Partnerships," to be held at the headquarters of Sao Paulo's Federation of Industries (FIESP).

Some of the areas in which the Italians are interested in investing are shipbuilding infrastructure, telecommunications and tourism, as well as providing security systems for offshore oil fields.

European businessmen also showed interest in participating in the construction of high-speed train linking Sao Paulo to Rio de Janeiro and in installing a motorcycle factory in the free zone of Manaus.

According to information from Italy's government, in 2009 the number of Italian companies established in Brazil increased from 120 to more than 300.

Relations between Brazil and Italy are going through a rebuilding period after the diplomatic controversy due to the shelter offered by Lula da Silva's government to former Italian left-wing activist Cesare Battisti, which caused tensions between Rome and Brasilia last year.

Berlusconi Wants Eight More Years of Lula as Brazil's President

Silvio Berlusconi, Italy's prime minister, expressed his support for the idea that Brazilian president Luiz Inácio Lula da Silva should run for president once again in the Brazilian presidential elections of 2014.

"President Lula is 62 years old, and now he is going to rest mandatorily during four years. In four years from now, he'd be able to work for another eight years, for the good of Brazil, and in that way he would reach the age of 74 just as young and full of energy as I am," he said.

Berlusconi made these statements after meeting with Lula in Brazil's financial hub, São Paulo, in the framework of an official visit by the Italian PM to the South American giant, accompanied by a delegation of businessmen.

Lula's return, whose popularity indexes surpass 80%, as candidate in the 2014 elections is a recurring topic in Brazilian politics, something the president has never confirmed, although he has not denied it either.

"I chose a person (Dilma Rousseff, his candidate) whom I consider to be the best I have, the most competent, the most prepared, the boldest. Therefore, if she is chosen, she has the right to fight for a second term," said Lula, next to Berlusconi.

Dilma Rousseff, an economist and former guerrilla from the seventies, was Lula's energy minister and later cabinet chief. Although she has no electoral experience, she's considered a tough, determined bureaucrat that gets things done.

Her campaign so far has been based on the prestige and public opinion support for Lula and only last week managed for the first time to overtake her main rival, José Serra from the opposition Brazilian Social Democrats.

Serra, a former mayor of the City of São Paulo, and ex governor of the state of São Paulo and ex Health minister under president Fernando Henrique Cardoso commands great respect in political circles and the business and financial communities, but he has to battle with the incredible success of Brazil's most popular president in the last 50 years, Lula.

Brazilian presidential elections are scheduled for October 3, with a runoff October 31st if no candidate manages 50% of votes cast plus one. Lula da Silva steps down after two consecutive periods January first 2011.

Rousseff, Serra tied in Brazil presidential poll

Sao Paulo (Reuters) - Brazil's ruling party presidential candidate Dilma Rousseff is statistically tied with opposition hopeful Jose Serra in the latest Datafolha poll released on Friday.

Former Sao Paulo Governor Serra rose 2 percentage points from the May poll to slightly edge in front of Rousseff at 39 percent support of the 2,658 voters questioned across the country on Wednesday and Thursday.

Rousseff, President Luiz Inacio Lula da Silva's former chief of staff, climbed 1 percentage point from Datafolha's May voter survey to take 38 percent in the buildup to an October election to head Latin America's largest economy.

But the poll's margin of error -- 2 percentage points, plus or minus -- means the results put Rousseff and Serra in a statistical dead heat.

Marina Silva, a former environment minister, is in distant third place at 10 percent.

Previous presidential election years in Brazil have brought high volatility to the markets but neither of the two major candidates is seen straying far from the current administration's policies, which are credited with bringing prosperity to Brazil, in the past a chronic underperformer.

In the May Datafolha poll, Rousseff and Serra were tied at 37 percent, while Silva stood at 12 percent.

If no candidate wins a majority in October, the election moves to a second round. If there is a run-off, 47 percent of the poll respondents said they would vote for Serra and 45 percent for Dilma -- also a tie, given the poll's error margins.

A recent survey released by polling firm Vox Populi showed Dilma with 40 percent of voter intentions and Serra at 35 percent.

Syrian President Visits Lula and Proposes Closer Ties with Brazil

The president of Syria, Bashar al-Assad, on his first-ever tour of Latin America proposed a free trade agreement with Mercosur after meeting in Brazilian capital Brasília with his Brazilian counterpart Luiz Inácio Lula da Silva and giving a conference at the Foreign Ministry seat, the Itamaraty Palace.

In his speech Assad proposed "closer economic ties with Brazil and its Mercosur associates" underlining the importance of links between Damascus and the strong Syrian communities in Brazil and Argentina.

Assad also supported one of Brazil's main foreign policy goals: "the world needs Brazil in the UN Security Council because it can help establish a new and more just international order".

Lula countered by stating that Brazil "supports ending the obstacles" preventing Syria's admission to the World Trade Organization and again offered to mediate in the Middle East. The Brazilian president backed Syria's demand that Israel return the Golan Heights it occupied after the Six Day War of 1967, and said Damascus should be included in any peace initiative in the Middle East between Israel and the Palestinians.

Lula said that Syria "is an indispensable partner in the search for peace" and that "all eyes are looking toward Damascus to find a word of authority and moderation".

"The conflict transcends regional dimensions" and its resolution "is everyone's responsibility" the Brazilian leader said. He rejected "the thesis that the Middle East is destined for conflict and that its sons are condemned to live in the irrationality of war".

"The incident with the humanitarian flotilla, attacked (by Israel) in international waters, shows that now is the time to end the blockade of Gaza," Lula added.

In keeping with the importance he accorded to Syria in the peace process, Lula expressed to Assad his readiness to participate in negotiations with "all actors" in the conflict, as he had in his

latest meetings with Israeli President Shimon Peres, Iran's Mahmoud Ahmadinejad and Palestinian Authority leader Mahmoud Abbas, who recently visited Brazil.

Assad also expressed support for the efforts of Brazil and Turkey to broker a diplomatic solution to the international tensions over Iran's nuclear program. Under a May accord, Iran agreed to send some of its low-enriched uranium to Turkey in return for higher grade nuclear fuel from Russia and France for a medical research reactor.

Assad described the Brazil-Turkey plan, which was rejected when the United Nations imposed new sanctions on Tehran earlier this month, as "fundamental" to any peaceful solution. Following a bilateral private meeting in Brasília, both leaders signed a series of cooperation agreements on health, education and extradition proceedings.

After sharing lunch with Lula, Assad met with Brazilian lawmakers and traveled to São Paulo in order to engage in various activities with the local Syrian community.

Brasília was the third stop on Assad's first Latin American tour, a trip that has taken him to Caracas and Havana and conclude on Friday in Buenos Aires.

In Venezuela, Brazil and Argentina the Syrian communities are very strong economically and politically influential. The São Paulo megalopolis is considered the second most populated Syrian city after Damascus.

Assad backs Brazil-Turkey plan to solve Iran nuclear row

Brasilia (AFP) – Syrian President Bashar al-Assad voiced support Wednesday for the efforts of Brazil and Turkey to broker a diplomatic solution to the international tensions over Iran's nuclear program.

Under a May accord, Iran agreed to send some of its low-enriched uranium to Turkey in return for higher grade nuclear fuel from Russia and France for a medical research reactor.

Assad described the Brazil-Turkey plan, which was rejected when the United Nations imposed new sanctions on Tehran earlier this month, as "fundamental" to any peaceful solution.

The US-led drive to impose tougher UN sanctions on Iran was hampered by sustained efforts by Brazil and Turkey to head off the measures and promote their nuclear fuel swap deal.

Western nations fear Iran is bent on developing nuclear weapons, but Tehran insists its nuclear program is purely for civilian purposes.

Assad's comments came on his first-ever tour of Latin America, after meeting in Brasilia with his Brazilian counterpart Luiz Inacio Lula da Silva.

In a speech at the foreign ministry, Assad proposed a free trade agreement between Syria and the South American trading bloc Mercosur, which consists of Argentina, Brazil, Paraguay and Uruguay.

Lula said Brazil "supports ending the obstacles" preventing Syria's admission to the World Trade Organization, while Assad said he backed Brazil's hopes for a permanent seat on the UN Security Council.

"The world needs Brazil in the UN Security Council because it can help establish a new and more just international order," Assad said.

Lula backed Syria's demand that Israel return the Golan Heights it occupied after the Six Day War of 1967, and said Damascus should be included in any peace initiative in the Middle East between Israel and the Palestinians.

During their meeting, the leaders signed a series of cooperation agreements on health, education and extradition proceedings.

Assad has already met President Hugo Chavez in Venezuela and President Raul Castro in Cuba on his tour of the region, which wraps up on Friday in Argentina.

Brazil Central Bank Sees Faster Growth and Inflation

June 30 (Bloomberg) -- Brazil's economy may expand at the fastest pace in more than two decades in 2010, pushing inflation further above the government's target this year and next, policy makers said in their quarterly inflation report.

Consumer prices will rise 5.4 percent this year, up from 5.2 percent forecast in the bank's March report, as Latin America's biggest economy grows 7.3 percent, according to policy makers' base case scenario. The bank in March forecast growth of 5.8 percent this year.

Inflation will remain "well above" the government's 4.5 percent target this year and slow to 5 percent in a "less challenging" scenario in 2011. In March, the bank had forecast inflation next year reaching 4.9 percent.

Today's report doesn't drastically alter the central bank's "hawkish" view of the economy, said Jankiel Santos, chief economist at Banco Espirito Santo de Investimento. He estimates policy makers, led by President Henrique Meirelles, will raise the Selic rate to as high as 12.5 percent, enough to slow inflation to 4.6 percent in 2011.

"The central bank is not considering lower growth than the market is estimating," Santos said in a telephone interview from Sao Paulo.

With the bank determined to contain inflation that has worsened since the first quarter's stronger-than-forecast growth, the balance of risks is tilted toward even steeper rate increases, Santos said.

The real strengthened 1 percent to 1.7957 per U.S. dollar at 12:59 p.m. New York time from 1.8134 yesterday. In the overnight interest-rate future market, the yield on the contract due in January, the most traded on the Sao Paulo BM&F exchange, was unchanged at 11.34 percent. Yields on 14 of 16 contracts traded today rose.

‘Virtual Exhaustion’

Policy makers expressed concern that a recent increase in manufacturing costs has not yet affected consumer prices. Robust domestic demand may lead to a “virtual exhaustion” of spare capacity, they added.

“There is significant resistance to the fall of inflation in Brazil,” the bank said in the report. “Regular and almost automatic price-increase mechanisms, de jure and/or de facto, contribute to prolong inflationary pressures seen in the past.”

Brazilians may see an increase in disposable income and have more access to credit this year, central bank economic policy director Carlos Hamilton told reporters in Brasilia today. More credit makes the bank’s policy moves more efficient, he said.

“The effort to obtain a reduction in inflation rates today is less than was necessary to obtain a similar reduction in 2006,” Hamilton said. “Brazilian monetary policy is more effective as credit expands.”

Fiscal policy

“The central bank continues to talk tough, signaling it will maintain the monetary tightening,” Silvio Campos Neto, chief economist at Banco Schahin SA, said in a phone interview today from Sao Paulo. “The challenge in this scenario of more growth and inflation is how to reconcile fiscal and monetary policies, something we do not see currently.”

Brazil’s fiscal results this year are “more favorable” when compared with a year ago and the government may reduce spending while increasing investment as tax revenue recovers throughout the year, the bank said in the report.

The central bank “doesn’t contemplate” big fiscal policy mistakes this year and Brazil’s nominal budget deficit is “under control,” Hamilton said.

“Our deficit is lower than many developed countries’,” Hamilton said. “We’re in an inverse situation, with a deficit under control and a decreasing net debt-to-GDP ratio.”

‘Main Risk’

Brazil’s economy expanded 9 percent in the first quarter over the same period last year, the biggest jump in more than two decades and the fastest-growing among the seven-biggest Latin American economies tracked by Bloomberg. Unemployment may end 2010 at a record 7 percent low, the bank forecast.

Policy makers have raised the benchmark interest rate twice this year to 10.25 percent to prevent the economy from overheating. The central bank will lift the Selic by 75 basis points for a third time in July, the bank's weekly survey of about 100 economists published this week showed.

"On the domestic side, the main risk comes from the possibility that inflation and inflation expectations remain above target due to the increased use of productive capacity and expansion of domestic demand," the bank said.

The report said the financial crisis in Europe continues to weigh on the economy and is the cause for some caution. Faster growth in Brazil is also boosting imports, which may jump 27.8 percent this year, while exports grow 12.6 percent, the bank predicted.

Inflation has remained above the government's target every month this year, decelerating to 5.06 percent in the year through mid-June on lower food and transportation costs. Consumer prices will accelerate 5.55 percent this year, the central bank weekly survey of economists showed.

Brazilian president defends Mercosur-EU trade agreement

Brazilian President Luiz Inacio Lula da Silva said Tuesday that a free trade agreement between Mercosur and the European Union, which is being negotiated in Buenos Aires, should expand to investment opportunities, encompassing more than only tariffs and subsidies.

