

BUSINESS AND POLITICS IN THE MUSLIM WORLD

News Monitoring Report No. 123 on Latin America

Reference period: June 04-11, 2010

Presentation: June 16, 2010

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Book Reviews

Title:

The Last Forest: The Amazon in the Age of Globalization.

Authors: Feinberg, Richard

Source: Foreign Affairs; Mar/Apr2007, Vol. 86 Issue 2, p175-175, 1/3p

Document Type: Book Review

Reviews & Products: **The Last Forest: The Amazon in the Age of Globalization (Book)**

People:

LONDON, Mark

KELLY, Brian

Abstract:

This article reviews the book "The Last Forest: The Amazon in the Age of Globalization," by Mark London and Brian Kelly.

A journalist-lawyer team return to Brazil to update their 1983 book, Amazon, and find a world transformed: conservationists who hoped to fence off the Amazon have been swept aside, while deforestation and development proceed at a feverish pace. Yet London and Kelly strike a generally hopeful tone. Brazilians are increasingly engaged in debating how best to marry economic development and environmental sustainability in the context of "the world is flat" globalized markets. The authors introduce us to smart government planners, innovative scientists, and self-confident entrepreneurs experimenting with sophisticated syntheses; given the vastness and variety of microclimates in Amazonia, no single formula seems likely to emerge. Particularly fascinating are the comparisons with the opening of the American West and the serious threat that booming Amazonian agriculture--blessed with abundant sun, rain, land, and cheap labor--poses to subsidized U.S. farmers. Enamored of Brazil, the authors mimic local hostility toward the international environmental movement, even as they record its catalytic role in fostering Brazilian environmentalism. Although not always analytically precise, The Last

Forest offers an enthralling, eye-opening journey through the planet's wealthiest, most contested remaining frontier.

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By Richard Feinberg

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## **Report Summary/Argentina**

### **Political Issue**

According to three polls the approval rating of the current president Fernandez increased till 29 from 20 percent which was decreased few months back due to stagnant economy of the country. It is also hoped she could bring her predecessor and husband Nestor Kirchner back but the bad economic policies are hurdles are in it. Some economists believe that economic policies are going to get better and economy will grow at least 5 percent this year. They critically see the economic policies of Fernandez which were causing decline in the economy last year when a tussle of government started with the farmers but now car export to Brazil has started once again and soy production has started enough again which will bring economic growth in this year.

### **Economic Issue**

### **Social/Humanitarian Issue**

### **Food, Environment and Energy Issue**

Defense ministry of Argentina announced that an agreement between Argentina and Uruguay has signed by which both states will cooperate with each other in defense related issues. The defense ministry also said it is observing to use nuclear technology to power its naval vessels. Russia is using nuclear technology for its small fleets and naval vessels and advancing more this technology now.

### **Geostrategic Issues**

## **Report Summary/Brazil**

## **Political Issue**

One of the Brazilian film makers who was arrested by the Israeli forces when she was going to Gaza in Freedom Flotilla from Turkey has said Israeli forces did not allow her to contact her embassy in Israel. She said the Israeli forces were saying her to release on the condition if she sign a document that she entered in Israel illegally. Brazilian government called Israeli ambassador in Brasilia and recorded its protest against the incident and asked United Nations for a free and fair enquiry of this incident.

According to the latest poll by Ibope, Mr. Serra and Mrs. Rousseff are getting the same points as 37 percent while Green Party's candidate Marina Silva is just getting 9 percent. Mrs. Rousseff was not as much popular before a year but now she is getting high favor of people in polls because she is getting Mr. Lula's policies. Mrs. Rousseff is getting majority of favors from the northeastern part of Brazil which is Mr. Lula's home turf while Mr. Serra's voters are in the south of Brazil. It is said in an analysis that mostly voters are not much serious in election games due to FIFA World Cup but when it finishes on July 11 then this game of election starts in Brazil. And as both candidates are having almost equal favor in the polls so if no one could get 50+1 in elections then there would be a run-off for the president.

Brazil's opposition party candidate Mr. Serra has alleged president Lula's handpicked candidate of espionage by a police and military officer. But the matter is gone to the court for enquiry so that the facts could be brought before.

President Lula said he was offered to make constitutional reforms to contest elections for the third time but he strongly rejected the opinion. He said Worker's Party forced him to contest elections in next term in 2014 and about that he is not confirmed. He said he will think over it and if it would be possible he can contest.

Brazilian president told in a weekly radio show that he has introduced a Bolsa Familia plan which will provide job opportunities that are getting minimum payment from the government. He said in an average about 13 million families receive a monthly aid of 200 reais or 108 U.S. dollars by this social assistance program. He also said major Brazilian cities need 150,000 new construction workers, which will provide job opportunities to the people under the Next Step program.

## **Economic Issue**

## **Social/Humanitarian Issue**

According to a survey of Times, almost 200,000 women of Brazil are going to hospital every year due to unsafe abortions. In spite of ban on abortion, the ratio of abortions is increasing in Brazil. Brazil is a Catholic society which prohibits abortion but these days the number of such cases is increasing which endangers a woman's life. The outgoing president of Brazil has said to the ministry to create the awareness against the abortions that how it is harming the health of a woman rather than discourage it on the basis of morality.

## **Food, Environment and Energy Issue**

Construction of dams in the Amazon area of Brazil has been a controversial issue in the country. The government says the consumption of energy will increase which needs more energy as the current energy isn't sufficient for it. Uruguay River that is at the border of Argentina and Brazil have dams but its energy is being shared by both of the countries and this is why the government would have to make sign energy agreements with its neighboring countries. As far as wind energy is concerned it is not as much cheaper as to create by water in Brazil but the matter is this that some environmental organizations and the movements of indignant people are protesting against the construction of dams in the Amazon because they think it will cause flood which will destroy the houses and wild life of the area.

On the other hand there are some environmentalist and biologists who have studied the ecology of the river argues that not more than 200 families will disturb but indigenous people thinks opposite of it. It is also under observation if the energy could be created by thermoelectric plant because it will emit the greenhouse gas which is environment friendly.

### **Geostrategic Issues**

One of the Brazilian newspapers has mentioned on the importance of the relationships between Brazil and China. In the last visit of Chinese president's visit to Brazil to participate in the BRIC conference in the last month both presidents of Brazil and China have signed several deals related to mutual trade. China is the largest market of Brazilian goods and China is also investing in various sectors of Brazil. Brazilian government has also permitted China to open a steel plant in Brazil with the investment of Chinese government. Other than this Chinese oil company Sinopec has also made agreements with the Brazilian state run oil company Petrobras to invest in Brazil for oil exploration. Sinopec has lent 20 billion dollars to Petrobras and in exchange it will explore oil in the country.

It is also said that along with this investment in Brazil China has some limitations also in its investment. The limitations are due to a fear of unstable market of Brazil and secondly less development in Brazil as compare to United States. If China invests in Brazil as it is doing in United States and the market is not stable tomorrow it has fear of loss in the country. If these dangers are prevented China is ready to invest in Brazil as it is doing in Australia due to feasible circumstances there. Some Brazilian writers say Brazil should also see other countries of the world to invest in its oil sector other than China.

## **Report Summary/Chile**

### **Political Issues**

Mr. Saifur Rehman who was detained by the US embassy officials in Chile on the presence of explosives on his body and belongings hold a press conference and said may be he was captured mistakenly, he said because he is freed by the US officials and Chilean government due to insufficient proves against him.

### **Economic Issue**

Chilean finance minister has said more economic growth is expected in this year which will help reconstruction of infrastructure which was damaged by earthquake. He also said more

foreign investment is required which is possible after proper infrastructure in the country. Before this the president Pinare has announced that \$20 billion will be spent in building infrastructure in four years.

### **Social/Humanitarian Issue**

### **Food, Environment and Energy Issue**

### **Geo-strategic Issues**

## **Report Summary/Mexico**

### **Political Issues**

### **Economic Issue**

### **Social/Humanitarian Issue**

Mexico's foreign ministry told that Mexico is gonna hold a conference of Organization for Economic Cooperation and Development (OECD) for social welfare. The new agenda of this conference would be "Fighting Poverty via Quality Public Services." Mexico lags most OECD nations in health and education, but is one of the better educated nations in the region. Almost 35 industrialized countries of the world are the member of OECD.

Mexican foreign ministry has condemned the killing of 14 years old boy at the Mexican side by the Custom police at the border and asked the US authorities for its free and fair investigation. Last week an old man was also killed by the same border patrolling security forces. According to the right group's report 913 children have lost their lives in the Mexican war against drug cartels. And the rate of killing of the children has increased as compare to 2006 and it is increased triple in Ciudad Juarez which is the most dangerous city of Chihuahua.

55 bodies were found in Guerrero state which is in the south of Mexico. These were found by the families of them when they went to find them in that state and found their relatives who were killed some days ago. Other than these 6 bodies of men and women were also found in another state of Mexico without heads and their hands and legs were bound with a piece of cloth.

### **Food, Environment and Energy Issue**

### **Geo-strategic Issues**

A senior US official has reported that more than half of earnings of Mexican drug cartels are earned by the US market. As a new US-Mexico government study estimates that \$19 billion to \$29 billion is shipped south, then laundered through cash purchases of land, luxury hotels, cars and other high-end items. He said both US and Mexican government governments did enough to detain drug cartels but not to stop their money laundering from US that is their economy. So both governments should also focus on their money blockings from US to Mexico.

Canadian prime minister visited Mexico and discussed the immigration issues with the president of Mexico. He said actually the problem is with Canadian immigration system which encourages people to apply and in this regard the government find many bogus cases along with some genuine cases. He said Canadian government has to spend a lot of money in those bogus cases so the ban on immigration is temporary. In its retaliation Mexican government has also banned issuing visa for the Canadian diplomats and warned the Canadian government it can also be for Canadian citizens.