Speaking at a Brazil-Italy forum, which Lula and Italian Prime Minister Silvio Berlusconi both addressed, in Sao Paulo, Lula said an agreement between the two blocs would be the best way to deal with the global economic crisis.

"We are noting the commitment of both blocks to win competitive scales and multiply investment opportunities. We are also joining forces in defense of a fairer global order," he said.

Talks between the two blocks were interrupted when stalled in 2004 due to resistance to make further concessions at the farm level, on the European side, and in the industrial sector, on the South American side.

Referring to the G20 summit that took place last weekend in Toronto, Canada, Lula said the measures to restructure European economies should be accompanied by growth.

The Brazilian president did not attend the summit to oversee relief efforts to help victims of flooding in Brazil's northeast region.

"The Brazilian experience leaves no room for doubt. Recessionary policies do not address macroeconomic imbalances. On the contrary, they aggravate unemployment and social inequalities," he said.

The Brazilian leader highlighted the opportunities for European businesses with the 2014 Brazil World Cup and 2016 Rio de Janeiro Olympic Games, in addition to infrastructure projects of the Program to Accelerate Growth.

"The international crisis reinforced the crucial role of emerging and developing countries. Italy will find in Brazil a strong and safe alternative against future shocks," he stressed.

For his part, Berlusconi praised the Brazilian government's economic policy.

During the meeting, the leaders avoided dealing with the case of former Italian left-wing activist Cesare Battisti, who received political asylum in early 2009 from the Brazilian government, causing great tension between Rome and Brasilia last year.

Brazilian president urges immediate end to Gaza blockade

Brazilian President Luiz Inacio Lula da Silva on Wednesday called for lifting of Israel's blockade on the Gaza Strip and creation of an "independent, sovereign, cohesive" Palestinian state that can live in peace with Israel, Xinhua reported.

When meeting with his Syrian counterpart Bashar Al-Assad, Lula reiterated his country's position that the conflicts in the Middle East affect everyone and should be resolved peacefully through negotiation.

"It is an urgency to see the region in peace," he said, adding that is the message he took during his recent visits to Israel, Gaza, Jordan, Qatar and Iran.

In particular, the Brazilian president demanded an end to the three-year-old blockade on Gaza after the raid by Israeli commandos on a Gaza-bound aid flotilla in late May, which killed nine pro-Palestinian activists.

"We believe that blockades do not contribute to peace. The incident with the humanitarian fleet, being attacked in international waters, shows that it is time to lift the blockade on Gaza," he said.

"There will be no true reconciliation if there are winners and losers. We like to see the region at peace with all people living in harmony."

Lula also said he supports the return to Syria the Golan Heights captured by Israel during the 1967 Middle East war.

"We support the principle of 'land for peace' to ensure the return of the Golan Heights to Syria," he said.

For his part, Assad hailed an agreement reached by Tehran with Brazil and Turkey on May 17 for the exchange of Iranian low-enriched uranium, which was rejected by the Western powers.

"This agreement shows Iran's willingness to negotiate, while Israel threatens peace in the region with the possession of nuclear weapons," he said.

After the meeting, the two leaders witnessed the signing of cooperation agreements on extradition, educational and health.

In the past few years, Brazil and Syria increased their economic relations. Trade volume between the two countries jumped from 78 million U.S. dollars in 2003 to 307 million U.S. dollars last year.

Lula Bets World Cup Final Will Be Mercosur's: Brazil, Argentina, Uruguay and Paraguay

The president of Brazil, Luiz Inácio Lula da Silva, says that he expects the four Mercosur countries Argentina, Brazil, Paraguay and Uruguay to meet in the semi-finals of the World Cup in South Africa.

During a meeting with visiting Italian Prime Minister Silvio Berlusconi in São Paulo, Lula made the statement after learning about Paraguay's victory over Japan for a slot in the quarterfinals.

"It means that we run the good risk of having the four Mercosur countries contesting the semi-finals very soon," anticipated the Brazilian president.

In order to materialize such a forecast, Mercosur members must overcome tough opponents in the quarterfinals: Uruguay face Ghana; Paraguay play Spain; Brazil, the Netherlands and Argentina take on Germany.

Lula regretted Italy's early departure from South Africa. "We will not have the Brazil-Italy final," said Lula da Silva, but insisted with Mercosur, "we have the four members in the quarterfinals of the Cup".

Brazil, Argentina and Uruguay are past world champions.

PM Berlusconi, who is also a soccer fan and president of the powerful AC Milan, said Italians were doing soul-searching after their beloved 'Azzuri' were bumped out of the World Cup in the group stage.

The two leaders held a private meeting in São Paulo trying to minimize diplomatic tensions that soared in the past year over an Italian ex-leftist militant held in Brazil whose extradition is sought by Rome.

Berlusconi's visit, twice postponed, comes at a delicate time between the two countries, with Lula yet to rule on the extradition of Cesare Battisti.

Found guilty in absentia for murders dating from the 1970s, Battisti was granted refugee status by Lula's government last year, but the Supreme Court then ruled his status unconstitutional and granted Italy's extradition request.

However, the court ruling also gives President Lula the last word on the case and all indications are that the Brazilian leader is inclined to veto the extradition.

"The relationship between Brazil and Italy is so strong that whatever the decision, our ties will not suffer any scratches," Lula said during the press conference in São Paulo alongside Berlusconi.

ECOWAS, Brazil Agree New Initiatives to Bolster Their Collaboration

Sal Island - Cape Verde — ECOWAS and Brazil have agreed on new initiatives that will boost their economic and political cooperation focusing on addressing the issues of poverty, food security, environment, renewable energy, capacity building and political dialogue. In a declaration at the end of a special summit of regional leaders and their Brazilian counterpart in Sal, Cape Verde, the two parties agreed to focus their political initiatives on the promotion of political dialogue, security collaboration, private sector partnerships, improving infrastructure, capacity building and cultural exchange.

By focusing on these priorities, the summit said both regions would be expanding, upgrading and strengthening their strategic partnership for our mutual benefit.' 'We express our common desire that by forging deeper ties between and ECOWAS, we would improve our capacities to cope with the development challenges, as well as to strengthen the political, social and economic institutions and the process of peace and stability-building, particularly in post-conflict countries', the parties said in the eight-page declaration at the end of the historic summit. Among the initiatives are the creation of a platform for political dialogue between them that will constitute 'a fundamental mechanism and example of South-South cooperation' an also enable them to collectively discuss and respond to international developments based on 'political equality, mutual trust, a common historical heritage and traditional relations.'

In this regard, they called for the urgent reform of the international financial system in order to make it fair, just and inclusive' and enable developing countries to be represented in the decision-making process of such institutions. The summit, a follow-up to the Africa-South America Summit held in Abuja in November 2006, agreed to progressively uphold and open fair and free trade and investment opportunities' through the promotion of two-way trade, investment and business development for their mutual benefit. They therefore undertook to create new investment opportunities through partnerships between businessmen from the two sides, particularly in the areas of bio fuels, industrial processing of agricultural products and tourism. In order to give expression to their proposed cooperation in the area of transport, the parties agreed to 'deepen their our cooperation in the area of air transport in order to improve regular air transport services between Brazil and ECOWAS Member States. Consequently, they directed the ECOWAS Commission and the relevant institutions in Brazil to convene a meeting of their national aviation authorities to discuss the modalities for such a cooperation including the expansion of existing air transport arrangements and the signing of new ones. Both parties also committed themselves to cooperate in the promotion of clean and sustainable energy and to support the activities of the ECOWAS Centre for Renewable Energy, which is based in Praia, Cape Verde.

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Lula tells Brazilians to cheer up after World Cup

Brasilia, Brazil (AP) — Brazilian President Luiz Inacio Lula da Silva told his countrymen yesterday to forget the early elimination from this year's World Cup and look ahead to 2014 when Brazil will host the month-long tournament.

Silva tried to cheer the country in his weekly radio address, which was recorded in the west African country of Equatorial Guinea. He is on a tour of Africa, which will conclude when he attends the World Cup final on Sunday. Of course, he had hoped to see Brazil playing. Instead, the five-time champions were beaten 2-1 in the quarter-finals on Friday by the Netherlands.

Silva said Brazil still played the world's best football, and he predicted a sixth title in 2014.

"Crying over spilled milk is for those who are not used to winning," Silva said. "Brazil is used to winning. Brazil is a five-time World Cup champion and it's the country with the world's best football."

Silva will participate in Sunday's hand-over ceremony, when South African organizers pass responsibility for the next World Cup to Brazil.

"We can be sorry only because Brazil didn't win," Silva said. "But we have to lift our heads and prepare ourselves to win the 2014 World Cup. I want to be alive to participate in the opening ceremony and the party when we win our sixth title."

This marked the second straight time that Brazil has been knocked out in the quarter-finals, which prompted the firing Sunday of national team coach Dunga.

"I imagined that Brazil was going to play in the final, but it didn't happen," Lula said.

Brazil's Rousseff takes campaign to business hub

Sao Paulo - Brazil's ruling party candidate kicked off a new phase of the presidential campaign on Monday before one of her most skeptical audiences, telling business leaders that only "social justice" can help Brazil reach developed-world status and boost their bottom lines.

Presidential campaigns don't begin in earnest here until the soccer World Cup ends every four years, and Brazil's loss to the Netherlands last Friday means that many voters are now starting to pay attention to the Oct. 3 vote for the first time.

Despite a booming economy and the extreme popularity of outgoing President Luiz Inacio Lula da Silva, who is banned by law from running for a third straight term, Rousseff has yet to pull away from her challenger in most opinion polls.

Wearing a bright red pantsuit, smiling often and speaking mostly without notes, Rousseff told a group of about 500 executives in Sao Paulo that she would build on Lula's stable macroeconomic policies and undertake tax, education and other reforms to make Brazil more competitive internationally.

Sao Paulo is a stronghold of opposition candidate Jose Serra, and Rousseff's message seemed designed to ease concerns that she would be less business-friendly than Serra, while also serving notice that priorities from the leftist wing of her Workers' Party will be front and center in her government.

"What we need is an elevated rate of development and of social justice," said Rousseff, a career civil servant who has never before run for public office.

She said that Brazil's economy, which grew 9 percent in the first quarter, will only attain developed-world status in years ahead if "all social categories ... are given the ability to participate."

Rousseff then spoke of the 34 million Brazilians still living in severe poverty, warning that "it's not enough to have a high rate of GDP growth."

However, she concluded by fusing the social rhetoric with a pro-business twist, telling the audience that "if we govern for all sectors ... it will result in a stronger internal market."

"That's the challenge we face," said Rousseff, Lula's former chief of staff. "I'm ready to share this challenge with you."

Calls for Tax Reform

That message echoed the market-friendly populism that has driven Lula's approval ratings above 75 percent in most polls and made Brazil a darling of emerging market investors in the final phase of his eight years in office.

Lula, a former metalworker, has overseen Brazil's biggest economic leap in three decades.

Businessmen at the plush Sao Paulo hotel politely welcomed Rousseff's message but voiced some of the same misgivings that appear to be holding her back in polls: that she will lack Lula's power and charisma, and be unable to push through legislation critical to making high rates of economic growth sustainable without sparking inflation.

"Brazil is doing very well, but we can't keep growing at these rates without these reforms," said Cristiano Roriz Camara, director of strategic planning for media company Jaime Camara, who flew in from central Brazil to attend the event.

"It would be nice to have more details on how she plans to do that."

A straw poll held at the event listed taxes as easily the biggest concern among audience members, with 85 percent saying they impeded the growth of their companies. Rousseff agreed Brazil's tax system is "chaotic" and vowed to undertake changes, though she offered neither new details nor an approximate timeline if she is elected.

The straw poll also showed a significantly higher rate of approval among audience members for Sao Paulo's state government than the federal government — which amounted to a vote of confidence for Serra, who was until recently the state's governor.

Serra, who ran for president in 2002 and lost to Lula, will speak to the same forum on July 26.

Brazil's ruling party presidential candidate to spend 104 mln dollars in campaign

Brazil's ruling party presidential candidate Dilma Rousseff, from the Workers' Party (PT), reported Monday to the Superior Electoral Court (TSE) that her campaign budget would amount to 187 million reais (104 million U.S. dollars).

According to recent surveys, the official candidate is tied with former Sao Paulo Governor Jose Serra, belonging to the opposition Social Democratic Party (PSDB), both with 37 percent of vote intentions.

The election campaign begins officially on Wednesday. And the first round will be held on Oct. 3, and if no candidate for governor or president gets the absolute majority of valid votes, there will be a runoff on Oct. 31 between the top two places.

According to the electoral law, candidates are allowed to hold rallies across the country and disseminate their proposals on the Internet.

General elections in October will be the first in more than two decades in which Luiz Inacio Lula da Silva will not be a candidate for having served two consecutive presidential terms, the maximum allowed by the Brazilian law.

The president himself, who maintains an approval rate of almost 80 percent, chose Rousseff to be the candidate to succeed him and promised to participate in the campaign to ensure her victory.

Lula expects Brazil back on track for next World Cup

Brazil's President Luiz Inacio Lula da Silva said on Monday that the country's soccer squad must keep their heads held up high and prepare for the next FIFA World Cup.

In his weekly radio show "Breakfast with the President", Lula commented on the squad's defeat to Netherlands, last Friday, by 2- 1. According to him, the Brazilian team played well in the first half of the match, but lost their self-control in the second half.

"I think our team made a brilliant first half against Netherlands. I thought we were going to win by a landslide, but after Netherlands' first goal, it seems Brazil lost their head," he said.

Lula said that the team should not mourn the defeat for too long, and instead get ready to win the next World Cup, which will take place in Brazil.

"This whole crying over spilled milk is for those who are not accustomed to winning. Brazil is used to victory, Brazil is five times champion, has the best football in the world," he said.

"We must keep our heads high and prepare to win the 2014 World Cup."

Lula is currently on his last official visit to Africa. He is to visit Kenya, Equatorial Guinea, Tanzania, Zambia and South Africa, where he will watch the final match of the World Cup on Sunday.

Lula: Secretary General of Africa

Luiz Inacio Lula da Silva, Brazil's president, might as well have a sign on his office door that reads: "Secretary General of Africa."

This week Lula is on this ninth trip to the African continent in the past eight years as president.

He has made official visits to 25 of the 53 African countries; an astonishing feat by a head of state by anyone's calculations.

This week Lula is in the middle of a trip that will take him through six African countries.

On Saturday he was in Cape Verde, on Monday in Equatorial Guinea, on Tuesday in Kenya and Tanzania, today and tomorrow he is in Zambia and then he finishes with several days in South Africa.

With the World Cup taking place in South Africa, many heads of state have found it a convenient time to visit the continent - and to take in a match or two.

But for Lula, whose eight year run as president of Brazil comes to an end in December, his journey back to the continent is not some perfunctory state visit that is meant to be a photo opportunity in a Jeep on a safari. In fact, it is just the opposite.

Lula has invested himself and Brazil's overall foreign policy heavily in Africa, maybe more so than any other non-African leader in modern history.

There are deep and well publicized ties between many parts of Brazil and the African continent, from food to music and culture. It can be traced back to when the Portuguese sent millions of African slaves to Brazil during the colonial era.

Today, more than half of Brazil's 190 million people trace their ancestry back to Africa, and it is often said that Brazil's black population is larger than anywhere else in the world except Nigeria. Add to this is the fact that several African countries share the Portuguese language (Mozambique and Angola, to name a few) and there are natural reasons for Brazil to increase its ties to the continent.

Controversy

But Lula's trip has not come without some controversy from naysayers at home and abroad, with his visit to Equatorial Guinea raising eyebrows in the Brazilian media.

The tiny West African country is governed by President Teodoro Obiang Nguenma Mbasogo, who rose to power 31 years ago in a military coup.

But Mbasogo's government has been heavily criticized by groups such as Human Rights Watch for suppressing basic human liberties and western onlookers have called recent elections there neither free nor fair.

Despite being the third biggest petroleum producer in sub-Saharan Africa, the country last year ranked 118 out of 182 countries on the UN human development index. And NGOs who follow the country say there is speculation the oil revenue is being siphoned off by the ruling elite.

Celso Amorim, Brazil's foreign minister, brushed aside criticism of Lula's visit to "a dictator," as some in the Brazilian press have referred to it, telling reporters: "We are not helping or promoting a dictator. Who resolves the problems of each country, is the people of each country."

'Business is business'

Amorim also said "business in business," in reference to the motivating factors for the trip being economic and not to meddle in the internal politics of the country.

But Equatorial Guinea accounts for less than 0.01 per cent of Brazil's total trade, so Lula's stop-off there is likely to be part of a much larger pan-regional economic and diplomatic African strategy that has been in an implementation phase for many years.

Brazilian companies are always looking for new markets to do business, and see opportunities in Equatorial Guinea.

But an editorial in today's *O Estado de S. Paulo* newspaper mocks Lula's visit to the country, with a headline blaring: "Good business for a dictator."

But Brazil is in a race to keep up with her main competitors in economic integration with Africa.

Brazil now measures its own economic performance against that of the three other BRIC countries - Russia, India and China.

While Brazilian trade with other BRIC countries grew from \$9.8bn in 2003 to \$49bn in 2008 (a 500 per cent increase), Brazil is lagging slightly behind when it comes to economic integration with the African continent.

Africa only accounts for 11 per cent of Brazil's total imports, as compared to 20 per cent for India and 64 per cent for China. Only 20 per cent of Brazil's exports are destined for Africa, the same percentage as India but way behind China at 58 per cent, according to the IMF.

And according to FDI Intelligence, between 2003 and 2009 Brazil only had 25 major investment projects in Africa worth \$10bn, lagging behind Russia, which had 47 projects worth \$9.3bn, India, with 130 projects worth \$25bn, and China, 86 projects worth \$28.7bn.

From a diplomatic standpoint, Brazil has the fewest embassies in Africa with 28, compared to India's 37, Russia's 30, and China's 47.

Broader aspirations

As the clock ticks down on Lula's term as president, it is becoming increasingly clear that he wants to play a large role on the international stage and his frequent trips to Africa as president will probably help shape his post-presidency life.

He recently acknowledged this, saying that he will be looking for opportunities to work against poverty and hunger, particularly in Latin America and Africa.

There has been speculation that Lula's dream job is that of secretary general of the United Nations, but while in Cape Verde over the weekend Lula threw cold water on that rumor, saying: "The secretary general job is that of a technician, a bureaucrat. The job is not for a politician. A politician can create very serious problems [as secretary general]."

There has been some talk about Lula being a perfect fit to lead the UN's Food and Agricultural Organization (FAO), or to take on a special envoy role with Africa. He most certainly will start a foundation, possibly run by Amorim, his foreign minister.

But, whatever the future might hold for Lula after his presidency expires, it is a good bet it will involve work directly with the African continent - after all, he has an authentic knowledge of the continent like few other non-African leaders.

Brazil wants to co-produce biofuel in Kenya

Brazilian President Luiz Inacio Lula da Silva said Tuesday in Nairobi that Brazil will help Kenya to produce biodiesel, local media reported.

Brazil, the world's leading ethanol exporter, will transfer biofuel production technology to Kenya because the Latin American country "has years of experience in the field and Kenya has the land and the disposition to produce the clean fuel," Lula said.

Lula also spoke of the plan to build the African-Brazilian University in Brazil.

If the plan is approved by the Brazilian Congress, he said, the university will be set up in Redencao in Brazil's northern state of Ceara and will train thousands of Brazilian and African students.

Lula also sang highly of the increase of the Brazil-Kenya bilateral trade, saying it is time to "to diversify the exports from Kenya to Brazil and stimulate Brazilian investments in Kenya."

In 2009, Brazil-Kenya trade stood at 91 million reais (51.7 million U.S. dollars), a six-fold increase from 2002.

Lula began his trip to Africa last week. Kenya is the third leg of his six-nation tour which has already taken him to Cape Verde and Equatorial Guinea. He is scheduled to leave for Tanzania later Tuesday and will then head for Zambia before ending his tour in South Africa.

Detailed Report/Chile

Chile gets heroes' welcome despite World Cup exit

(Reuters) - Thousands of Chileans skipped work and school on Thursday to give a heroes' welcome to their national team returning from the soccer World Cup after one of their best performances ever.

Chile exited the tournament on Monday after losing to Brazil in the second round in South Africa. However, in the group stage they enjoyed two consecutive wins, something not seen since they got third place when the cup was played on their home turf in 1962.

On Thursday, hordes of fans lined the streets of the capital Santiago as a bright red bus carried the players to the presidential palace.

"This has been Chile's best World Cup abroad in history. To be one of the 10 best teams in the world brings great pride to all Chileans," an elated President Sebastian Pinera told a cheering crowd outside the palace.

Enigmatic Argentine coach Marcelo Bielsa kept a low profile during the visit amid speculation that he could leave his post.

Fans cheered for Bielsa to stay with the team he has transformed from one of the worst in South America to one of the best in three years.

Detailed Report/Colombia

Colombia-Venezuela Trade Fight `A Blessing' for Santos' 6% Growth Goal

Colombia's trade spat with Venezuela is "a blessing in disguise" that may help President-elect Juan Manuel Santos achieve his goal of quickening economic growth to 6 percent a year, said David Duarte, an analyst at research company 4Cast Inc.

Colombia's economy expanded faster than expected in the first quarter, the statistics agency said today. Gross domestic product grew 4.4 percent from a year earlier, beating a 3.6 percent median estimate of 24 economists surveyed by Bloomberg.

Santos, who said he wants to mend ties with President Hugo Chavez after being elected by a landslide on June 20, has pledged to reach the 6 percent annual growth target within two years of taking office in August. He plans to do so while creating 2.4 million jobs and expanding the housing, infrastructure and oil and mining industries.

"The trade break was a blessing in disguise," said Duarte in a phone interview from New York. "Colombia's growth is now much more organic and domestically based."

South America's fourth-largest economy is emerging slower from the global financial crisis than its regional neighbors. The International Monetary Fund estimates GDP will expand 2.2 percent this year, slower than every country except recession-plagued Venezuela. The government on June 15 raised to 3 percent, from 2.5 percent, its 2010 growth forecast.

The yield on Colombia's local bonds fell to their lowest level since Dec. 1 after today's GDP report. The yield on the benchmark 11 percent bonds due in July 2020 fell six basis points to 7.88 percent at 12:59 p.m. New York time. The peso rose 0.19 percent to 1892.05 per U.S. dollar.

The slowdown in bilateral trade with Venezuela reduced demand for consumer goods, limiting inflation and allowing policy makers to stimulate the domestic economy by lowering borrowing costs, Duarte said.

'Warmonger'

Relations have been strained since March 2008 when Santos, as defense minister, ordered a raid into Ecuador that killed Raul Reyes, the second-in-command of the Revolutionary Armed Forces of Colombia, the country's largest guerrilla group.

Chavez, who has called Santos a "warmonger" and threat to regional peace, ordered troops to Venezuela's border with Colombia in response to the attack on his ally. He then cut trade ties after President Alvaro Uribe agreed last year to expand U.S. access to seven military bases.

Exports to Venezuela plunged 69 percent in April from the same month a year ago. Before relations soured, Venezuela was Colombia's biggest export market after the U.S.

Jumpstarting Diplomacy

The peso fell 0.3 percent to 1,895.68 per dollar yesterday. The peso has risen 7.8 percent against the dollar this year, the best performer among seven Latin American currencies tracked by Bloomberg.

“Diplomacy and respect will be the backbone of our international relations,” Santos, 58, said after winning 69 percent of the vote against 28 percent for former Bogota mayor Antanas Mockus. “In conflicting relations there are always two choices: to look back in anger or to open spaces of cooperation for the future.”

The fall in exports to Venezuela was offset by a 98 percent increase in exports last year to the U.S. and a 172 percent jump in exports to China, spurred by a rise in oil export revenue as crude prices recovered.

Santos is likely to reach his growth target even if he fails to restore trade relations with Venezuela, said Alberto Bernal, a fixed income analyst with Bulltack Capital Markets in Miami.

“If Venezuela starts buying from Colombia again we could add another percentage point to the economy, but it’s not the end of the world for Colombia without it,” Bernal said.

Lagging the Region

Bertrand Delgado, a senior economist at Roubini Global Economics LLC in New York, said Santos must improve relations with Venezuela and maintain loose fiscal and monetary policy in order to meet his growth target. He forecasts GDP will expand up to 3.5 percent this year if a global slowdown does not emerge.

“Colombia is looking for new export markets, but that takes a while,” Delgado said.

Colombia’s economy, after emerging from recession last year, grew 3.4 percent in the fourth quarter, according to a revised year-on-year estimate today using the base year of 2005 instead of 2000.

Mining and commodities industry grew 13 percent in the first quarter, while the agriculture and fishing sector contracted 1.3 percent. Investment during the quarter rose 8 percent from a year ago, while spending grew 4 percent. Exports fell 6.3 percent.

Policy makers cut interest rates from a record 10 percent in November 2008 to 3 percent now, helping stimulate bank lending and consumer spending.

Colombia’s retail sales rose 7.9 percent in April from a year earlier, while industrial output grew 7.6 percent.

“What motors the economy is household spending, and that’s increasing,” said Julian Cardenas, chief economist at Bogota-based brokerage Corredores Asociados SA. “The economy will lag behind Chile, Brazil and Peru, but that’s because it’s not as open as theirs.”

New Finance Chief

Santos, who has served as finance and trade minister, also plans to lower corporate taxes to attract investment and bring in extra revenue by expanding the tax base. His choice for finance minister, Juan Carlos Echeverry, has said he aims to eliminate by 2014 the consolidated budget deficit that’s equal to about 3.6 percent of GDP this year.

Echeverry also plans to create a dollar-denominated sovereign wealth fund using royalties from oil and coal sales, dividends from state oil company Ecopetrol SA and tax revenue, he said.