Prime Minister Harper was alleged that he is also working on US government's style as immigration has banned for Mexican citizens in Arizona. He said Canadian government is fully cooperating with Mexican government as recently in a new agreement it is gonna trained Mexican police to combat with the drug cartels.

## **Report Summary/Venezuela**

### **Political Issues**

Venezuela's top anti-corruption official has barred another opponent of President Hugo Chavez's party and sent him to the prison for two years. He was alleged of fraud in a company but he has rejected it and called his detention as illegal.

President Chavez said an economic war against him is going on in the country. He threatened Venezuela's largest private food company to nationalize it because the largest company Polar is accused of hoarding and flouting the prices of food items. Chavez addressed the president of Polar that if you don't consider I won't do it then you are wrong. The employees of the Polar also protested against the government and Chavez's actions against Polar and demanding their jobs and they said they do not want to lose their jobs because they are happy with their job in Polar and do not want to nationalize it. According to a source a government team went to a storehouse of Empress Polar for inspection but could not find any irregularity there.

### **Economic Issue**

An old official of Venezuelan government has said that due to this economic war the economy of Venezuela is declining continuously. He said oil prices have also declined and now president Chavez's crackdown against the private sector and their nationalization has also affected country's economy. He also said the domestic production of oil is also lowest since 2005.

## **Social/Humanitarian Issue**

## **Food, Environment and Energy Issue**

## **Geostrategic Issues**

Venezuela has received 6 light aircraft planes from China in March and 12 is gonna get more as the deal is of \$18 million. Chavez said he will use these aircrafts to intercept drug traffickers in the region but US accused Venezuela of sprinkling an arm race in the region. Chavez has also got radar from China and made a deal of \$4 billion with Russia by that deal Venezuela will receive tanks, aircrafts and other weapons.

During the 40th Meeting of the General Assembly of the Organization of American States (OAS), Venezuelan Vice-Foreign Minister for Latin American and the Caribbean Francisco Arias Cárdenas criticized the US purchase of arms, deploy its forces in different bases and to support illegitimate president of Honduras.

One of the favorites president of Colombia from Social National Unity Party Mr. Santos has offered Venezuelan president Chavez to make their relationships on mutual respect. He said both countries should respect each other's leaders and increase relationships. Venezuelan government was accused of supporting these rebels groups in the region especially FARC in Colombia which had affected the relationships between both countries. In the mean time Basque parliament has asked Venezuela for its full cooperation with Basque government against ETA and FARC.

## **Detailed Report/Argentina**

### **Economy helps Argentine leader with eye on election**

Buenos Aires, June 4 (Reuters) - A brisk economic recovery is lifting Argentine President Cristina Fernandez's approval ratings from lows of about 20 percent, improving her husband's chances of returning to the presidency next year.

Fernandez took over from her husband and predecessor, former President Nestor Kirchner, in late 2007, but their hopes that he could return to power seemed dim last year as the economy stagnated and their popularity ratings languished.

However, three pollsters say her approval rating has jumped to between 29 percent and 36 percent over the last four months as Latin America's No. 3 economy roars back to life.

The combative Fernandez, who fell out of favor with voters over her handling of a 2008 tax revolt by farmers, is also getting a boost from the opposition's failure to unite and achieve major policy victories since gaining ground in Congress in a mid-term election last year.

"There has definitely been a recovery and it's been fast. What isn't clear is whether it's a strong or sustained trend," said Sergio Berensztein, director of the Buenos Aires-based Poliarquia consulting firm.

Berensztein and political analyst Jorge Giacobbe both say Fernandez and Kirchner's approval ratings have risen to 29 percent in recent months, although the couple still face a rate of rejection of between 60 percent and 70 percent.

The center-left Kirchners have increased state control over the economy, nationalizing private pension funds and soccer broadcasts, imposed some import barriers and also stepped up intervention in financial and grains markets.

Kirchner ruled during Argentina's rebound from the deep 2001-2002 crisis, overseeing a five-year economic boom that helped his wife win an easy victory in the presidential election of 2007.

Things quickly started to go wrong for Fernandez. Voters rejected her confrontational style, especially during the conflict with farmers, and she has been hurt by inflation that remained high during last year's slowdown.

However, she has fought back in recent months, cranking up welfare for poor children and pensioners as she seeks to shore up her support base: union workers and the urban poor in populous Buenos Aires province, which rings the capital.

### Cars, Soy Spur Recovery

That has coincided with a buoyancy in the economy, which barely grew last year due to the global downturn. Now car exports to giant neighbor Brazil have picked up, and a record soy crop is generating foreign exchange income. The economy is expected to grow at least 5 percent this year.

At the same time, no clear presidential contender has emerged among opposition politicians.

Hopefuls include Buenos Aires' center-right mayor, Mauricio Macri, of the Union PRO political party, and Carlos Reutemann, a senator and former governor from a dissident faction of Fernandez's Peronist party.

Fernandez's rogue vice president, Julio Cobos, is one of the country's most popular politicians.

He has become a leading opposition voice since he sided with the farmers in the conflict over taxes, and is expected to rejoin the Radical Civic Union party to run for president.

Despite the improvement in Fernandez's approval numbers, pollsters say the Kirchners are far from establishing a lead. Giacobbé said they have not been able to win over the 60 percent of Argentines who reject a leadership style marked by fiery speeches attacking the media and political opponents.

That suggests the presidential pair may have picked up support from previously undecided voters, rather than winning opposition votes.

So far no hopeful is polling near the 40 percent level, with a 10-point lead, which is what is needed to win a presidential election in Argentina.

Ipsos Mora y Araujo says the approval ratings for the Kirchners are moving back into that range, at about 36 percent, up from 28 percent at the end of last year.

"The next measurement is the one that will show whether it goes up to 38 percent or 39 percent or if it goes back down," said Santiago Rossi, director of Ipsos Mora y Araujo.

"That's when we'll really see if it's a trend because since the farm crisis it's never been above 36 percent," he said, adding that inflation and perceptions of high crime are the issues that will define next year's vote.

Private estimates forecast inflation this year at between 23 percent and 30 percent, much higher than official numbers, which are currently running about 12 percent annual inflation.

### **Argentina highlights regional defense co-operation**

Argentina: Defense Cooperation in the Southern zone of America has made great progress, said Argentinean Defense Minister Nilda Garre, who also referred to several bilateral actions taken in this regard.

"On Wednesday we signed with Uruguay the first cooperation agreement between our Defense Ministries ; with Chile we maintain a joint peacekeeping Southern Cross force and an Argentinean-Peruvian battalion of engineers is expected to be sent to Haiti, she said in a meeting with journalists at the Defense Ministry headquarters in Buenos Aires.

Garre also announced that the UNASUR Defense Council Strategic Studies Center will start "full operation here by 2011." She also referred to Uruguay's interest in the attack and advance training versions of the Argentinean-made Pampa planes, as well as in the modernization of Pucara planes.

### **Nuclear propulsion an option for Argentina**

The Ministry of Defense in Argentina has said it is reviewing the idea of using nuclear reactors to power some of its naval vessels.

Minister Nilda Garre announced the possibility, saying that the country wants to maintain its level of scientific, industrial and technological skills. She said that Argentina did not want to be left out of nuclear propulsion technology.

Small pressurized water reactors already power hundreds of naval vessels in the fleets of China, France, India, Russia, the UK and USA, and benefits can reach the civil industry in terms of skills and supply chain investment. For the navy, the latest reactors can provide propulsion, electricity, air and water for the entire life of a vessel without the need to refuel.

Russia uses nuclear power for a small fleet of civil icebreakers and technology from this program is now being used to create a new type of nuclear power station in which small marine reactors are placed on transportable barges. The first of these is the 'Akademik Lomonosov', under construction now and due to go into operation at Vilyuchinsk in 2012 and supply 64 MWe from two reactors.

As well as four diesel-electric submarines, the larger ships of the Argentine navy include a command vessel with power needs of about 40 MW, a large destroyer with about 37 MW and four smaller destroyers with needs of about 27 MW each.

One potential supplier of reactors to meet these kinds of requirements would be the nuclear technology firm Invap, which has exported several research reactors and developed the Carem power plant design. The company confirmed to *World Nuclear News* that the Ministry of

Defense is evaluating whether the technical resources are available for Argentina to develop its own nuclear propulsion units, adding that references to any Invap involvement were speculative.

### **Detailed Report/Brazil**

#### **Despite Ban, Abortion 'Alarmingly' Common in Brazil, Time Reports**

Brazil has the world's highest proportion of Catholic residents and prohibits abortion in nearly all cases, but one in five Brazilian women of childbearing age has terminated a pregnancy, according to a recent government-funded study, *Time* reports. Some experts estimate that between 500,000 and one million pregnancies end in abortion annually in Brazil, which outlaws the procedure except in cases of rape, danger to the woman's life or severe fetal abnormalities.

According to *Time*, about half of abortions in the country are "induced using a cocktail of drugs," while the rest are performed in "clandestine clinics." About 200,000 Brazilian women are hospitalized annually because of complications from unsafe abortions, Health Ministry statistics show.

*Time* reports that the recent study surprised doctors, who were shocked by the extent of the illegal procedures. Marcelo Medeiros, an economist and sociologist who coordinated the study, said, "I think the big conclusion we draw from this is that the woman who has an abortion is a typical Brazilian woman." He added, "All the evidence shows this is a serious problem and one that is not being debated openly."

Outgoing President Luiz Inacio Lula da Silva has called on the state to discuss abortion as a public health issue, rather than a moral one. However, he has "done little to foster" a debate on legalizing abortion services, and his government has not made maternal mortality -- which is linked to unsafe abortions -- a health priority, *Time* reports. Brazil's maternal mortality rate has remained steady for 15 years, despite increased budget allocations for no-cost contraception, which is offered in all of the nation's 5,565 municipalities.

Adson Franca, special assistant to the Health Minister, said the number of women hospitalized for complications from unsafe abortions dropped by 40,000 from 2003 through 2009, but about 200,000 women are still hospitalized annually. Franca said, "The Health Ministry has said all along that this is a public-health problem. It should be up to the woman to decide how many children to have."

According to *Time*, birth control advocates are "dismayed" that the Catholic Church continues to hold significant sway over Brazil's policies and attitudes toward abortion. About 73% of Brazil's population is Catholic. In May, the country's bishops urged voters in October's presidential elections to support a candidate who is "committed to unconditional respect for life." The two leading candidates both have said they do not intend to change the current law.

Meanwhile, a bill in Brazil's Congress would criminalize any act designed to intentionally harm a fetus and would prohibit statements that endorse abortion. The New York-based Center for Reproductive Rights has said that the bill "totally disregards women's health and lives," and

health professionals are hoping the bill dies by the end of the current legislative session (Downie, Time, 6/2).

### **Brazilian filmmaker detained in Israel, prevented from contacting embassy**

Brazilian activist filmmaker Iara Lee, who was detained Monday during Israeli forces' attack on the Freedom Flotilla, had been initially refused diplomatic contact, Brazil's Foreign Ministry said Tuesday.

Lee was in good health in a prison in the city of Beer Sheeva, south Israel, and was visited Tuesday by the charge d'affaires from Brazil's Embassy in Israel, the ministry said in a statement.

"(Lee) complained that the Israeli authorities did not allow her to contact the Brazilian Embassy yesterday and said her luggage and passports were still retained by Israel," the statement said.

The filmmaker said the Israeli authorities required her to sign a document declaring that she had illegally entered the country as a condition for release.

"Iara Lee reported that she does not intend to sign the document since she was seized by Israeli forces in international waters," the statement said.

"The Brazilian government remains in constant contact with Israeli authorities, urging them to release unconditionally the Brazilian citizen, as required by the UN Security Council Declaration approved by its presidency yesterday," the statement said.

The Israeli army attacked early Monday a convoy of ships organized by the Free Gaza Movement. The convoy, composed of a group of six ships led by a Turkish vessel, was carrying more than 750 people and 10,000 tons of humanitarian aid for the Gaza Strip.

Lee told Brazilian press that Israeli soldiers shot at the heads of some activists, killing about 10 people and leaving dozens injured.

In a statement released on Monday, the Brazilian government condemned the Israeli attack, called on the United Nations to declare repudiation against the attack, and summoned the Israeli ambassador in Brasilia to express outrage over the incident.

### **Race to replace Lula: Tied**

A new poll was released Sunday in Brazil that shows the race to see who will replace Lula as Brazil's next president is as close as ever.

The two front runners - Jose Serra, the Sao Paulo governor; and Dilma Rousseff, Lula's chief of staff - are exactly tied at 37% of the vote, according to the poll conducted by Ibope on behalf of O Estado de S. Paulo newspaper and Rede Globo. Marina Silva, the Green Party candidate (and the only other serious contender), is polling at 9%.

Back in August of '09 I blogged about how a Silva presidential run would shake things up.

If no candidate gains 50+1 in the first round of voting on October 3, it goes to a runoff on October 31. In that case, according to the new poll, both candidates are locked at exactly at 42% of the vote.

You simply cannot get any closer.

Back in February of this year I blogged about how Rousseff was steadily rising in the polls while Serra was flat-lining.

The new poll indicates that trend is continuing. Rousseff has gone from polling at 4% (in February 2008) to where she is now. In 2008 most people simply didn't know Rousseff; now they do, and they apparently like what they see.

It helps that Rousseff is running as Lula's candidate: The new poll indicates Lula's approval ratings inside Brazil remain at an astronomical 86%. You might argue that Rousseff should be way ahead given her affiliation to Lula.

The new poll also confirms that Rousseff is dominating in the northeast of Brazil (47% compared to Serra's 27%) - which is no surprise as this is Lula's "home turf".

Serra is dominating in the more conservative far south of Brazil (48% compared to Rousseff's 26%) - Lula's popularity ratings are weakest in the south (but still well above 50%), hence Rousseff's struggles in this area.

While it's pretty clear who the top three candidates are, it won't be official until next weekend when Rousseff's Workers Party and Serra's PSDB party hold their political conventions to make it all official.

Right now in Brazil, we are still in "pre-campaign" mode, but not for much longer.

Right after her convention, Rousseff is headed off for Europe for a week - without Lula this time - to sort of proclaim herself to the world as Lula's chosen successor. (She is still mostly unknown outside of Brazil, as Lula simply sucks up all the oxygen in the Workers Party).

Meanwhile, back in Brazil, Serra's camp is saying June will be the month they will assert themselves back as the clear front runner.

Marina Silva, for her part, continues to pound away on the social justice themes, trying to lure away voters who simply aren't convinced on the authenticity of either of the two front runners.

But here is a little secret for you: In Brazil none of this really matters until July 11.

That is when the World Cup ends. Until then, it will be hard (dare I say, impossible) for the any of the candidates to get the undivided attention of the voters in Brazil.

After July 11, the game of football is over, but the political game in Brazil is "Game On!"

## **After Getting Nobel Lula Might Consider Running Again for President of Brazil in 2014**

Luiz Inácio Lula da Silva, the president of Brazil, confirmed he is seriously considering running again in 2014 when Brazil will be hosting the World Football Cup. The Brazilian president made the announcement during an interview with Bandeirantes television.

"I don't discard running again; the only thing of which I'm sure is that by then I will be out of government," said Lula whose mandate is up next January first.

Last February Lula da Silva, one of the most popular Brazilian presidents since Getúlio Vargas in the 1950s, had discarded running for a third term in 2014 since the current incumbent candidate Dilma Rousseff, under the Brazilian constitution, is entitled to run for a second four year consecutive term if she effectively is elected Lula's successor next October.

Nevertheless back in 2007 Lula da Silva in an interview with Folha de S. Paulo had anticipated that in the event of the Workers Party asking him to run in 2014, he would think about it.

In effect the ruling party had asked Lula da Silva before nominating Ms Rousseff, to promote a constitutional reform which would allow him to run for a third consecutive term, but he strongly rejected such an option.

In related news former Brazilian ambassador in Washington Rubens Ricúpero said that Lula was a serious candidate to the Peace Nobel Prize, an initiative presented by thousands of petitioners from Brazil.

"There's no doubt that president Lula da Silva is a serious candidate for the Peace Nobel: it's obvious he is one of the most influential world leaders and with great charisma," said Ricúpero.

According to Nobel Prize statutes potential candidates must have the support from intellectuals, academics or long established institutions. For last year's Nobel, 237 names were supported by 38 organizations from different countries.

### **Lula's Candidate Surges in Brazil**

São Paulo—Brazilian President Luiz Inácio Lula da Silva's hand-picked successor has surged against her rival in a series of new polls, increasing the chances that the leftist Workers Party will remain in power after October elections.

Dilma Rousseff, Mr. da Silva's former chief of staff and the Workers' Party presidential candidate, rose five percentage points since a similar poll was taken in April. She is now tied at 37% with opposition politician Jose Serra, a former São Paulo governor, according to the Ibope research firm.

Mr. Serra's tally of likely voters fell by three percentage points in the poll released over the weekend. Other recent polls show similar results.

Trailing Ms. Rousseff and Mr. Serra in this week's Ibope poll was Green Party candidate Marina Silva, with 9% of the votes. Ibope interviewed 2,002 voting-age Brazilians nationwide between May 31 and June 3. The poll's margin of error is two percentage points.

While presidential campaigns in this soccer-crazed nation don't kick into gear until after the World Cup concludes in July, Ms. Rousseff appears to have notched some early momentum. One explanation behind her rising support may be an economic forecast of 6% growth this year, as well as expanded government aid for low-income families, some analysts say. Ms. Rousseff

has an 11-percentage-point advantage over Mr. Serra among minimum-wage earners, the Ibope poll shows.

Another advantage Ms. Rousseff is exploiting is the popularity of President da Silva, who is ineligible to run after two terms. Mr. da Silva defeated Mr. Serra to clinch his first term in 2002. Ms. Rousseff's advisers are hoping the popular president will help defeat Mr. Serra again. Despite protests that such activities go against electoral rules, Mr. da Silva appears with Ms. Rousseff at public events and makes a case for her candidacy in a brief televised documentary.

A one-time Marxist guerrilla, Ms. Rousseff has worked to disarm critics who say she will steer the nation sharply to the left. During a recent speech to investors in New York, for example, Ms. Rousseff said she is committed to preserving a floating exchange rate, fighting inflation and maintaining the government's hands-off policy toward central-bank rate decisions.

Some Brazilian brokers say they doubt Ms. Rousseff's commitment to pro-market economics. Her radical background appears unlikely to spook international investors, in part because similar warnings eight years ago about Mr. da Silva turned out to be unfounded. In 2002, an investor selloff pushed Brazil's currency to record low levels in the weeks before the former labor leader took office. But Mr. da Silva maintained the economic policies of his predecessor, and Brazil's stock market soared.

"After the experience of 2002, the bar is pretty high to get international investors concerned about Brazilian politics," said Gray Newman, who follows Latin America for Morgan Stanley.

### **Brazil's Presidential Campaign Advisor Resigns Over Spying Charges**

An alleged espionage plan to tap information from the opposition presidential candidate José Serra from the PSDB party has brought down, over the weekend, a member from the campaign team of presidential hopeful Dilma Rousseff who has been handpicked by Brazilian president Luiz Inácio Lula da Silva.

Journalist Luiz Lanzetta resigned from the Communications Department of Ms Rousseff's campaign, from the ruling Workers Party.