The government forecasts foreign direct investment will rise to \$10 billion this year, the bulk in mining and energy projects, from \$7.2 billion in 2009.

Santos says his plan to increase spending on roads and ports in a bid to slash to single digits an unemployment rate that in April stood at 12.4 percent, the highest in South America.

Colombia certifies 3.1 bn in oil reserves

Colombia has certified a total of about 3.1 bn barrels in oil reserves, including proven, probable and possible reserves, Mines and Energy Minister Hernan Martinez said. Martinez said Colombia would end this year with oil production of 800,000 bpd and lift output to more than 1 mm bpd of crude by 2011.

"New data has just come out showing we have something like 2.6 bn barrels of reserves... that are proven with development installations in place and of probables," Martinez said. "And we have 500 mm additional barrels in possible reserves that need more work to develop them."

Colombia, now Latin America's No. 4 oil producer, has seen a surge in energy investment as security has improved under President Alvaro Uribe. Total foreign direct investment is expected to hit \$ 10 bn this year, up from \$ 2 bn in 2002, when Uribe came to office. Uribe has sent troops to confront leftist rebels and kidnappings and bombings have dropped sharply after more than four decades of conflict.

Companies such as Canada's Pacific Rubiales have taken the lead in exploring the country's once abandoned oil fields. The Andean country received \$ 6 bn in foreign investment in oil and mining in 2008 and 2009. Colombia now has 240 active oil contracts and 120 oil companies working in the country.

In June, Colombia will auction 228 oil and gas blocks in its 2010 Oil Round and is preparing investment of \$ 3.8 bn to expand its infrastructure for oil transport and shipping. Martinez said he would consider it a successful round if the country auctions half of the blocks on offer. Already 83 companies are registered to take part in bidding to take place in Cartagena. "Depending on the areas auctioned, and the success in exploration, we could be talking about investments of \$ 1 bn in the next two or three years," he said.

To further bolster security and investment, the minister said, the army is preparing a battalion of soldiers who will transport the oil company seismic results in remote areas where contractors are still vulnerable to rebel operations.

Colombia once reported 100 guerrilla attacks a year on its oil infrastructure. But rebels from the Revolutionary Armed Forces of Colombia have been driven back into remote jungles and mountains by Uribe's security drive.

Colombia asks France to recapture FARC "foreign minister"

Colombian President Alvaro Uribe said Thursday that he would ask his French counterpart Nicolas Sarkozy to help recapture Rodrigo Granda, known as the "foreign minister" of the rebel Revolutionary Armed Forces of Colombia (FARC).

"We agreed to the request from President Sarkozy to release Granda" in 2007, Uribe said at a press conference.

But "tomorrow at the G-8 (Group of Eight summit), I will ask him (Sarkozy) to help me recapture him," Uribe said.

Granda was arrested by Colombian agents late 2004 in Venezuela and taken to a Colombian jail, which triggered a diplomatic incident between Bogota and Caracas.

He was released in 2007 due to a petition from France asking him to work as a mediator for the release of Ingrid Betancourt, a former Colombian presidential candidate with dual Colombian-French nationality, who had been taken hostage by FARC.

Granda has been investigated in Paraguay in connection with the kidnapping and murder of a daughter of former Paraguayan President Raul Cubas.

Invited by Canadian Prime Minister Stephen Harper President Uribe will attend the G-8 Summit scheduled for June 25-26 in Canada.

Colombia to probe ties between FARC, Panama

President of Colombia Álvaro Uribe has ordered an investigation into allegations that FARC members had secret deals in place with former presidents Mireya Moscoso and Martín Torrijos.

Yesterday, in Bogotá, Uribe urged Colombian Police Director Oscar Naranjo to investigate the alleged cooperation from the two former presidents with the guerrillas, which was recorded in documents recovered from FARC leader Raúl Reyes in 2008.

Uribe said that he is not convinced the claims are credible.

"This government has always received the support of the government of Panama in our fight against terrorism," said Uribe.

In Panama, Attorney General Giuseppe Bonissi said he was unable to open an investigation into the allegations.

Colombia sentences 2 ex-paramilitary chiefs to jail

Two former Colombian paramilitary chiefs were sentenced to eight years in prison each for masterminding the murder of 13 native people in 2000, the government said on Wednesday.

The sentence was the first of its kind since the government began the demobilization process of the paramilitaries.

It was issued by the Justice and Peace Tribunal of Bogota against Edward Cobos alias "Diego Vecino" and Uber Banquez alias "Juancho Dique," two former chiefs of the so-called United Self-Defense of Colombia (AUC).

The government said the two were the masterminds of "grave infraction to the Humanitarian International Law," including the forced displacement of civilians, kidnapping and homicide.

The government's commissioner for peace Fran Pearl said despite Cobos and Banquez could serve a maximum jail term up to 39 years in prison, they were sentenced to less jail time "with balance between the justice and peace". He added that "the victims will be materially paid back."

Pearl said more than 6,686 victims are being repaid for suffering from the crimes committed by the two people.

Meanwhile, Ivan Cepeda, a spokesman for the victims, told Xinhua that even though the sentence "does not accord with the proportion of the damage (the two people) causes", the sentence is compatible with the Justice and Peace Law.

The AUC negotiated with the government on the group's demobilization between 2002 and 2006. But many of its members recently returned to their old profession and formed drug trafficking gangs.

Colombian trade minister pledges progress on FTA

Korea and Colombia will work to finish their free trade agreement negotiations as early as this year and ratify the pact by the end of next year, Luis Plata, Colombia's minister of trade, industry and tourism said yesterday in a one-on-one interview during a short visit to Seoul.

Plata said he would ensure Korea would be the first Asian country Colombia will ratify an agreement with.

"We've only had three rounds of negotiations [with Korea], so we're still in the early stage of the process, but hopefully this year we'll be able to close the negotiations," the minister said. "Colombia and Korea have been close for a long time. Colombia was one of the few countries that actually sent troops to Korea during the Korean War in the 1950s, and that historical closeness will turn into a trade and commercial closeness as well."

The two sides started negotiating for an FTA in December last year. Plata noted the bilateral benefits both countries could gain, especially in the automotive sector.

"Colombia can become an interesting hub for Korean auto firms to either produce or assemble products, integrate local value and use Colombia as a hub to establish businesses in other Latin American nations," Plata said, noting that Colombia already has trade pacts with Chile, Peru, Bolivia, Ecuador, Honduras, El Salvador, Guatemala and Mexico.

"The trade deal with Colombia will open new horizons for Korean firms to get access to much larger markets in Latin America, of at least 500 million people."

The minister was here with a delegation of Colombian auto parts manufacturers, and he planned to urge Korean automakers to invest in Colombia, perhaps by establishing manufacturing plants and forming alliances with local companies. So far, there is no ongoing bilateral investment in the sector.

Today, the minister was expected to meet with executives at Hyundai, Kia and Daewoo Bus Corporation.

“There is a very large and deep network of auto parts manufacturers in Colombia, which is important for foreign firms investing, as having a strong local sector that can provide things they need is important and more efficient,” the minister said. Currently, there are around 130 auto part producers operating in Colombia, of which most of which are based locally.

Plata, who had just arrived from Japan, hinted, “Japan is very concerned that Colombia is much further ahead with Korea ... Colombia has already completed three rounds with Korea, but hasn’t even started negotiating with Japan.”

Regarding a possible trade pack with China, the minister said, “It’s not time yet” and noted, “There are a lot of concerns of Chinese products massively entering Colombia, so the country is not really prepared to negotiate an agreement with China.”

As part of his trip, the minister is expected to ask for support for Colombia’s membership in the Asia-Pacific Economic Cooperation forum, now prevented by a moratorium on new members. Plata hopes the moratorium will be lifted during the APEC summit in Japan in November.

Colombia's Peso Falls From Eight-Month High on Decline in Price of Oil

Colombia’s peso fell from an eight- month high following a decline in oil, the nation’s biggest export. The peso fell 0.3 percent to 1,893.10 per U.S. dollar at 3:29 p.m. New York time, from 1,887.5 yesterday. The currency earlier strengthened to 1,875.3, the highest since Oct. 20, 2009. The peso has jumped 8 percent this year, the best performance among all currencies tracked by Bloomberg. Colombian markets were closed yesterday for a national holiday.

“The market turned around when oil started dropping,” said Julian Ramirez, an analyst at Bogota-based brokerage Proyeclar Valores SA. Oil fell as much as 1.5 percent. Colombia’s peso bonds also erased earlier gains on concern lower demand for higher-yielding emerging-market assets will make the nation’s plans to seek overseas funding more expensive, according to Ramirez.

The yield on Colombia’s benchmark 11 percent bonds due July 2020 rose two basis points, or 0.02 percentage point, to 7.77 percent, according to Colombia’s stock exchange. The bond’s price dropped 0.2 centavo to 121.929 centavos per peso.

“Risk aversion is on the rise again,” said Ramirez.

Colombia will sell an additional \$1 billion abroad, of which \$500 million will be in overseas bonds and \$500 million from multilateral lenders, to replace revenue from the scrapped sale of power company Isagen SA, Finance Minister Oscar Ivan Zuluaga said July 2. President-elect Juan Manuel Santos, who is slated to take office Aug. 7, won’t sell Isagen, Zuluaga said. The 2010 budget included 4 trillion pesos (\$2.13 billion) in revenue from the sale of the power company and five regional electric companies, which may be delayed, he said.

The government will also auction 2 trillion pesos more of local debt, known as TES, this year to cover the gap, Zuluaga said.

Uribe calls for sincerity Juan Manuel Santos invites Chávez to his inauguration

The invitation came in response to Venezuela's president statements that he would have no problem to meet his Colombian counterpart and shake hands with him.

Colombia's president-elect Juan Manuel Santos said on Wednesday that he invited Venezuelan President Hugo Chávez to his inauguration in August, in what would be a new step towards easing tensions with the neighboring country, following a serious impasse with the government of outgoing President Álvaro Uribe.

The invitation, which Santos made known in statements to reporters in London, came in response to Chávez's statements that he would have no problem to meet his Colombian counterpart and shake hands with him.

However, Santos was the target of a sort of criticism from President Uribe, who said that "the Colombian diplomacy should not go back to hypocritical appearances," Reuters reported.

Uribe says that relations with Chávez "should not be cosmetic"

In an interview with a Colombian radio station, President Álvaro Uribe said that beyond the presence of Hugo Chávez in the inauguration of Juan Manuel Santos "we need a commitment to prevent terrorists' safe harbors anywhere"

President Alvaro Uribe said on Wednesday that Colombia's foreign policy toward Venezuela "must be substantive" and should not be "superficial or based on appearances." Reference was made to a likely visit to Bogotá by Venezuela's President Hugo Chávez to attend the inauguration of Juan Manuel Santos.

"I am concerned about some international affairs.' Somebody told me: What do you think about attempts to have President Chávez present in the inauguration of President Juan Manuel Santos? What did I answer? No, this issue is not superficial or based on appearance," Uribe said, as reported by AFP.

In an interview with a Colombian radio station, President Uribe said that beyond the presence of Hugo Chávez in the inauguration of Juan Manuel Santos "what we need is a commitment to prevent terrorists' safe harbors anywhere."

Colombia wants to discuss security and trade with Venezuela

“Colombia is most willing. We have sought options and alternatives, but we are aware that substantial matters need to be addressed,” Jaime Bermúdez, the Colombian Minister of Foreign Affairs, told reporters

Colombian Minister of Foreign Affairs Jaime Bermúdez said on Wednesday in Rio de Janeiro that his country would like to improve relations with Venezuela, but "substantial matters," such as security on the border and a trade embargo unilaterally imposed by the Venezuelan government need to be discussed.

"Colombia is most willing. We have sought options and alternatives, but we are aware that substantial matters need to be addressed," Bermúdez told reporters after delivering a speech on "Colombia and the regional policy" at the Brazilian Center of International Relations (Cebri), Efe quoted.

"Colombia has had the best relationship with neighboring countries," the Foreign Minister noted. He added that in order to improve the ties with Venezuela, the government of Colombian President Álvaro Uribe has asked third parties for help, including the Dominican Republic, Brazil, Mexico, Spain and Cuba. However, thus far the results have not been as expected.

Colombia attack 'kills 12 rebels'

Colombia's armed forces killed 12 leftist guerrillas yesterday in an early morning raid on rebels in a northwestern mountainous region of the Andean nation, President Alvaro Uribe said.

Rebels continue to stage attacks, but violence is down after a US-backed military offensive under Mr Uribe pushed illegal armed groups into remote regions of the country.

"Today at four in the morning after a great action by intelligence and the Colombian air forces, 12 bandits were killed and six captured," Mr Uribe told reporters.

He said Farc guerrilla leaders had sent rebels to retake an area between Sucre and Bolivar states, about 580 km from the Colombian capital Bogota.

Mr Uribe steps down in August after two terms in office marked by a hard-line stance against guerrillas, drug barons and paramilitary groups. Improved security has drawn billions of dollars in foreign investment into Colombia.