According to the weekly magazine *Veja*, Lanzetta together with a retired police officer and a retired military officer, both experts in intelligence gathering and bugging were planning to mount a network to collect information on Brazilian Social Democrat (PSDB), José Serra the most serious opposition to the incumbent candidate.

Lanzetta in a Sunday release admits having met with the former police officer with the purpose of "monitoring adversaries", but denied point blank having done spying on Serra.

Serra accused Ms Rousseff of allowing her advisors to get involved in clandestine operations. The issue is expected to have political and judicial repercussions this week.

PSDB House representative Gustavo Pruet announced he would be summoning to Congress all those involved in the alleged espionage plot to listen to their statements and is also considering presenting the case in court.

However the head of the Workers Party grouping in the Lower House Cândido Vaccarezza said that "opposition is trying to distract the political debate with accusations" because Rousseff keeps advancing in public opinion polls and Serra is trailing.

The statement is ambiguous because according to the latest May opinion polls both contenders are tied at 37% vote intention, although compared to April Ms Rousseff was up five points and Serra down 3 points.

Rousseff has been gaining ground on Serra in other recent polls, thanks to an improving economy and support from outgoing President Lula da Silva, whose administration is considered good or excellent by 75% of people surveyed.

Meanwhile President Lula da Silva was fined by the Brazilian Superior Electoral Tribunal for the fifth time for having campaigned in favor of Ms Rousseff. The president will have to pay approximately US\$ 4.500 US dollars for calling on the unions' federation, last May first, to give their vote to the incumbent candidate.

"There's much to do in this country, we need continuity," said Lula in direct reference to Ms Rousseff, thus breaching electoral legislation which impedes the president from campaigning.

The claim was presented by the Democrats Party a close ally of opposition candidate José Serra. Brazilians will be voting on the successor of president Lula October 3.

### **Brazil to enhance job training for low-income citizens**

Brazil plans to step up job training for those receiving minimum income from the government, President Luiz Inacio Lula da Silva said on Monday.

In his weekly radio show, Lula told the nation an initiative to that end is the "Next Step" program, which will train beneficiaries of Bolsa Familia program to work for civil construction projects.

About 13 million families receive a monthly aid of 200 reais (about 108 U.S. dollars) on average under Bolsa Familia, the leading Brazilian social assistance program.

"If we train all these people in the coming months, I think we will be taking an extraordinary step forward," said the president.

He said major Brazilian cities need about 150,000 new construction workers, which will be a job opportunity for participants of the "Next Step" program.

Last week, Lula attended the graduation ceremony for the first 1,200 students who were trained through the "Next Step" program and will work for construction projects such as the Program to Accelerate Growth (PAC) and the "My house, My life" housing plan.

### **Thirst for Energy Drives Construction of More Dams in Amazon**

Rio de Janeiro, Jun 8, 2010 (IPS) - Electricity consumption in Brazil will rise by 5.9 percent a year until 2019, and hydroelectric plants will continue to be the main source of power because they generate it at a lower cost, the government announced.

Two-thirds of the country's hydroelectric potential lies in the Amazon jungle region, and protests by environmentalists, indigenous communities and social movements against large dams there

are expected to continue, like those against the Belo Monte power station on the Xingú river in the western Brazilian state of Mato Grosso.

The Ministry of Mines and Energy's (MME) ten-year plan to 2019, which was unveiled for public debate last month, envisages building six hydroelectric stations in the basin of the Tapajós river alone, which crosses Mato Grosso and the adjacent northern state of Pará.

The challenge for Brazil is "to maintain the renewable portion of its energy mix" in order to live up to the commitment it made at the United Nations Conference on Climate Change held in December 2009 in Copenhagen. That means prioritizing hydroelectricity, Minister of Mines and Energy Marcio Zimmermann told foreign journalists at a press conference Monday in Rio de Janeiro.

Zimmermann said the only alternative to hydroelectric power, a renewable source of energy, was to increase thermoelectric power generation which uses non-renewable fossil fuels and emits greenhouse gases that contribute to climate change.

In response to calls by environmentalists for more investment in alternative energy sources, the minister countered with cost comparisons. The consortium building the Belo Monte hydroelectric plant has offered a price of 77.97 reals (42 dollars) per megawatt-hour, while wind energy cost 148 reals (80 dollars) per megawatt-hour at the most recent auction last year, he said.

Although he acknowledged that the cost of wind energy has fallen by nearly one-half in the last six years, Zimmermann said hydroelectric power would continue to be cheaper for a long time yet. Only in countries which have exhausted the potential of their rivers, as in Europe, do hydroelectricity costs increase, he said.

The Brazilian energy plan proposes a four-fold increase in wind power over the next 10 years, but the share of wind energy in the mix will still be less than four percent of the total. Energy derived from biomass, meanwhile, will remain at around five percent.

Brazil will increase its total installed capacity for electricity generation from the present figure of 112 megawatts to 167 megawatts by 2019, according to MME projections. The contribution of hydroelectric power is planned to increase from the current 83 megawatts to 117 megawatts, requiring new dams that will flood a total area of hundreds of square kilometers.

The ministry's projections are based on economic growth forecasts of 5.1 percent a year on average, a rate that will be exceeded this year, according to analysts.

The rise in energy consumption in Brazil has always outstripped economic growth, largely because of population increase: more than two million people a year become new consumers and raise demand for electricity.

This emerging country of 193 million people has a much lower level of energy consumption per person than that of the industrialised world.

The rise in energy demand and the shock of the big black-out in 2001, when energy rationing had to be enforced for several months, are key factors driving the country's big energy projects. As well as hydroelectric plants, the ten-year plan includes construction of a third nuclear power station and several new thermoelectric plants fuelled by coal, oil and natural gas.

Brazil's thirst for energy is also pushing it to make bilateral agreements with neighboring countries.

The government of leftwing President Luiz Inácio Lula da Silva hopes to harness the power of rivers in Peru, and in Guyana where MME is banking on securing the lion's share of 14,000 megawatts, to be produced jointly by the two countries.

Two hydropower plants shared by Argentina and Brazil on a border river, the Uruguay river, with a combined capacity of 2.1 megawatts, are also part of Brasilia's plans.

Minister Zimmermann rejected suggestions that Brazil's energy strategy is in any way "imperialist." Buying and selling energy between states is normal practice the world over, and Brazil's vision is one of "energy integration" rather than political domination, he said.

The goal, he said, is to "optimize" electricity distribution and use. The exchange agreement with Argentina is an example of mutual interest, he added, as demand in Argentina is greatest in winter when heating is needed, while consumption in Brazil is highest in summer, when air conditioning is used.

Peru itself requested Brazil's cooperation for studying the energy potential of its rivers and for building hydropower stations, since Brazilian companies have developed the best technology in the field, the minister said.

Zimmermann denied press reports that the governments of the two countries were about to sign an agreement for building five new hydropower plants in the Peruvian Amazon region, with nearly all the electricity produced going to Brazil.

For the time being, "these are only studies," the minister responded to a question from IPS.

But a Brazilian company, Odebrecht, has already won the concession for building a combined dam, hydroelectric station and irrigation project at Olmos, in northwestern Peru.

Energy development in rivers in the Amazon rainforest has triggered a huge backlash in Brazil, with a united front made up of indigenous people, the Movement of People Affected by Dams --

which claims to represent one million people displaced from their land -- several environmental organizations and scientists.

The Belo Monte hydropower station, now the target of the largest protests, involves building a dam that will flood 516 square kilometers. The original plan in the 1980s proposed flooding 1,250 square kilometers.

Thus "the impact has been greatly reduced," and plans to build four more hydropower complexes on the same river, the Xingú -- one of them calling for flooding of 6,000 square kilometers of forest -- have been shelved, said Zimmermann in defense of the project.

But environmentalists and biologists who have studied the river ecology disagree with the reassuring statements from the minister and other energy authorities. They say there will be a direct impact on two indigenous territories that are home to 200 people.

Diversion of part of the river through two channels to fuel the turbine generators will dry out a curve of the river called Volta Grande, where the indigenous people and thousands of small farmers live. The result will be a massive die-off of fish and river turtles, staple foods for the riverbank communities, biologists say.

### **Despite Iran and Moves by China, Brazil and the US Remain Best Friends for Ever**

According to Brazilian daily newspaper O Estado de S. Paulo, the Chinese state-run oil company Sinopec has agreed to buy stakes in two offshore oil blocks from Brazil's state-controlled Petrobras. President Hu arrived in Brazil at the end of May for a meeting of the BRIC nations. Sinopec will probably take a twenty percent stake in these two oil blocks, strengthening the relations between Brazil and China.

Sinopec and Petrobras are also expected to draw up a further agreement dealing with refining and supplying oil-sector services. Trade between Brazil and China has been booming as Brazil's diplomatic and commercial relations improve due to the country's increasing role on the world stage.

For example, China recently expanded its embassy personnel in Brasília. China has become the largest market for Brazilian exports, and Chinese exports to Latin America have risen twenty-six percent since 2005.

The popular media has promulgated a number of explanations for the recent market surge between Brazil and China. A few explanations include: Brazil's growing importance on the international stage, both countries' similar degree of development, along with the country's desire to balance the influence of the United States.

Although any one of these theories might be valid, the purpose of the partnership between Beijing and Brasília is to expand commercial ties in oil, imports, exports, services, companies, refineries, and factories, as shown in a 2009 agreement and other pacts signed this year.

This pragmatic alliance does not imply an adversarial relationship with the U.S, but rather a commercially competitive one that has become common throughout the business world.

China seeks to diversify the areas from which it obtains oil and the extremely high demand for one of its products: eight billion gallons of oil per day. According to the BBC, China and Brazil

signed a trade deal, which also features a "pact to build a Chinese steel plant in Brazil," on April 15, 2010, "aimed at boosting trade and energy cooperation between the two states."

This pact is a follow-up to the 2009 agreement which included a loan-in-exchange-for-oil deal with which Brazil could obtain investment. The pact is just one of a number of indications that, although China's presence in Brazil is currently limited, it would be commercially beneficial to both countries for the relationship to expand.

#### Financial Crisis

One factor driving the strengthening commercial ties was the world financial crisis of 2007, which drove several nations closer together in order to ensure that a similar kind of crisis would be warded off in the future. Specifically, Brazil's economy has done relatively well, exemplified by a 5.1 percent GDP growth rate in 2008, only a slight decline in growth in the past year, and a 2 percent growth rate in January 2010.

As a result of Brazil's recent fiscal and monetary discipline and its discovery of additional offshore oil reserves, the financial crisis has had a limited effect on Brazil thus far, as illustrated by its low rate of inflation. Consequently, the U.S, China and Brazil felt more at liberty to fortify their commercial ties so as to avoid a recession.

According to Enrique Garcia, president and CEO of the Andean Development Corporation (CAF), Latin America has learned from internal and external lessons that have contributed to its relative economic stability. Over the past thirty years, Latin America has suffered no fewer than thirty financial crises of various magnitudes.

Internally, lessons from past inflation have led to conservative fiscal and monetary policy measures, making Latin America less likely to undergo large investment risks. Externally, Garcia pointed out that Latin America benefits from a positive external environment: the region's concentration on exports remains high compared to the rest of the world.

Given Brazil's vast oil export industry, this regional economic practice allows the country to emerge as a regional hegemony. China has also emerged as a regional hegemony and boasts a GDP growth rate of nine percent. China's improving internal economic situation has allowed its commercial relationship with Latin America to progress rapidly. The fact that the financial crisis had little impact on Brazil made a Brazil-China commercial alliance even more alluring.

#### Increased Competition

In 2009, China overtook the U.S. as Brazil's largest trading partner, following a successful conference between President Lula and President Hu. In the meeting, it was clear that China needed an increase in raw material imports from Brazil, such as aluminum and iron, in order to manufacture more capital goods.

Brazil sought increased commercial ties with China so that it might attract augmented funding to aid in the exploration of the Santos Basin, a potential oil site. This site requires extensive funding for further exploration and is still unreachable despite the increasing amount of trade flowing between China and Brazil.

According to Expo Shanghai 2010, "trade flow (the sum of exports and imports) [between Brazil and China represents] U.S. \$36.1 billion (in 2009). This represents a growth of 433% in six years." In addition, two-hundred thousand Chinese citizens reside in Brazil, contributing to a higher likelihood of commercial ties between the two nations. Millions of consumers indicate that Sino-Brazilian trade agreements can only increase.

However, according to Jonathan Lynn in a May 27, 2010 Reuters filing, the existing Doha round of trade negotiations, the current negotiation conducted by the World Trade Organization

(WTO), is presently deadlocked. Lynn writes that ministers have recently argued that "opening up global trade would boost the world economy without hitting budgets."

Unfortunately, public attempts at negotiations to open such trade, have been unsuccessful for the past eight and half years. Thus, trade ministers from around the world believe that serious negotiations "away from the glare of media and public diplomacy" are necessary to reach a breakthrough in the WTO negotiations.

The aim of the agreement is to shrink rich countries' protectionist measures to cushion their domestic farmers and agro-industry, which in turn would allow developing countries to become more competitive. However, specific details of the package have yet to be determined.

The U.S. believes that it has compromised as much as possible on the issue and that it is now up to emerging economies, such as Brazil and China, to be increasingly flexible. Given that Brazil and China are expected to contribute more to mitigate the Doha Round impasse, their commercial ties are scheduled to increase as they negotiate individual agreements on a bilateral basis behind closed doors.

In addition to contributing to the current DOHA Round by initiating individual negotiations, Brazil and China are also expected to aid each other's development as a result of their commercial ties. According to Chai Yu, assistant director of the Institute of Latin America Studies at the Chinese Academy of Social Sciences, China's principal task is to find new ways to promote cooperation, especially concerning the economic aspects of the relationship.

China has had a 2.5 percent growth contribution to Latin American exports, according to Mauricio Mesquita Moreira, a principal economist and research coordinator at the Integration and Trade Sector of the Inter-American Development Bank.

Although this growth is significant, China and Brazil still have untapped potential for increasing their ties with each other. China's dependency on oil as well as Brazil's abundance of natural resources will likely bring about an even tighter connection between the two nations.

#### Oil Agreements

Last year, China and Brazil engaged in an "oil for credit" scheme, in which the China Development Bank lent Petrobras ten billion USD in exchange for 150,000 barrels of oil by 2010. China is scheduled to expand its role in Brazil, as illustrated by Paul Ausick in his May 21, 2010 article on 24/7 Wall Street, where he writes, "Norway's Statoil ASA has agreed to sell a forty percent stake in its deepwater Peregrino field offshore Brazil to China's Sinochem Group for US\$ 3.07 billion."

China needs to increase its commitments from Brazil because it discovered on May 27 that, according to the Calgary Herald, "a big new oil find trumpeted by PetroChina three years ago is turning out to be smaller than first thought, showing how difficult it will be for China to slow its rising need for energy imports." Therefore, China's need for Brazilian oil has grown even more urgent.

The Calgary Herald also writes that current Chinese "foreign equity output makes up less than ten percent of Chinese oil demand." Given Brazil's untapped potential of onshore reserves, this small percentage is yet another reason why oil agreements contracted between Brazil and China will only increase.

According to Philip Yang, one of the founders of the Board of Petra Energia S.A. and a former Brazilian diplomat, Brazil has largely performed off-shore drilling thus far due to a lack of funding for onshore exploration and a history of neglecting onshore exploration since the 1960s. Brazil's neglect of onshore exploration was based on an American geologist's thesis that offshore exploration would prove more fruitful.

Historically, Brazil's discovery of offshore oil has proved much more profitable than its discovery of onshore oil. However, if Brazil abandoned this line of thinking, then China could begin to fund Brazil's oil exploration. If this scenario comes to fruition, the latter would gain funding while China would be guaranteed a steady supply of fossil fuel.

#### Limitations

Despite past and potential oil agreements, there are limitations to the Sino-Brazilian commercial relationship. These barriers may make future prospects of such contracts difficult to negotiate. One important limitation is China's lack of confidence in Brazil's stability, which may discourage China from providing Brazil with adequate Foreign Direct Investment (FDI).

According to Philip Yang, China invests in two categories of countries: highly stable societies and countries with an extremely loose regulatory framework. Brazil is neither highly stable nor a particularly loosely regulated country.

Yang theorizes that China is thus reluctant to provide FDI to Brazil because China prefers suppliers such as Australia, China's top FDI destination because it is a low risk country due to its high development level. Beijing, in turn, is confident that a country with relatively low risk investment figures will most likely lead to a profitable investment.

Another limitation is that trade competition, while inevitable, may undermine Brazilian efforts at development. Opening trade barriers further would bring a flood of Chinese goods into the Brazilian market. Moreover, neither country is as developed as the United States.

This lower level of development suggests that the Sino-Brazilian economic relationship will be limited. Another factor could be that favoritism between the two developing countries may alienate the U.S.; however, both countries will require U.S. monetary and technical assistance in the near future.

The U.S. must establish a strong relationship with Brazil in order to have a strong ally. Expanded commercial ties with China will bring such a strong alliance. Nevertheless, the U.S. has some worries about a competitive economic relationship with China and Brazil. Thus far, the China-Brazil commercial relationship has not significantly altered to diplomatic relations between the U.S. and Brazil, but relations could change if certain conditions are not met.

#### Brazil, China, and U.S. Relations

Brazil and the U.S. have enjoyed a close relationship due to their common historical and cultural ties. Both were colonized by Europeans; both imported slaves and later abolished slavery; both Brazil and the U.S. are very culturally diverse, with immigrants from many different nations. In addition, Brazil and the U.S. are both hegemony in their respective regions.

Both nations are also similar in size and have similar political systems, as Brazil adopted a democratic system based on the U.S. model after the end of its military dictatorship. This close relationship is still in place today, as illustrated by the agreement between Presidents Bush and Lula to increase world trade in ethanol; bilateral cooperation in controlling narcotics distribution across Latin America; and their failed attempts to create a Free Trade Areas of the Americas (FTAA).

The U.S. has publicly decried Brazil's overly warm attitude towards Iran, as Brazil has refused to join other Western powers in sanctioning Tehran; the U.S. also believes that Iran is manipulating Brazil. However, this resentment is a separate issue unrelated to the optimistic prospects for Sino-Brazilian commercial ties.

Further evidence of close diplomatic ties between Brazil and the U.S. is demonstrated by the fact that Brazilian visas are now valid for ten years for American citizens instead of the previous

length of five years, thanks to a new agreement reached between the U.S. and Brazilian Consular officials.

China and Brazil have generally positive links, although they might be at times rather distant given historical and cultural differences. The geographic distance between China and Brazil in contrast to the proximity between the U.S. and Brazil is more apparent than real.

Contributing to the Sino-Brazilian bond is the fact that China and Brazil are both part of the BRIC (Brazil, Russia, India, and China) group, an informal collection of countries economically stronger than other developing countries, but still not at the strength of developed countries.

Both the U.S. and Brazil have a shared interest in their modernization. The U.S. also is deeply interested in an economically vibrant Brazil so that illegal immigration from Brazil to the U.S. decreases and prospects for future trading agreements are given a boost.

At the same time, China and the U.S. have a positive commercial relationship yet still face some discordant issues given China's human rights abuses and undemocratic system of governance. However, the U.S. imports a huge bulk of goods from China and thus needs to maintain a positive commercial relationship to level the connection.

Their closeness has improved in recent years, especially since China ultimately supported the U.S.'s hard-pressed sanctions on Iran to prevent it from developing nuclear weapons.

Given the three countries' past and current relations with one another, several policy accommodations can be made (we prefer active voice here, but that may be a stylistic choice) to maintain a stable diplomatic relationship among the three.