President-elect Juan Manuel Santos will take over next month and has vowed to continue Mr Uribe's security and pro-investment policies.

Detailed Report/Mexico

Mexican president promises to promote auto industry

Companies will be able to write off the full value of cars under 250,000 pesos against tax.

"By eliminating this tax we are supporting Mexican auto industry and we are also helping low income Mexican families," Calderon told a press conference at his official residence, Los Pinos, in Mexico City.

Many states are dependent on the tax and Mexico City has already promised to replace the general ownership tax with a progressive tax that targets the cars that pollute most.

"We seek to support the auto industry and low income consumers, while giving a renewed boost to our economic recovery," Calderon added. He described the auto industry as vital for Mexico, which generates 20 percent of the nation's gross domestic product and 11 percent of its industrial jobs.

Mexican auto sales were just 3.6 percent higher during the first five months of this year compared with the same period last year, according to the Mexican Auto Industry Association (AMIA).

Gunmen open fire at political rally in Mexico, killing 2

(CNN) -- Two people were killed and one more injured when gunmen opened fire at a political rally in southern Mexico on Saturday afternoon, authorities said.

The attack happened when supporters of opposing political parties got into a shouting match in Nachig village in Chiapas state, according to the state's office of security and protection.

Shots were fired from a moving car, hitting supporters of the Institutional Revolutionary Party (PRI).

A riot targeting the opposing Democratic Revolution Party (PRD) ensued and an angry mob set fire to at least five homes and more than 20 vehicles, the state's office said.

Rioters also held about 60 men and 40 women hostage in one house, threatening to lynch them, the state's office said.

State police stormed into the village, which is home to about 400 hundred families, and rescued them, authorities said.

The gunmen are still at large and no arrests have been made.

Mexico under Siege

Mexican state security minister can't trust her own police

Reporting from Morelia, Mexico — As dozens of gunmen fired more than 2,700 deafening rounds of ammunition, Minerva Bautista crouched on the floor of her heavily armored SUV, screaming into her radio for backup and thinking one thing: "I know help will come."

But when the minister of security for Michoacan state heard the rounds begin to penetrate her car's armor, sending pieces of metal into her back "like fiery sparks," her faith faltered. And when one of her badly injured bodyguards asked her to take care of his family, she lost hope.

"They didn't just want to kill us," she said later. "They wanted to destroy us."

A seemingly interminable 15 minutes after the attack began in a narrow highway pass that night in April, rescuers finally arrived.

It was one of the most brazen assaults on a top state official in President Felipe Calderon's nearly 4-year-old offensive against drug cartels. But there is an even darker side to the story, one that exposes a fundamental flaw in the war: So deep is drug-financed corruption, the lead suspects in the attack on Bautista are the very police she commands.

Four people were killed, but Bautista, 36, suffered only relatively minor wounds. At least as remarkable as her survival is the fact that she has returned to the top security job here in Calderon's home state, where a notorious drug gang called La Familia has penetrated most police and judicial bodies.

She no longer lives at home with her parents but in a safe house, and she moves around with a mini-army of soldiers as guards. Public knowledge of her schedule is kept deliberately vague; her once customary visits to city halls, neighborhoods, schools and prison yards now curtailed. And she has had to recalibrate how, and whom, to trust.

"Of course I am afraid ... but I have an even greater conviction now to keep working," Bautista told The Times in her first post-attack interview with a non-Mexican publication.

"If I don't do it, another colleague will have to," she said. "It would be a very negative message to the people of Michoacan if authorities, faced with this situation, say, 'Let's get out of here.'"

Tall and thin, with her blond-highlighted hair pulled in a tight ponytail, Bautista wears lots of blue eye shadow, a sparkling crucifix and a denim shirt with the logo, "Michoacan is working." She steps gingerly but with precision, feeling the metal pieces of shrapnel still lodged in her back and one leg. She smiles and laughs easily, despite the tension engulfing her surroundings.

It's a long way from her days as a schoolteacher and school union activist. A third-generation native of Michoacan, she sank herself into politics, joining the leftist Democratic Revolution Party that has ruled the state for most of the last decade and eventually catching the eye of Gov. Leonel Godoy. Last year he plucked her from a mid-level position in the Public Security Ministry, where she had gravitated after leaving the classroom, and placed her in the top job.

Bautista says she wanted to represent Godoy's idea of a "new face" for public security, one that

emphasized citizen participation, education and prevention programs over military might. But one way or another, she managed to cross La Familia.

As part of the investigation of the attempted assassination, more than 100 police officers have been interrogated and their weapons submitted to ballistics tests in a search for suspects, a search that has proved fruitless.

La Familia, known for producing methamphetamine and decapitating enemies, has undermined all attempts to crack down on cartels and restore law and order. Three senior members of the Security Ministry were killed last year, and Bautista's predecessor was arrested on drug-trafficking charges.

These are scenarios that, with one drug gang or another, have been repeated across Mexico. But in contrast with other parts of the country, Michoacan authorities have not conducted a major purge of local police forces, another sign of La Familia's sway.

Authorities suspect corrupt cops tipped gunmen loyal to La Familia to Bautista's movements and route that April night.

Her would-be killers chose well. The spot on the highway where they attacked is flanked by embankments that gave gunmen the advantage of height. They moved a stolen cargo truck across the highway to block her vehicle's escape.

The area is also a spot where cellular telephone and radio signals are spotty. That and the chaos of the moment delayed help. Initially she couldn't even raise anybody on her radio.

She acknowledges there was negligence, or worse. Police patrols that were supposed to be tending the area had not materialized.

"They planned it very well, and we failed in providing the vigilance necessary," she said. "It was an attack from which I wouldn't expect we would emerge alive. Only later did we realize fully the magnitude of the attack."

For the first 10 minutes, she was confident help would come. But as time under the relentless barrage of grenades and .50-caliber rounds dragged on, she prepared to die.

The state prosecutor's office later said more than 2,700 spent shells were collected from the scene and that about 350 ammo rounds hit Bautista's car. Three grenades also hit it but somehow failed to detonate.

The gunmen fled when they heard the shouts of arriving state police. The bloody aftermath of dust, smoke, agonized screams and destroyed vehicles included four dead: two civilian motorists, who happened to be on the road, and two of Bautista's entourage.

"This kind of thing makes you reflect, and one thought I had was ... to quit. But it would have been a defeat," she said. "I used to be very trusting of everybody, and now I am extremely suspicious. I'm more observant of people, what they do, what they say, details I might not have noticed before."

Bautista is not married and has no children, which is why, until the attack, she continued to live with her parents, an arrangement typical in Mexico. Were she a mother, she said, her willingness to put her life on the line might be different. She hopes to marry soon — her boyfriend works in security in her department.

The assassination attempt essentially wiped out an entire shift of her regular protection. Guards previously seconded from the state police force have now been augmented by the better-trained, better-armed military.

The time and venue of the interview with The Times was changed twice and finally took place in a hotel. There, seating was chosen based on the ability to guard two access points. A contingent of soldiers surrounded the hotel. Other well-armed guards in body armor and attached to radios flanked the table where Bautista sat with a reporter and two aides.

It remains a matter of speculation as to exactly why she was targeted — whom she offended or betrayed and how, and who ordered her death. Bautista says she had not received threats, and consequently hadn't taken extraordinary security measures. She suggested that her work, including a number of changes in the leadership of public security departments, had "created discomfort" and may have led to the attempted assassination.

Other Michoacan sources said, however, that several e-mail messages were sent to Bautista this year purporting to be from La Familia and ordering her to step down. In Michoacan, that is the kind of warning that you ignore at your peril.

In the interview, Bautista downplayed the role of her police in the attack, saying that was one of several lines of investigation. But she also acknowledged that the culprits probably would never be arrested and prosecuted, and that would be a shame, she said.

"I hope there are eventually arrests because these are people prepared to do absolutely anything, acting completely in cold blood," she said. "As cases go unresolved, there is more impunity, and criminals, common ones and the ones in organized crime, know they can get away with it. Nothing happens to them."

Bautista supports a federal government plan to consolidate police forces and create a single police agency for each state, loyal to a single command. This would eliminate scores of easily corruptible municipal police forces and, in theory, enhance security.

But a lot of Bautista's plans for reforming state security are on hold now, and she's turning greater attention to technology, such as the use of 500 new surveillance cameras here in Morelia,

a colonial city known for its picturesque architecture before it became the center of La Familia terror.

"I am very worried about the situation, and it makes me rethink what we are doing," Bautista said. "We saw how vulnerable we are."

Mexico Drug Hit men Kill State Governor Candidate

Mexico City (Reuters) - A popular gubernatorial candidate in the northern Mexican state of Tamaulipas was murdered by suspected drug hitmen on Monday in the worst sign so far of political intimidation by smuggling gangs.

Traders sold Mexico's peso heavily as TV images showed the bodies of Rodolfo Torre, 46, and four aides from the opposition Institutional Revolutionary Party, or PRI, which holds power in Tamaulipas, lying on a highway. They were ambushed on their way to a campaign event for the July 4 state election.

It was Mexico's highest-level political murder in some 16 years and the latest blow to the country's image as a stable emerging market as drug gangs brazenly fight security forces deployed to quash their power and try to sway Sunday's vote for governors, mayors and local deputies in a dozen states.

"We worry about the collateral effects that this crime could have, like a possible fall in foreign investment," said Rafael Fernandez de Castro, an advisor on foreign affairs to President Felipe Calderon.

Hours after the killings, Calderon slammed what he called a cowardly attack on Mexico's democratic institutions and vowed to keep up his fight against drug gangs. He called an emergency cabinet meeting and urged political parties to stand together.

Mexico is in the grip of an escalating drug war that has killed more than 25,500 people, mainly traffickers and police, since Calderon took power in 2006 and launched his crackdown.

The soaring death toll worries Washington, investors and tourists. Monday's killing will fan fears that Mexico could go the way of Colombia in the early 1990s when drug cartels bombed government buildings and killed a presidential candidate, judges and politicians.

Torre's killing is the first big political assassination in Mexico since the 1994 murders of PRI presidential candidate Luis Donaldo Colosio and prominent PRI leader Jose Francisco Ruiz Massieu, as the country grappled with its slow transition to democracy after decades of one-party rule.

524 Guard troops being sent to Ariz. border by late Aug.

The federal government will deploy 524 National Guard troops to the Arizona-Mexico border by late August, according to representatives from President Barack Obama's administration.

The delegation met Monday morning with Democratic Congresswoman Gabrielle Giffords and Attorney General Terry Goddard in Tucson. During those meetings, the federal representatives also pledged \$600 million in emergency funding to help with border-security issues.

According to Giffords office, an additional 250 troops will be sent to Texas, another 224 troops to California, and 72 to New Mexico. There will also be 130 personnel sent to a national liaison office in an undetermined location.

The delegation spent 90 minutes meeting with Gov. Jan Brewer Monday afternoon. After the briefing, a subdued looking Brewer told assembled media that the troop commitment was "disappointing to say the least.

"The governor said that the troops would begin arriving in late August and would ramp up until they reached their ceiling of 524 individuals. They will then be deployed on surveillance related missions for 120 days.

Brewer's disappointment Friday was not matched by Goddard and Giffords, who said they were pleased with the update and that additional federal support is on its way.

Still, they acknowledged that more can still be done.

"It's a first step," said Goddard, who is the state's presumptive Democratic nominee for governor. "We're a lot better than we were before, and this is not a definitive plan for the border."

Monday's face-to-face conversations are an offshoot of a meeting Brewer had with Obama last month in the Oval Office.

That session, which both parties described as "cordial," covered a range of immigration-related issues, including Senate Bill 1070, Arizona's tough new immigration law, and Brewer's dissatisfaction with the federal government's border-security efforts.

The president has previously said that he plans to send 1,200 National Guard troops to the U.S./Mexico border; in addition he has requested \$600 million from Congress to pay for 1,000 more border patrol agents, 160 federal immigration officers and unmanned surveillance aircraft known as drones.

During their June 3 meeting, Brewer asked for specifics on how many those troops might be coming to Arizona and what other assistance would be directed toward the state.

Her office has said that they hoped Monday's meetings would shed light on those topics.

In addition, it is anticipated that SB 1070 will be a big topic of discussion. The U.S. Department of Justice is reportedly preparing a lawsuit against Arizona over the newly passed law, which is slated to go into effect July 29.

The Governor's Office said it still has not received confirmation that a suit is forthcoming, but Secretary of State Hilary Clinton has previously stated in television interviews that it is being prepared at the direction of the White House.

The president has repeatedly criticized the Arizona measure, saying it has the potential to be used in a discriminatory fashion.

SB 1070 makes it a state crime to be in the country illegally. It states that an officer engaged in a lawful stop, detention or arrest shall, when practicable, ask about a person's legal status when reasonable suspicion exists that that person is not legally in the U.S.

Giffords said during Monday's news conference that she asked about the status of the federal suit, but was told that Justice Officials were not at liberty to discuss it.

Chaos after hit men kill Mexican politician

Mexico's main opposition party scrambled to name a new candidate for governor in Sunday's election in a northern border state after suspected drug hitmen killed the front-runner.

Electoral officials said they would go ahead with the vote in Tamaulipas state despite the murder of Rodolfo Torre, candidate for the Institutional Revolutionary Party, or PRI, and party leaders and its state governors from across Mexico met on Tuesday in the state capital Ciudad Victoria to choose a nominee.

Politicians from all parties suspended campaigning in the state.

Supporters filled a convention center in Ciudad Victoria to pay public tribute to the slain politician, broadcast on live television.

In the worst case of political intimidation by drug cartels since President Felipe Calderon launched his war on traffickers in late 2006, gunmen ambushed the popular Torre on his way to a campaign event in Tamaulipas, across the border from Texas, on Monday morning.

It was Mexico's highest-level political murder in 16 years and the latest blow to the country's image as a stable emerging market, hitting the Mexican peso on Monday as TV images showed Torres' body lying on a highway outside his campaign vehicle.

The death toll from Mexico's drug war has exceeded 25,500 in 3½ years as cartels fight each other and Mexico's security forces, sucking in drug dealers and teenage hitmen.

Torre's green and red campaign posters still covered towns across Tamaulipas on Tuesday but streets were deserted as many residents stayed at home.

The state and the nearby city of Monterrey have become a battleground as the Gulf cartel and the Zetas gang vie to control smuggling routes into Texas.

"We are in all shock. Everyone is very scared because these gangs are showing that they are running the elections, not us," said a PRI supporter who gave her name as Rosa Maria in the city of Reynosa.

Calderon, a conservative who is under increasing pressure to control drug violence, blamed organized crime for the killing, but he stopped short of naming cartels.

Mexican media speculated that Torre may have been killed by Zeta gunmen in retaliation for receiving campaign funds from the Gulf cartel.

"What happened yesterday ... shows ... a clear complicity between politicians and cartels," Mexico's leading newspaper Reforma wrote in a front page editorial.

PRI leaders deny any wrongdoing or links to drug cartels.

Investor Concern

Calderon called for unity in an address on Tuesday and pledged to defend Mexico's democracy against drug gangs who have launched a campaign of intimidation against politicians running in local elections.

"This is a challenge that my government will not evade," he said in a speech in Mexico City.

Investors' concerns that hit the peso on Monday were overshadowed by bigger fears about the health of the world economy on Tuesday.

But economists warned that any escalation in political killings by drug gangs could spark a bigger sell-off in the longer term.

"Yesterday's episode was more difficult to ignore even from the market's point of view because it seems to us it represents an increase in the level of violence," said Jimena Zuniga, an economist at Barclays Capital.

Drug violence across Mexico is a major concern for Washington and investors, forcing some US companies to freeze investment in factories in border cities such as Monterrey and Ciudad Juarez, Mexico's most violent drug war city.

Some voters in Tamaulipas said Torre's murder made them more determined to vote on Sunday.

"The actions of organized crime in the elections are a threat to our democracy. We need to be brave and vote this weekend," said Oscar Castillo, a 45-year-old laborer just outside Reynosa.

Mexico Candidate's Killing Won't Stop Foreign Investment, Ruiz Mateos Says

Mexican Economy Minister Gerardo Ruiz Mateos said yesterday's killing of a candidate for governor won't stop foreign direct investment from growing even as tourism and local economies suffer.

The assassination of Rodolfo Torre Cantu in Tamaulipas state won't stop foreign companies from investing in Mexico, nor will it affect the country's ability to carry out presidential

elections in 2012, Ruiz Mateos said today in an interview. Still, organized crime hurts local economies and tourism in areas where the violence is the worst, he said.

“Investors are watching a country with a very important future and they’re investing in the country,” Ruiz Mateos said in Bloomberg’s Mexico City offices.

Mexico’s peso has fallen since Torre Cantu, a candidate for the Institutional Revolutionary Party, was shot dead by gunmen along with four other people in his motorcade. It marked the highest-level political assassination since presidential candidate Luis Donaldo Colosio was killed in March 1994, an event that also shook investor confidence.

“There are areas like Juarez, Tijuana or Reynosa where there’s a wave of violence,” Ruiz Mateos said, referring to cities along the border with Texas and California. “In those places where this climate exists, commerce is affected. People don’t go out to eat in restaurants like they used to. ”

The peso declined 1.1 percent to 12.8716 per U.S. dollar at 2:50 p.m. New York time, extending yesterday’s 0.7 percent drop. The currency has strengthened 2.4 percent this year.

Mexico’s growth each year would be as much as 1.5 percentage points higher and the country would attract more foreign direct investment if there were less drug-related violence, said Gabriel Casillas, chief economist at JPMorgan Chase & Co. in Mexico City. The government estimates violence saps 1 percentage point from gross domestic product.

Brother to replace slain candidate in Mexico vote

Ciudad Victoria, Mexico (AP) -- The brother of a gubernatorial candidate assassinated in northern Mexico was named Wednesday to run as his replacement in this weekend's election.

Egidio Torre, older brother of slain candidate Rodolfo Torre, said he consulted with his family before agreeing to fill in as the Institutional Revolutionary Party's candidate for governor of Tamaulipas state, across the border from Texas.

"I have accepted to be the substitute candidate for governor of the state of Tamaulipas despite the profound pain," Torre said at a news conference. "I'm inspired by my brother's death."

Torre, a 53-year-old engineer and real state developer with little political experience, said he wants to fulfill his brother's campaign promises.

"All Tamaulipans have to preserve his aspirations and keep alive the dream presented by an extraordinary man," Torre said.

Gunmen ambushed Rodolfo Torre's vehicle Monday as he headed to the airport in Ciudad Victoria, capital of Tamaulipas. Four of his companions were also killed.

Rodolfo Torre, whose name will appear on Sunday's ballots, was viewed as the front-runner in the Tamaulipas governor's contest.

Eleven other Mexican states will also elect governors Sunday amid a wave of attacks and threats from organized crime against politicians.

President Felipe Calderon said Torre's slaying was an attempt by drug gangs to sway local and state elections. State authorities investigating the attack have made no arrests or determined a motive for the killings.

Rodolfo Torre was the first gubernatorial candidate assassinated in Mexico in recent memory. He was the highest-ranking candidate killed since Luis Donaldo Colosio, also a member of PRI, was gunned down while running for president in 1994.

Man arrested for killing US consulate employee, 2 others in Mexico

Mexico City - Mexican police arrested a 41-year-old man in connection with the murders of a US consulate employee, her husband and a third person, the chief of the anti-drug police, Ramon Pequeno, said Friday.

The American consulate employee, her husband - who worked in a US prison - and the husband of a Mexican employee of the mission were killed in the northern city of Ciudad Juarez on March 13. The three had attended the same social gathering, but the US couple was killed in one incident and the Mexican man was killed minutes later - in both cases while were driving.

The suspect was said to belong to the Los Aztecas cartel and the hit was reportedly ordered because the consulate employee was believed to have given visas to members of a rival drug gang - the Juarez cartel.

In response to the killings in Ciudad Juarez, the US State Department authorized the temporary relocation of employees' families working in six consulates in the border area.

Ciudad Juarez, in the state of Chihuahua and across the border from the US city of El Paso, Texas, is widely regarded as the most violent city in Mexico. It reported more than 2,600 killings last year, of a total of over 7,700 across Mexico.

Drug War Bleeds Into Mexican State Elections

Voters in Mexico go to the polls this weekend in almost half of the country's 31 states. Twelve governors' offices and numerous mayors' posts are up for grabs. The campaigns have

been marred by violence, natural disasters and allegations of criminal conduct by some candidates.

Just days before the elections, the leading candidate for governor in the northeastern state of Tamaulipas was gunned down in a gangland-style hit. Mexican President Felipe Calderon blamed it on the nation's drug cartels.

The assassination this week of Rodolfo Torre Cantu shook Mexico from rural pueblos to the presidential palace.

Torre was the gubernatorial candidate for the PRI, the Institutional Revolutionary Party, and polls showed him with a wide lead. On Monday, gunmen attacked his campaign convoy on the main road to the airport at 10:30 a.m., killing Torre and four other people in his entourage.

It was the most high-profile political assassination in Mexico since presidential candidate Luis Donaldo Colosio was gunned down in 1994.

'Right Now, It's Out Of Control'

In downtown Ciudad Victoria, the state capital, Hugo Enrique Gomez says Torre's murder shocked him. Enrique, a 24-year-old who just graduated from college, says Mexico has become a failed state. If the criminal gangs can gun down a man who was just a week away from becoming governor, he says, they can kill anyone.

"Right now, it's out of control," he says. "The problem has to be attacked at its roots."

It will be hard, Enrique says, but people have to put aside their ideologies and eradicate this problem "in order to protect ourselves."

National leaders of the PRI converged on Ciudad Victoria this week for a memorial service for Torre and to choose a replacement for him on Sunday's ballot. They picked Torre's older brother, Egidio.

Standing in front of a huge banner from Rodolfo's campaign, Egidio Torre called on voters to not be intimidated by the violence.

And because it's too late to change the names on the ballot, Egidio called on residents to check the box for his dead brother, which will count as a vote for him.

Egidio promised that if elected he'll carry out Rodolfo's agenda.

Critics: No Democracy in Tamaulipas

And there is little doubt that Egidio will be elected. The PRI has ruled Tamaulipas continuously since 1929. While the conservative National Action Party, or PAN, broke the PRI's 70-year grip on the presidency in 2000, the party's machinery remains in power in many states.

Mexico's president, Calderon, is from the PAN. His hugely unpopular and bloody drug war is expected to help the PRI on Sunday.

Of the 12 governors' races being held, PRI candidates are leading in the polls in 11 of them.

Eduardo Alcala Ruiz, a lawyer and former professor at the Autonomous University of Tamaulipas, says the PRI's decision to install Torre's brother as its candidate for governor is one more example of how there is no democracy right now in Tamaulipas.

Alcala understands the power politics of Tamaulipas well. He was trying to run for mayor in Ciudad Victoria for the Convergencia party. He had launched his campaign, but then party leaders told him that he couldn't run and that they would put forward no candidate in the mayor's race. Now he is calling for independent candidates to be allowed on the ballot.

Alcala says that all of the political party heads in Tamaulipas have been "co-opted by the state government."

"They're practically employees of the governor," he says.

And Alcala says politics, government and organized crime are all intertwined in the state. Tamaulipas will never be able to address the rampant drug-related killings, he says, until it deals with the corruption that allowed the cartels to flourish in the first place.

Mexican governor's guard accused of drug ties

Mexico City (AP) - The bodyguard of a Mexican state governor was ordered jailed Tuesday pending an investigation into allegations that he belongs to a drug cartel, one of a string of scandals that plagued weekend elections.

Ismael Ortega Galicia, a bodyguard for Tamaulipas Gov. Eugenio Hernandez, was detained for questioning over the weekend after the newspaper Reforma reported he was on a U.S. Treasury Department list of key members of the Gulf or Zetas gangs.

A judge ordered Ortega held for 40 days pending an investigation, the federal Attorney General's Office said in a statement.

His arrest came a week after gunmen killed the governor's hand-picked successor, Rodolfo Torre. However, officials at the Attorney General's Office said Ortega was not under investigation for the attack.

The Institutional Revolutionary Party chose Torre's brother, Egidio, to run in his place, and he easily won Sunday's election.

Hernandez's government has defended the bodyguard, saying Ortega has been arrested several times before and released for lack of evidence. Tamaulipas officials also say Ortega has accompanied the governor on several trips to the United States without being detained or having any problems, despite the Treasury Department listing.

Treasury Department official did not immediately respond to requests for comment.

The Gulf and Zetas gangs are former allies fighting a bloody turf war in Tamaulipas, a state bordering Texas from where both cartels emerged.

Torre and four of his companions were killed when gunmen ambushed his campaign caravan June 28.

President Felipe Calderon called the assassination an attempt by drug cartels to sway elections for governors, mayors and local posts in 15 states. Calderon's government called Torre an honest man with no corruption scandals in his past, but leaders of the president's National Action Party have long insinuated Torre's party protects cartels in Tamaulipas.

Such allegations also shadowed elections for governor in the states of Sinaloa and Quintana Roo.

Meanwhile, the Public Safety Department said in a statement that it had arrested a man in the June 30 killing of a top prosecutor for the northern state of Chihuahua.

The prosecutor, Sandra Salas, had been responsible for evaluating the work of public prosecutors and special investigatory units in Ciudad Juarez, which borders El Paso, Texas.

The department said the suspect, Cristian Rosado, was arrested Monday and told investigators that Salas was killed because she meddled into the dealings of the La Linea, the enforcement arm of the Juarez cartel.

The statement said Rosado began working as a hit man for the cartel two months ago and had been involved in at least 15 killings.

Also Tuesday, police found the body of a reporter who was shot to death in a western Mexican town plagued by drug gang violence- the sixth journalist reported slain in the country this year.

The Michoacan state Attorney General's Office said Hugo Olivera's body was in his pickup truck in Apatzingan. He had last talked to his family Monday night.