#### Policy Recommendations

According to Moreira, China has invested in Brazil thus far due to an increasing need for economic diversification. When asked if Moreira believed that Brazil could learn from China's economic successes as well as its failures, he responded that tariffs are weighted by trade and are not helpful in trade diversification.

Politically, Brazil is very different from China, so it is nearly impossible to adopt China's authoritarian economic model to suit Brazil's democratic political system. Moreira recommends that Brazil can prosper from learning about heavy Chinese investment in infrastructure; he recommends that Brazil should do the same to take advantage of the beneficial long-term returns produced by such spending.

However, even though Chinese goods are cheaper, Brazil should not abandon its ongoing commercial relationship with the U.S. Instead, Brazil should aim to strike a reasonable balance with both trading partners to ensure continuing positive diplomatic ties with both, rather than merely focusing on commercial ties. Brazil should also continue its high volume of trade with China but broaden its oil exportation to other nations, as well as diversify its range of export products.

The Chinese government exercises central control over the economy. Its commercial relationships flourish with many countries primarily due to China's menu of cheaply produced goods, though China's diplomatic role may sometimes be seen as adversarial by the U.S. China is very different culturally and historically from the Western Hemisphere, and this must be respected by all countries.

Therefore, China would be wise to host more cross-cultural exchanges between itself, Brazil, and the U.S. so that both Western cultures understand Chinese culture better. Moreover, China should also work to portray itself as "less of a dragon and more as a panda," according to Nelson W. Cunningham, a member of the board of the Institute of the Americas, following the example of Japan.

According to economist Alessandra Ribeiro, "the United States just didn't care so much for Latin America in recent years, and China is really looking to Latin America." In general, this type of pessimism over the future of the hemisphere has largely dominated thinking about Brazil. In the past, Brazil did not play the role of spokesperson for Latin America, making the U.S. less likely to relate to its giant counterpart.

According to Regina Scharf, Brazilian blogger of Deep Brazil, "I was in high school in the 1970s and in the beginning of the 1980s. I did not have a single class on history and literature of other Latin American countries. I never learned about Bolivar or San Martin. There was not a single mention of them."

However, since Brazil was instrumental in founding the Union of South American Nations (UNASUR or UNASUL in Portuguese) in 2008 and is in the process of becoming a greater factor on the world stage, developing stronger connections with Brazil constitutes an increasingly important U.S. interest.

Although Brazil's interactions with Iran have been disagreeable to the U.S., Washington needs to put this issue aside when addressing bilateral U.S.-Brazil commercial relations by trying to convince Brazil to deal with Iran in a manner similar to that of the rest of the Western powers without belittling President Lula.

Since Brazil and China have very different cultural and historical backgrounds, the U.S. faces little threat that Brasília will align with Beijing against the United States.

In fact, Secretary of State Hillary Clinton made no mention of Latin America at U.S.-China talks in Beijing at the end of May. The results of the meetings indicate that diplomatic links between Brazil and the U.S. are likely to remain amicable rather than adversarial even though the deepening commercial relationship between China and Brazil is likely to intensify trade competition between the US and China.

This competitive attitude should be kept in check, and neither country should actively seek to gain primary trading partner status with Brazil. Although Brazil and China's commercial ties have blossomed as a means of advancing their shared economic interests, their diplomatic relations still remain somewhat limited.

Cultural and historical factors ensure that the U.S. and Brazil will maintain a strong relationship, with the exception of the position that Brazil has taken on Iran.

## **Detailed Report/Chile**

### **Chile Says 6 Percent Growth Will Fund Spending Plans (Update1)**

June 4 (Bloomberg) -- Chilean Finance Minister Felipe Larrain said he is relying on annual economic growth of 6 percent to finance more than a third of his spending plans.

The government of President Sebastian Pinera needs to spend \$8.4 billion on its share of reconstruction following February's earthquake. Other spending commitments will cost an additional \$9.3 billion, Larrain said today at a conference in Santiago.

The government, which took office in March, wants to spend \$20 billion in its four-year term to repair earthquake damage, balance the budget and meet campaign promises. Of that amount, average annual economic growth of 6 percent will provide \$7.5 billion, Larrain said. The International Monetary Fund estimates Chile will average 4.9 percent growth through 2014.

“They tell us the numbers don’t fit, and my answer is that the numbers fit perfectly,” Larrain said. “The biggest source will be economic growth. Growth will bring us around 37 percent, which is on the order of \$7.5 billion.”

Government spending will grow faster than the economy as a whole in 2010, he said, an imbalance he aims to reverse before the end of his term.

Larrain expects to raise \$1.9 billion this year from the sale of state assets, tapping savings and selling local debt, he said. The same sources will be used to fill a \$2.9 billion gap in finances through 2013.

Foreign bond sales may total \$1.5 billion in the same period, Larrain said. He has already announced planned sales of \$1 billion in 10-year dollar bonds and \$500 million in peso, or peso-linked, bonds.

Larrain will generate \$2.9 billion by reassigning spending and \$1.3 billion by cracking down on tax evasion, he said. Tax increases will bring in \$3.2 billion, he said.

Larrain plans to clarify the tax treatment of derivatives transactions and simplify taxes on bonds to draw more foreign investors, he said.

### **Detainee says Chile arrest is a 'mistake'**

Santiago: A Pakistani man being investigated in a terror probe after being detained at the US Embassy told The Associated Press on Wednesday that he thinks it all must be a mistake.

"Everything is so weird. I am still trying to think what happened," Mohammad Saif Ur Rahman Khan said in an interview in his public defender's office.

Khan, 28, repeated his denials that he has anything to do with terrorism, and said he can't figure out why Chilean police say they found traces of tetryl, a chemical used to boost the power of explosives, in his bag, on his cell phone and on clothing in his apartment.

Khan had been called to the US Embassy to be told his visa was revoked because of information received by the US government, the State Department has said.

Framed

But Khan said they never told him his visa was revoked, and he claimed a bomb-sniffing dog was so uninterested in his bag that it appeared to fall asleep.

Perhaps it's a case of mistaken identity or that he's being framed for reasons he doesn't understand, Khan said.

Khan has been freed three times by judges who ruled that the evidence is insufficient to justify holding him in Chile's maximum-security prison for terror suspects.

Prosecutors and the Interior Ministry asked judge Carolina Araya to apply Chile's tough anti-terror law — a legacy of the dictatorship of General Augusto Pinochet that allows for long detentions without court orders, tougher sentences and unidentified witnesses.

### **Detailed Report/Mexico**

#### **Cartels smuggle U.S. drug money back to Mexico in cash, study finds**

Reporting from Mexico City — More than half of the "breathtaking" sums of money earned by Mexican drug cartels in the U.S. and smuggled into this country dissolves into Mexico's cash-based economy, eluding detection and funding vast criminal operations, according to a new U.S.-Mexican government study released Wednesday.

The study, described by a senior U.S. official as the first of its kind, attempts to explore the ways illicit drug-trafficking profits make their way from the United States to Mexico or Colombia and how to stem the tide.

It estimates the money shipped south at \$19 billion to \$29 billion.

The failure or inability of the Mexican government to pierce intricate money-laundering operations is often cited as one of the major flaws in an offensive against cartels that was launched by President Felipe Calderon when he took office in December 2006. The fight has claimed more than 22,700 lives.

John Morton, a U.S. Immigration and Customs Enforcement assistant secretary, discussed some of the new report's findings at a small news conference in Mexico City. A tape recording of the conference was later released by the U.S. Embassy in Mexico. The full report was not released because it contained what U.S. officials said was secret information.

Morton acknowledged that the U.S. and Mexican governments have not done enough to slow the money flow.

"Simply arresting people won't be a full solution," Morton said. "We have to completely undermine the organizations as businesses, and to do this we have to identify, seize and forfeit their profits."

The cash is brought into Mexico both in amounts small enough for an individual to carry and in amounts large enough to fill shipping containers. Revenue from local dealing operations across the U.S. is first consolidated in cities that serve as "collection points," including Los Angeles, then moved to the border and broken up again for the cross-border leg of the transport.

In Mexico, where 75% of the formal and informal economy works through cash transactions, cartel bosses can launder their profits with all-cash purchases of large tracts of land, luxury hotels, cars, car dealerships and an endless array of high-end items.

For this reason, tackling the problem must include restrictions on the way cash is used in large transactions, including notarized certifications of the money and its origin that would be filed with the Mexican Treasury department, said U.S. Ambassador to Mexico Carlos Pascual, who joined Morton at the conference.

The Mexican government has taken occasional stabs at requiring better accounting of large all-cash purchases, but most of those efforts have foundered.

## **Mexico hosts conference on social welfare**

Mexico is hosting an international conference on social welfare covering the Organization for Economic Cooperation and Development (OECD), Mexican Foreign Ministry said on Wednesday.

The meeting, called "Fighting Poverty via Quality Public Services," is part of a new OECD initiative that targets nations from Latin America and the Caribbean.

The head of Mexico's Social Development Ministry chaired the meeting.

Mexico lags most OECD nations in health and education, but is one of the better educated nations in the region.

The OECD recently welcomed Chile, Israel, Slovenia and Estonia as new members. Most of the 35 OECD members are the world's most industrialized nations.

## **Harper blames Canada's refugee system for Mexican visa uproar**

Guadalajara, Mexico — Seeking to smooth relations with Mexico at a high-profile summit here, Prime Minister Stephen Harper blamed Canada's decision to impose visas on Mexican nationals on Canada's refugee system, and urged Parliament to enact changes to stem the flow of "bogus" claims.

Harper arrived in Mexico's second-biggest city Sunday for two days of talks with Mexican President Felipe Calderon and U.S. President Barack Obama. The annual gathering of the NAFTA partners has become known as the Three Amigos Summit.

Calderon was expected to push Harper to reverse the federal government's decision last month to impose visas on all Mexican nationals entering Canada.

Although the prime minister did not back down on the visa policy, he attempted to deflect blame from the Mexican government after emerging from a bilateral meeting with Calderon.

"This is not the fault of the government of Mexico. Let me be very clear about this. This is a problem with Canadian refugee law, which encourages bogus claims," said Harper. "And Parliament should be seized with this issue, and I hope our Parliament will take advantage of the attention that's been brought on this issue to deal with this problem."

In some of the strongest remarks he has made about Canada's refugee system since becoming prime minister, Harper said the status quo "can't continue."

"We have many legitimate refugee claimants, and of course we have lots of people who are going through our immigration system in very large numbers legally, but we are spending an enormous amount of money on bogus refugee claims that encourages those claims."

Asked what kind of changes Harper has in mind, a spokesman for the prime minister said Immigration Minister Jason Kenney is reviewing Canada's refugee policies.

Last month's imposition of the visas has incensed Mexican officials and caused uproar in the Mexican press, threatening to overshadow cooperation with Canada on other key issues, such as the United States' Buy American policies.

Calderon was expected to propose a number of alternatives to the visas during his meeting with Harper, such as enhanced screening by Mexican authorities of travelers to Canada, as well as a crackdown on immigration brokers who urge Mexicans to seek asylum in Canada in exchange for a fee.

Mexican officials have warned that their government is ready to retaliate with a similar blanket visa requirement if Canada doesn't back down. So far, Mexico has only imposed visas on Canadian diplomats.

In addition to defusing a diplomatic controversy with Mexico, Harper's remarks could help him score points among many Canadians, if recent polls are any indication.

An Angus Reid survey released last month found that 69 per cent agree with Canada's recent decision to slap visas on Mexico and the Czech Republic.

Last year, Mexico accounted for more than 9,400 refugee claims, or one-quarter of Canada's total. Only 11 per cent of the Mexican claims were accepted.

Government officials say refugee claims from Mexico have slowed to a trickle since the imposition of the visas.

However, marshalling any major changes to Canada's refugee system through the minority Parliament could prove to be a significant challenge for the governing Conservatives, since the opposition Liberals have traditionally positioned themselves as the champions of recent immigrants and refugees.

Earlier Sunday, Harper announced Canada will train Mexican police officers to assist Mexico in its brutal war against rival drug cartels.

Through the Anti-Crime Capacity Building Program, Canada will invest as much as \$15 million a year in projects across the Americas that combat the illicit drug trade, corruption, human trafficking and other regional problems.

Slightly more than \$430,000 will go to Mexico to help it fight its drug war, which claimed more than 6,000 people last year, almost double the number of deaths in the previous year.

Under the program announced Sunday, the RCMP will train 300 mid-level Mexican police officers with the help of the United States and other countries. The Mounties will also train 32

new police commanders in areas such as police management, investigation and intelligence skills.

Funding for the program had already been earmarked in the January federal budget.

Later Sunday, Harper was to attend a working dinner with Calderon and Obama, who arrived here late Sunday afternoon.

The three leaders will meet again Monday morning. They are expected to discuss a range of issues, including the global recession, security and climate change.

After the Mexico summit, Harper will fly to Panama, where he is expected to sign a free-trade agreement with Panamanian President Ricardo Martinelli. It will be the first time a Canadian prime minister has visited Panama.

### **Mexico condemns fatal shooting of citizen at U.S. border**

Mexico's Foreign Ministry Tuesday condemned the fatal shooting of a teenager on the Mexican side of the Mexico-U.S. border, urging the U.S. government to punish the culprit.

The 14-year-old Mexican citizen, Sergio Adrian Hernandez, died from gunshot wounds on Monday night close to the international bridge that links the Mexican city Ciudad Juarez and U.S. city El Paso. He was shot when he and his friends were quarrelling with U.S. border officials and throwing stones.

The ministry said in a statement that "the use of firearms to repel stone-throwing attacks represents a disproportionate use of force, especially coming from authorities that receive special training in the matter."

The ministry urged the U.S. government "to carry out a swift and transparent investigation into the events and punish the guilty."

The ministry said that it was working with the U.S. authorities to set up a dialogue mechanism later to coordinate actions across the border to reduce violence, and added that this incident showed that current procedures needed to be reviewed.

U.S. border authorities were increasingly using force which led to more deaths of Mexican citizens, it said, adding that 17 Mexicans died in the hands of the U.S. authorities since the start of 2010, up from 12 in the whole year of 2009.

Last week, Mexican citizen Anastasio Hernandez Rojas, died after being repeatedly hit by an electrical stun gun by Customs and Border Patrol officers in California's San Diego city. Hernandez had lived 26 years in California.

### **Mexican drug war has killed 913 kids since December 2006**

Mexico City: Mexico's brutal drug war has killed some 913 children since December 2006, according to a rights group's report on the youngest victims of the scourge that has eluded a nationwide crackdown.

The Network for Children's Rights in Mexico pointed to the "outrageous" number of children drawn into drug trafficking gangs "for lack of alternative livelihoods," estimating the figure at some 3,000 young vulnerable ones in a report published on Monday.

President Felipe Calderon's offensive against the country's warring criminal gangs has failed to stem the tide of the violence that has left over 22,700 people dead throughout Mexico in the last three years, despite the deployment of tens of thousands of troops and police.

His strategy has failed, the rights network said, as it called for the creation of a national agency dedicated to defending the rights of children. It said 823 children lost their lives in the fight against organized crime from December 2006 to December 2009 and more than 90 were killed in the first four months of this year alone.

That was a dramatic uptick from 2000-2006, when 503 children were killed in the crossfire.

The group said the figures were culled from a confidential government report leaked to the Reforma newspaper in early April. Children aged 15 through 17 and living in states bordering the United States were hit particularly hard.

In Chihuahua state, home to Mexico's crime capital Ciudad Juarez, the rate of children killed in that age bracket tripled from 14.81 per 100,000 inhabitants in 2006 to 45.95 in 2008, according to the report.

### **Six found dead near Cancun, hearts cut out**

The bodies of six people were found near Cancun, Mexico - the hearts cut out from at least three of them, in what appears to be another gruesome execution in the area's escalating drug war.

The Mexican newspaper La Prensa reported four men and two women - one possibly a minor - were found by a resident after he found a bloodied mattress near a water well near his home Sunday.

A photo on the newspaper's website shows one of the victims blindfolded and gagged, a wound on his chest.

La Prensa said the victims feet were also bound.

The paper reported that all six were missing their hearts, while the website Nacional (e-consulta.com) said only three of the bodies had their hearts cut out.

The Nacional also reported three of the victims had the letter Z carved into their abdomens, a possible reference to the drug cartel Los Zetas.

The six people were people were dead for at least 24 hours before their bodies were found, police said. Agencia EFE says the coroner said the hearts were removed after they were killed.

The identities of the victims were not released.

### **55 bodies found dumped in Mexican mine: Officials**

Chilpancingo, Mexico - Fifty-five bodies were pulled out of a mine airshaft in southern Mexico that authorities say was used for dumping victims of drug-related violence, Guerrero officials said Monday.

The victims were found last week at the bottom of a 100-metre deep airshaft near the entrance to an abandoned mine in Guerrero state, officials said. Initially it was thought to contain about 25 bodies

"By Saturday night, the total number of bodies recovered from the airshaft was 55, so that concludes our work," Albertico Guinto Sierra, a spokesman for the local government, told reporters.

It was one of the biggest mass graves ever unearthed in Mexico, he said.

Bordering the Pacific Ocean, Guerrero is one of the Mexican states most affected by violence among drug trafficking gangs that, according to the government, has left over 22,700 dead throughout Mexico in the last three years.

Officials said only four bodies have been positively identified so far, including a state prison warden, strengthening suspicions the airshaft was used by drug gangs to dump the bodies of their victims.

Investigators said the bodies were likely thrown down the airshaft one to six months ago, and that it would take three or four weeks to identify most of the victims.

More than 50 families from around the country have turned up in Guerrero in the past week to find out if their missing relatives are among the bodies found in the airshaft, said Guinto.

He said police were searching for more bodies in 10 wells around the mine, after locals reported a strong stench in the surroundings.

Forty bodies have been deposited at the city morgue in Guerrero capital Chilpancingo, filling it to capacity, officials said. The rest of the human remains were taken to facilities in nearby cities.

Drug-related violence continued unabated in Mexico with six headless bodies found Sunday night, "in a half-hour period," in different parts of Gomez Palacio city, northern Durango state authorities reported Monday.

Two human heads of men 19-33 years of age were found the same night, the state's attorney general's office said in a statement. The four remaining heads were found on Monday.

None of the human remains have been identified so far, the statement added.

## Detailed Report/Venezuela

### Chavez opponent barred from elections in Venezuela

Caracas, Venezuela – Another opponent of President Hugo Chavez has been barred from running in congressional elections by Venezuela's top anti-corruption official.

Gustavo Azocar, a journalist-turned-politician who had planned to run in September, is the latest in a series of candidates kept out of the race by Comptroller General Clodosbaldo Russian, an ally of Chavez.

Azocar called his exclusion Saturday illegal.

Azocar was recently sentenced to more than two years in prison for alleged fraud involving his publicity company and a state-run lottery. He denies any wrongdoing and has appealed.

Azocar learned he was barred shortly before the Saturday night deadline for candidates to register for the National Assembly elections.

### Venezuela to spend \$82 million on Chinese K-8 jets

(Reuters) - Venezuela will spend \$82 million on a second batch of Chinese K-8 military training aircraft, President Hugo Chavez said on Sunday.

Chavez's socialist government has ordered 18 of the light attack and training planes from China, and the Latin American country received the first six jets in March.

"We have approved \$82 million for the second batch of Chinese-made K-8 jets. The aircraft are for the security and defense of the country," the Venezuelan president said during his regular television program.