Olivera, 28, reported for La Voz de Michoacan, a main newspaper in the state that is a stronghold of La Familia cartel. He was also editor of the newspaper El Dia de Michoacan.

The National Human Rights Commission says 63 journalists have been killed in Mexico since 2000. Press freedom groups say Mexico is one of the world's deadliest countries for journalists.

Both sides claim victory in Mexican state elections

Mexico's main opposition party, which ruled the country for 71 years until 2000, claimed victory on Monday after widespread wins in state elections, but also suffered unexpected losses. The Institutional Revolutionary Party (PRI) appeared to have won nine out of 12 available state governorships, according to initial results, the same number it had before, giving it a total 19 of 32 countrywide.

But it also saw losses in large states it had dominated for years, against unlikely coalitions between the left and right.

The elections were a major test ahead of presidential polls in 2012 and were seen as an unofficial referendum on Mexican President Felipe Calderon's war on violent drug gangs.

Final results - also for mayors and local deputies in 14 states - were expected by Wednesday.

"We are the indisputable main force in the country," said Beatriz Paredes, national leader of the PRI - which won back a majority in the lower house in 2009 - on Televisa channel as early results came in.

But Mr Calderon's conservative National Action Party (PAN) also claimed success after winning three PRI stronghold states.

"It's a historic day. We're back, happy to return to the path of victory," said national PAN leader Cesar Nava, claiming that the party had increased its support base by 50 percent by winning higher-populated states.

The PAN beat the PRI in Puebla, Sinaloa and Oaxaca under uneasy coalitions with the leftist Democratic Revolution Party (PRD), which had refused to recognize Mr Calderon's presidential win in 2006, claiming fraud.

Analysts questioned whether the coalitions could work in further efforts to take on the PRI, which is seen as centrist.

Sunday's elections in nearly half of the nation were a test of whether the drug cartels had been able to intimidate voters enough to keep them at home. Four of the states choosing governors on Sunday - Chihuahua, Sinaloa, Durango and Tamaulipas - are among the country's deadliest.

Campaigning was blighted by drug gang intimidation as suspected cartel hitmen murdered two candidates. In Chihuahua, which shares a border with the US, four bodies were found hung Sunday morning from different bridges.

The vast majority of citizens did not show up to vote in the northern state of Tamaulipas, where the leading gubernatorial candidate was killed a week ago by suspected cartel gunmen.

Mexico analysts: PRI victories no assurance for 2012

(CNN) -- Mexico's leading opposition party captured most of the 12 governorships at stake in Sunday's elections, but that doesn't mean the party is assured of victory in the 2012 presidential election, analysts said Tuesday.

Final or near-final results Tuesday show that candidates from coalitions led by the Institutional Revolutionary Party, known by its Spanish acronym PRI, won or had seemingly insurmountable leads in seven of the 12 governor's races.

The PRI also led in two other states, though the results there remained in dispute Tuesday.

President Felipe Calderon's PAN party led comfortably in three races, according to results posted by the state-run Notimex news agency.

But despite the seeming PRI supremacy, the party failed to win any more seats than it already had before the election. And, if the results hold, the PAN will have picked up one seat. The third major party in the nation, the PRD, lost one seat.

"The election results have demonstrated that the PRI is far from invincible," said Andrew Selee, director of the Woodrow Wilson Center's Mexico Institute.

Sunday's elections were watched closely as a possible indicator of the political winds two years before the presidential elections.

Calderon, who narrowly won the presidency in a disputed vote in 2006, has been mired in a controversial war on drug cartels in which more than 22,000 people have been killed since he came into office. The Mexican economy also has faltered due to the global economic downturn.

Calderon's PAN party did not fare well in midterm congressional elections last year, and many analysts expected a rout by the PRI this year.

"The results tell quite a different story," Selee said.

"The PRI learned you can't do politics as usual and think you're going to win," said Ana Maria Salazar, a television and radio political commentator in Mexico City.

The PRI, which ruled Mexico for most of 70 years, needs to be perceived as modern and more democratic, Salazar said.

Sunday's outcome was noteworthy too, analysts said, because six of the 12 governorships at stake could change from one party to another. That seems to show voter discontent regardless of which party is in power.

The PRI would pick up governorships from the PAN in Aguascalientes and from a PAN-led coalition in Tlaxcala, while in Zacatecas it would replace the third major party in the nation, the left-leaning Party of the Democratic Revolution.

PRI victories by large margins in the three states would be significant, Selee said.

Zacatecas had been governed by the PRD for 12 years. Aguascalientes had been governed by the PAN for 12 years. And Tlaxcala had been governed by the PAN for six years and the PRD for six years before that.

But the PAN victories also carry weight, the analysts said.

PAN, which is the Spanish acronym for National Action Party, had seemingly unbeatable leads in the states of Oaxaca, Sinaloa and Puebla, Notimex said. PAN candidates in the three states led by between 5 and 11 percentage points with at least 90 percent of the votes counted.

Those would be strong PAN victories because the PRI had never lost a statewide election in the three states, Selee noted in a blog post.

"Today we wrote a new history for Puebla and the best is yet to come for Puebla," said apparent Gov.-elect Moreno Valle.

Still, the PRI racked up impressive victories.

With 100 percent of the votes counted, the PRI won the governorship in the states of Aguascalientes and Hidalgo, Notimex said.

In addition, with more than 90 percent of the votes counted, the PRI had insurmountable leads in Chihuahua, Quintana Roo, Zacatecas, Tamaulipas and Tlaxcala.

But recounts seemed likely in Durango and Veracruz, where PRI candidates held slight leads.

In Durango, the PRI candidate led by 1.7 percent with 98 percent of the votes counted. The PRI candidate's lead was less than 3 percent in Veracruz with more than 95 percent of ballots tallied.

In Tamaulipas, the brother of slain PRI gubernatorial candidate Rodolfo Torre Cantu had a 31-point lead Tuesday with nearly 95 percent of the votes counted. The PRI picked Egidio Torre Cantu to take his brother's place after the candidate's assassination Monday. The slain Torre Cantu was the front-runner in the race before the ambush that killed him and three others.

In Oaxaca, the PAN candidate led by 8 percentage points with more than 95 percent of the ballots tallied. A PAN victory would end an 80-year-rule by the PRI.

In addition to the governorships, many municipal and state legislative seats were at stake Sunday.

The PRI seemed to fare well in those, winning the municipal elections in Tijuana and Ciudad Juarez, Selee said. The two large cities are important battlegrounds in Calderon's battle against organized crime.

"Indeed, the PRI won all five municipalities in Baja California, long a bastion of the PAN," said Selee.

Salazar and Selee also pointed out that victories by the conservative PAN seemed to be made possible by alliances with the leftist PRD and other parties.

"The only way the PAN and PRD could win was to go into these strange and awkward coalitions," Salazar said.

"PRI can take solace in that the other parties could only win by joining forces, something that is unlikely to be repeated very often and certainly not in the 2012 presidential elections," Selee said.

Both analysts also noted that the PAN-PRD coalition won with candidates who were not members of either party or were former PRI members.

The PRI held the Mexican presidency for 71 years until the PAN captured the top spot in 2000.

That type of institutional political machinery can make for a formidable opponent in the 2012 presidential election.

"The PRI was not a winner [Sunday] in the sense of the expectations," Salazar said. "But, clearly, the PRI is a force to contend with."

Salazar said it's too early to handicap the 2012 race "because you don't know who the candidates are yet."

But she said the party is "extremely well-positioned to take over in 2012."

Selee agrees with that assessment.

"Despite some gains for the other parties," he said, "the PRI remains by far the strongest party and the one to beat in the 2012 elections."

Mexico mayor, state official killed in plane crash, government says

(CNN) -- The mayor of Piedras Negras, Mexico, and the secretary of public works and transportation in the state of Coahuila were killed in a plane crash Wednesday, the government-run Notimex news agency reported.

There was an explosion on the airplane while flying over the Escondido River, Notimex said. The news agency identified the men as Mayor Jose Manuel Maldonado and Coahuila official Horacio del Bosque Davila. The pilot, who was not identified, also was presumed dead. Coahuila Gov. Humberto Moreira Valdes confirmed the deaths, Notimex said. The aircraft, which took off from Piedras Negras, plunged into the Fragua Dam, the news agency said. Notimex said the aircraft was a Piper Cheyenne, a twin-engine turboprop plane. Patricia Rivero of the Coahuila's prosecutors office told CNN officials were still at the scene and she did not have further information.

Mexico seeks to start pork exports to China: minister

Mexico's Agricultural Minister Francisco Mayorga Castaneda said on Wednesday the country is seeking to start pork exports to China.

"China-Mexico trade is still very low. There is great interest on both sides, but we have not completely resolved some food and animal health issues," the minister said during an interview with Xinhua.

During a visit to China in 2008, Mexican President Felipe Calderon signed a deal with his Chinese counterpart Hu Jintao on duty-free export of Mexican pork into the Chinese market.

However, no pork has so far been exported because China has not yet sent animal hygiene inspectors to Mexico.

Castaneda said he plans to visit China at the end of this year in hope of reaching an agricultural trade agreement with China.

"I believe that an (agricultural) agreement between the two governments is close, so that trade can grow," he said.

"If there is substantial progress on the technical aspects, the agreement might be signed when I visit," he added.

The minister said Mexico is also interested in exporting chicken parts to China and elsewhere in Asia, citing chicken guts, claws and crests as possible exports.

He added that Mexico and China have many cooperation opportunities to share knowledge, research, development and technologies in the field of agriculture.

"But both nations must start to make efforts to speed up our work so that the animal hygiene and technology sharing mechanisms can be accelerated," the minister said.

Detailed Report/Paraguay

Paraguay: An Alleged Hezbollah Arrest

A Paraguayan judge on June 16 ordered Lebanese national Moussa Ali Hamdan to be held in preventive custody pending a formal extradition request from the United States, which could take up to six weeks. Hamdan was arrested by Paraguayan authorities with the aid of Interpol on June 15 in Ciudad del Este, Paraguay, on suspicion of running criminal enterprises in Philadelphia in the United States. Hamdan faces 30 counts of manufacturing counterfeit money and documents and trading stolen vehicles and video games. Hamdan allegedly sent the proceeds of his criminal enterprises back to Lebanon to finance operations for Hezbollah, which is a U.S.-designated terrorist organization. Hezbollah has had a long history of financing operations through criminal means, particularly in the tri-border area (TBA) of South America.

The TBA sits at the intersection of the Parana and Iguazu rivers and comprises Ciudad del Este in Paraguay, Foz do Iguazu in Brazil and Puerto Iguazu in Argentina. Ciudad del Este is connected to Foz do Iguazu by the east-west Bridge of Friendship, while Puerto Iguazu is connected to Foz do Iguazu by the north-south Tancredo Neves International Bridge. The TBA has a long history of corruption, lawlessness and organized criminal activity, due in large part to its geography and its status as a decent-sized population center of about 460,000 sequestered from each country's core population center. The lack of law enforcement combined with the natural and manmade transportation infrastructure in the region makes the TBA an attractive location for money laundering, arms and drug trafficking, or any organized criminal operation, for that matter.

Because of this, Hezbollah has had a presence in the TBA since the 1980s. There is also a large Arab — particularly Lebanese — diaspora in the region, especially in Ciudad del Este, where Hamdan was arrested. Hezbollah uses the TBA as a transshipment point for operatives and uses the proceeds from its illicit activities in the region to finance operations in the Middle East. It is believed that the March 1992 vehicle-borne improvised explosive device (VBIED) attack against the Israeli Embassy and July 1994 VBIED attack against a Jewish community center in Buenos Aires, Argentina, were carried out by Hezbollah operatives from the TBA.

Hezbollah also has been quite active in the United States in financing operations through illicit activities, like those Hamdan allegedly engaged in, and through seemingly legal front companies. A popular tactic for Hezbollah financing is stealing cars in the United States and reselling them in the Middle East, particularly Lebanon, due to the high volume of luxury cars in the United States compared to other countries.

The details surrounding Hamdan's activities and alleged criminal enterprises in the United States and the TBA remain unknown, but his arrest indicates a continued push by Hezbollah to fund operations throughout the world from the West's pockets, and the U.S. government's continued effort to crack down on Hezbollah's funding system.

Detailed Report/Venezuela

Venezuela and Brazil to sign deals on oil and power

Hugo Chavez and his Brazilian counterpart Luiz Inacio Lula da Silva will sign cooperation deals worth at least \$ 2 bn on oil and power generation, the Venezuelan president said.

"We are going to sign a package of agreements following what Lula was talking about in Caracas: speeding up the pace" of cooperation, Chavez said in a meeting of his cabinet broadcast on VTV state television.

The leaders will sign one pact worth \$ 2 bn to build in north-eastern Venezuela a petrochemical plant to process polypropylene with Brazil's Brasquen, Chavez said. He and Lula will sign other agreements on electricity -- as Venezuela confronts lingering shortages -- as well as finance, farming, and cars.

"The political relationship that we have consolidated has been a victory for both of us," Chavez argued in the meeting.

The two will meet at a series of regular direct talks, which they have been taking turns holding in each country. Chavez also meanwhile took sides in Brazil's upcoming presidential vote. He said he hoped Lula's ruling party candidate Dilma Rousseff, whom he called a "friend," would win. With Lula's Workers Party, she would be Brazil's first woman president. "The Brazilian people will decide who they want to elect but one has one's little opinion," Chavez joked, noting "there is a nice friendship between us."

Rousseff has been running second in opinion polls behind social democrat Jose Serra leading up to the October vote.

Cuba joins search for oil in Venezuela

Cuba and Venezuela will jointly develop four oil fields in eastern Venezuela, the Venezuelan publication 2001 said.

The Venezuelan National Assembly gave its blessing to a joint venture between Corporacion Nacional de Petroleo, a branch of PdVSA, and Cuba's Comercial Cupet. For the next 25 years, the new company may carry out exploration, extraction, collection, transportation and storage of crude oil in the states of Anzoátegui and Monagas. It must then sell to PdVSA "all the crude oil and associated natural gas that it produces and does not consume," the pact says.

Venezuela and Cuba already have joint control over the Camilo Cienfuegos refinery in south-central Cuba. In 2008, Caracas sent to Havana 115,000 bpd of crude oil and derivatives, according to PdVSA.

Not coincidentally, President Raul Castro met with Rafael Ramirez Carreno, the Venezuelan Energy and Oil Minister and president of PdVSA. Ramirez spent two days meeting with Vice President Ricardo Cabrisas Ruiz.

Iran and Venezuela establish joint oil company

Iranian state-owned oil company Petropars and Venezuelan national oil company PdVSA founded a joint oil company "Veniroc" as each country holds 50 % of the total share. "The company is founded in Spain and we are in talks to implement joint projects," Petropars Managing Director Gholam Reza Manouchehri told. He also said Veniroc officials are in talks to build a refinery in Syria and added that, "Iran and Venezuela will put the project into practice if our demand is accepted".

The Syrian refinery is to produce 140,000 oil bpd co-financed by Iran, Venezuela and Syria. The refinery is to receive 20 % of Iran's heavy oil, 30 % of Venezuela's super-heavy oil, 25 % of Syria's heavy oil and 25 % of its light oil.

The project needs \$ 2.6 bn investment, 33 % of which is to be financed by Venezuela, 26 % by Iran, 26 % by Iran and 15 % by Syria.

Chávez, Morales and Correa close 10th ALBA summit

Presidents Hugo Chávez (Venezuela), Evo Morales (Bolivia) and Rafael Correa (Ecuador) closed on Friday the 10th ALBA summit in the Ecuadorian city of Otavalo, which focused efforts on integration plans and the recognition of black and indigenous culture.

Presidents and representatives of ALBA countries, including Cuba, Nicaragua, Antigua and Barbuda, Dominica, and St. Vincent and the Grenadines, signed the declaration of the summit, which includes items on racism, climate change and trade that were discussed at several roundtables.

Delegates discussed ways to boost "pluri-national states" and made several calls; including actions to avoid that "history remains written from the European or the Anglo-Saxon point of view" and to promote that "countries have environmental policies to protect ecosystems."

About 300 government delegates as well as indigenous and black representatives from the Bolivarian Alliance for the Peoples of Our Americas (ALBA) met since Thursday in the Ecuadorian town of Otavalo.

Chavez hails anti-capitalism role as Assad visits

Caracas (AFP) – Venezuelan President Hugo Chavez hailed the battle against capitalism as a "key role" shared by Caracas and Damascus on Saturday during a visit with Syrian President Bashar al-Assad.

Chavez said Assad's trip was "historic" because it was the first by a Syrian leader to Venezuela, as the pair met as part of a regional tour to reinforce economic ties.

"For the first time, the Syrian president crossed the Atlantic and chose Caracas as his first stop," Chavez said, adding that it was an honor for Venezuela to receive him.

Chavez said Assad's visit was part of a "strategic project of cooperation to build the Caracas-Damascus axis" linking the two socialist countries.

"Our calling is to play a key role in freeing the world (by fighting) against imperialism, against capitalist and neoliberal hegemony that today threatens the survival of the human race," Chavez said.

"Syria stands before the world as an dignified people who continue raising the banner of Arab socialism, of which your father was one of the great leaders," he added, referring to the late Syrian president Hafez al-Assad (1970-2000).

Assad, in turn, praised Chavez for his role in "supporting just causes both in Latin America, our own region and throughout the world."

"Few politicians are brave enough to say 'no,' when it's needed," Assad added.

Accompanied by his wife, Asma, the Syrian leader arrived in Caracas on Friday. He and Chavez are expected to sign a series of agreements, including the joint construction of a refinery in Syria with a 140,000 barrels per day capacity.

Chavez and Assad last met in Damascus in September 2009.

Assad's tour of Latin America, after Venezuela, will take him to Brazil and Argentina. All three countries are home to large communities of Syrian émigrés.

The Syrian president will also visit Cuba to strengthen traditionally close ties, Syria's official SANA news agency said Friday as Assad was leaving Damascus.

Arturo Valenzuela declares

US Government: "Relationship with Venezuela is the toughest we have". The US diplomat does not see President Hugo Chávez "eager" to have a good relationship.

For the United States, its relationship with Venezuela is the toughest in Latin America, because Washington does not see a serious intention to talk by the government of President Hugo Chávez, Assistant Secretary of State for Western Hemisphere Affairs Arturo Valenzuela said on Monday.

"To be honest, it is the most difficult relation we have at this particular time, because we do not

see much willingness for their part to have the type of relationship we deem important," Valenzuela said during an event in Washington, AFP quoted.

"Truthfully, we do not see much willingness by Venezuela to have a talk with us," the senior officer reasoned.

According to Valenzuela, since his inauguration, US President Barack Obama has made "a significant effort to change the atmosphere" of the US-Latin American relations.

With almost all countries "we have bolstered a partnership," but with Venezuela "we are still in a situation where we wonder: 'do they really want a dialogue?'"

U.S. Picks New Venezuela Ambassador Amid Strained Relations

Caracas--U.S. President Barack Obama has nominated a new ambassador to Venezuela, a move the outgoing envoy said might lead to a "new phase" for relations between the two countries, which have been strained for years.

Larry Palmer, a career foreign-service diplomat, must still be confirmed by the U.S. Senate before taking his post. He will take over for Patrick Duddy, who began serving as ambassador in Caracas in August 2007 and who was once kicked out of Venezuela and labeled "persona non grata" by President Hugo Chavez's government.

Palmer is currently president and chief executive of the Inter-American Foundation in Washington, according to a statement on the White House website. Mr. Palmer was also once an ambassador to Honduras and served as a Peace Corps volunteer in Liberia.

Outgoing Ambassador Duddy, speaking on Union Radio station Tuesday in Caracas, described his nearly three years as envoy as "difficult" and "complicated," given Chavez' anti-American government rhetoric. He said it was hoped that the change in U.S. leadership to Obama from the previous administration might smooth relations, but said that hasn't been the case.

"Ever since the Obama administration came in, we've tried to make our 'I'm with you' intentions clear [to the Chavez government], but it's been very difficult," Mr. Duddy said.

He called incoming Ambassador Palmer a "very experienced" diplomat who has the full confidence of the Obama administration and who understands the challenges the U.S. government faces in the region.

Relations have been mostly tense between the U.S. Embassy in Caracas and the Chavez government ever since Chavez took power in 1999.

Mr. Chavez booted Ambassador Duddy out of Venezuela in September 2008 to show solidarity with Bolivia after its president, Evo Morales, removed the top U.S. diplomat in

Bolivia for allegedly inciting violence. Washington denied the charges from Bolivia, and followed by sending home Venezuela's and Bolivia's envoys in Washington.

Mr. Duddy was allowed to come back to Caracas in June 2009, where he has been since. Venezuela's ambassador to the U.S., Bernardo Alvarez, has also returned to his post in Washington.

Mr. Chavez, a declared Socialist, often calls the U.S. "the evil empire," and over the years has expelled several "gringo" companies and seized their assets while criticizing the U.S. capitalist system.

Just last week, the Chavez government announced plans to nationalize 11 oil rigs owned by Oklahoma-based Helmerich & Payne Inc. (HP). A U.S. State Department official quickly told the Chavez government that, if it does seize the rigs, it should pay for them.

Despite the uneasy political relations, the U.S. remains by far the top buyer of Venezuelan oil, which is the South American country's main export.

A start date for the new ambassador wasn't announced.

Obama seeks continuity in relations with Venezuela

Foreign policy analyst Peter Hakim said that the appointment of Larry Palmer as the new US Ambassador to Venezuela seeks continuity of relations between Venezuela and the United States.

Larry Palmer, the diplomat nominated by Barack Obama's Administration as the new ambassador to Caracas has a solid career in foreign relations, as he has been US Ambassador to Honduras and Chargé D'Affaires in Quito. However, his résumé is not very different from his predecessors. Therefore, foreign analysts believe that this move suggests that the US is seeking continuity in bilateral relations.

"He (Palmer) is a person with an outstanding career. He has done a good job in Honduras, his previous diplomatic post. He has also managed effectively the Inter-American Foundation; but he is not a person with an extensive diplomatic experience in critical situations such as the one between Venezuela and the United States," Peter Hakim, analyst and president emeritus of the Inter-American Dialogue said.

While Palmer has worked in countries facing conflicts, such as Sierra Leona and South Korea, he lacks experience in countries that have a direct conflict with the US, and has not participated in special negotiating committees.

Chávez holds bilateral meeting with Ecuador's Correa

The two Latin American presidents discussed bilateral trade issues in the meeting held in Caracas. Venezuela's President Hugo Chávez welcomed on Tuesday his Ecuadorian counterpart Rafael Correa at Miraflores Palace, the official seat of the executive branch of government in Venezuela, to discuss bilateral trade issues.

Both Heads of State reviewed six main bilateral issues related to social sovereignty, scientific knowledge, security and defense, productivity and financial, energy and trade issues.

The Ecuadorian President participated on Monday in a series of events to celebrate the 199th anniversary of Venezuela's Independence Day. Correa was the keynote speaker in a special session held in the National Assembly.

Venezuela arrests top Colombian drug trafficker

A top Colombian drug trafficker wanted by the US has been arrested in Venezuela, officials said Tuesday.

Alberto Renteria Mantilla is one of the top leaders of the powerful Norte del Valle drug cartel. The US had offered a \$5-million reward for his capture.

Renteria Mantilla was arrested Monday in Altamira city east of Caracas in a joint operation between the country's drug enforcement unit and British intelligence agents.

The Norte del Valle cartel is considered one of the largest drug trafficking organisations in the world.

Its leader Diego Leon Montoya is blamed for killing about 1,500 people over the past two decades. He was arrested in 2007 and was extradited to the US in 2008.

The Norte del Valle cartel has been accused of smuggling 500 tones of cocaine into the US via Mexico between 1990 and 2004.

Colombia's Santos Invites Chavez to Inauguration

Bogota (Reuters) - Colombian President-elect Juan Manuel Santos has invited Venezuelan leader Hugo Chavez to attend his inauguration in August, local media reported on Wednesday, in a possible sign of warming ties between the neighbors.

Strained relations with Andean neighbors -- including a spat with Ecuador over a 2008 raid on leftist rebels, and frayed ties with Venezuela that have hurt trade -- are the top foreign policy challenges facing Santos, who takes over from incumbent leader Alvaro Uribe in August.

"I'm very pleased with the statements of President Chavez. I hope he can also attend," Santos was quoted as saying from London in Colombia's El Tiempo newspaper.

Santos was responding to a statement by Ecuadorean President Rafael Correa that he would attend if invited.

Caracas and Bogota have sparred over a plan to allow Washington more access to Colombian bases to help combat drug runners and leftist guerrillas.

The socialist Venezuelan leader said last week he would shake Santos' hand, but also asked the former Colombian defense minister to respect Caracas. Chavez has also called on Santos to end U.S. access to Colombian bases.

Chavez sees Colombia's close relations with the United States as a direct threat to his government and relations could hit rough ground after Santos takes office.

When asked by reporters about Chavez's possible attendance at the inauguration, Uribe said on Wednesday he hoped it would not just be for the sake of appearances, but for better ties.

"This topic should not be about cosmetics nor appearances, what is needed here is a commitment," he said. "Colombian diplomacy should not return to hypocritical appearances."

Santos has named a former ambassador to Venezuela as foreign minister, a move that may be a step toward easing tensions.

Venezuela extradites Salvadorian terrorist to Cuba

Salvadorian terrorist Francisco Antonio Chavez was extradited Wednesday night by Venezuela to Cuba to face charges for a series of bombings, the Cuban Interior Ministry said.

According to local NNTV, Venezuelan authorities detained him at the Caracas airport last week under an Interpol arrest warrant at the request of Cuba.

Chavez traveled to Caracas with a forged passport for the purpose of committing disruptive acts, said the NNTV.

Chavez is the most wanted man by the Cuban authorities due to his participation in the bombing of Cuban hotels in 1997.

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