The United States, which accuses Chavez, a close ally of Cuba and Iran, of sparking an arms race across South America, imposed an embargo in 2006 on sales of U.S. weapons parts to the OPEC nation.

Chavez has said he wants to buy a fleet of 40 K-8s. He ordered 18 of them from China after a plan to buy similar jets from a Brazilian company fell through, apparently because they included U.S. electrical systems.

It was not immediately clear how many of the aircraft would be included in the second group, or when they would arrive.

Venezuelan officials said in March the versatile jets would be used to train local pilots and intercept drug traffickers who use the country as a stop-off point to smuggle Colombian cocaine to the United States, Europe and Africa.

Venezuela has also bought a network of Chinese radars and spent about \$4 billion on Russian weapons, including tanks, missile systems and fighter jets, to replace F-16 planes that are rusting because of the U.S. embargo.

Chavez said he was simply modernizing his armed forces.

"Today, China has become one of the biggest allies of Venezuela, and Venezuela is one of the biggest allies of China in the world," he said.

Chinese companies are involved in the exploration of Venezuela's vast Orinoco heavy crude belt, and Beijing says it is also providing \$20 billion of long-term financing for projects in the South American oil exporter.

### **Venezuela lambasts the United States because of Honduras**

Venezuelan Vice-Foreign Minister for Latin American and the Caribbean Francisco Arias Cárdenas lashed on Tuesday at the United States at the 40th Meeting of the General Assembly of the Organization of American States (OAS) for the stance taken by the US government with regard to Honduras, its expenditure in arms and the "deployment" of military bases.

Arias Cárdenas referred himself to the remarks made by US Secretary of State Hillary Clinton. During a luncheon behind closed doors, Clinton recommended the heads of delegation "listening to the reasons" of the Honduras government and its president Porfirio Lobo, Efe quoted.

In the opinion of Arias, such an attempt at "listening to the reasons of coupsters, of those who use power and force to impose their will," glaringly shows how "some purport to make unpunished the last coup d'état against legitimate President Manuel Zelaya."

Honduras was removed from the OAS on July 4, 2009 following a coup against President Zelaya. The issue of Honduras potential return to the OAS has been the focus of the attention at the 40th Meeting of the OAS General Assembly held in Lima.

### **Venezuela extends electricity rationing 2 months**

Caracas, Venezuela (AP) - Venezuelan President Hugo Chavez is extending electricity rationing until August as the government works to remedy deficiencies in the power system and waits for seasonal rains to refill a key reservoir.

The 60-day extension was announced Tuesday in the Official Gazette.

Chavez declared an emergency in February as a severe drought pushed water levels to precarious lows behind the Guri hydroelectric dam, which supplies 73 percent of Venezuela's electricity. Water levels have since risen.

Electricity expert Miguel Lara said the government had no choice but to extend the measures while it brings new equipment online and upgrades existing power plants to boost output.

Lara, who used to head a government electricity agency, said a lack of investment and maintenance has had a significant effect.

The rationing measures, which have been scaled back somewhat in recent weeks, include rolling blackouts in some parts of the country and fines for major users that don't meet government goals for reduced usage.

### **Presidential candidate Santos proposes Chávez a relationship based on mutual respect**

Presidential candidate Juan Manuel Santos, the favorite to win runoff in Colombia, proposed the Venezuelan Head of State Hugo Chávez to rebuild ties, in an eventual government in which he plans to place his country in an important rank in the economic and international arena.

The Colombian ruling party candidate invited President Chávez to establish a relationship based on mutual respect and to rebuild the links of two countries that were once major trading partners.

This can be seen as a message of rapprochement although the Venezuelan president had foreseen a terrible relationship with Santos, the candidate of the Social National Unity Party (Party of the U), Reuters reported.

The political leader, 58, also announced his intention to transform Colombia into a major player in the global economy, such as Mexico and Chile, and proclaimed his goal of reducing dependence on the United States, as far as security is concerned.

### **Basque Parliament asks Venezuela for maximum cooperation against ETA**

The initiative of the legislative body of the Basque country supports the efforts of the Spanish government to prevent the Basque terrorist organization from finding shelter anywhere in the world

The Basque Parliament asked Venezuela on Thursday for "maximum cooperation" to get the "effective implementation" of the indictment filed by Judge Eloy Velasco in March that denounced alleged links among the Venezuelan government, the Revolutionary Armed Forces of Colombia (FARC) and the Basque separatist group País Vasco y Libertad (ETA).

The motion approved by the Basque Parliament supports the efforts of the Spanish government to prevent the Basque terrorist organization from finding shelter "anywhere in the world" and requests the Venezuelan government "maximum cooperation" to ensure effective implementation of the indictment.

This resolution has replaced the initial petition submitted by the opposition People's Party, which urged the Venezuelan government to show "clear" commitment to prevent the separatist group from using the Venezuelan territory as a shelter for its members and as a logistical base for terrorist activities, Efe reported.

Spanish judge Eloy Velasco indicted on March 1 six members of ETA and seven alleged members of Colombian rebel group FARC for allegedly cooperating to carry out attacks in Spain against top Colombian officials, including President Álvaro Uribe and his predecessor Andrés Pastrana.

## **Hugo Chavez goes to war with Venezuela's business leaders**

Venezuelan President Hugo Chavez threatened on Wednesday to nationalize the country's largest food producer, Empresas Polar, and said he is at war with the nation's business leaders.

Chavez said wealthy leaders of the country's main business chambers "have declared economic war against me."

"I accept the challenge," Chavez said in a televised speech. "I declare myself at economic war and I call the people and the workers to economic war."

He also warned Lorenzo Mendoza, president of food producer Empresas Polar: "If you think I won't dare to nationalize Empresas Polar, you're very wrong."

Chavez has accused business leaders of attempting to worsen Venezuela's economic troubles and weaken his political support. Business leaders deny it.

The oil-exporting country is struggling with 30 per cent inflation and a deepening recession.

The president, who is a close ally of Cuba and says he is leading the country toward socialism, has recently sharpened his criticism of Polar. The corporation's workers have been protesting the government's seizure of some of its food inventory and its plans to seize land where Polar has offices and warehouses.

Chavez has accused Polar of flouting price controls on food items and hoarding food -- accusations it strongly denies.

Chavez has blamed Mendoza, one of Venezuela's wealthiest men, accusing him of having secret ambitions of running against him for president in 2012.

There was no immediate reaction by Polar or Mendoza to the president's comments.

## **Government officials inspect Polar warehouses in the state of Barinas**

The action is part of a government plan called Fox 2 which seeks to avoid speculation and hoarding.

On Friday morning, a group of government officials from the Institute for the Defense of Consumers in Access to Goods and Services (Indepabis), the Ombudsman Office, the Bolivarian National Guard and the Integrated National Customs and Tax Administration Service (Seniat) inspected the warehouses of Venezuela's food giant Empresas Polar, located in the state of Barinas, but "they did not find any irregularity. Everything was OK," a source told El Universal.

The inspections were part of a government plan called Fox 2 which seeks to avoid speculation and hoarding in Venezuela.

This distribution center located in Barinas state is responsible for food supply to Barinas state, and towns and cities of the states of Táchira, Apure and Portuguesa.

### **President Chávez at odds with business sector**

Venezuela's President Hugo Chávez hinted on June 2 the possibility of nationalizing giant food manufacturer and supplier Empresas Polar

### **Business chamber rejects conspiracy accusations**

Lope Mendoza, the acting president of Venezuela's private business chamber Fedecámaras, said that the country's business sector does not back any conspiracy against the Executive branch of government.

This was his response to a group of pro-government workers who protested in front of the headquarters of the Venezuelan Federation of Trade and Industry Chambers (Fedecámaras).

In addition to the slogans in support of President Chávez, demonstrators have accused the business elite of fostering a coup d'état, speculation and hoarding.

In the face of these allegations, Lope Mendoza said that Fedecámaras is not engaged in any plot. He blamed the government for future food shortage in Venezuela following the destruction of its production apparatus.

### **"We are ready to come to blows with business association"**

Venezuelan Executive Vice-President Elías Jaua, supported the activity carried out by members of the Socialist Workers' Front who protested on May 31 in front of the head offices of the Federation of Trade and Industry Chambers (Fedecámaras) to demand the end of "conspiracy policies."

"Today, Fedecámaras has felt in front of its headquarters the power of the Bolivarian workers. Do not challenge us," said Jaua at a press conference.

According to the Vice-President, the government is ready to "come to blows" with Fedecámaras and the National Council for Trades and Services (Consecomercio) "wherever they want."

Jaua criticized trade sector leaders who have called for a relaxation of price controls; he also supported the participation of the government in the regulation of the domestic industry.

## **Employees of Venezuelan food giant say that they are fighting for their jobs**

The workers of food manufacturer and distributor Empresas Polar do not understand the allegations made by Venezuela's President Hugo Chávez. "The president is wrong. He thinks that we are instructed by Mr. Mendoza (the owner of the company)," said Richard Prieto, president of the union at Polar's brewery in the state of Lara.

On May 30, the Venezuelan head of State attacked and discredited again the actions taken in the last three weeks by Polar employees to defend their jobs.

"We are proud of what we are doing. We are defending our jobs and our collective bargaining agreement," the union leader added.

Prieto said that the Venezuelan president discredits them because he rejects anyone who thinks otherwise. "We are neither politicians, nor bourgeois."

Although voicing concern about the statements made by President Chávez against him, the union leader noted "we are afraid only of losing our jobs."

In his TV and radio show "Aló, Presidente" (Hello, President!), aired on May 30, Chávez lashed out at Prieto for a statement the union leader made in the Venezuelan newspaper El Nacional, in which he said that "it would be a catastrophe if (Empresas) Polar were seized by the government".

## **Business chamber to denounce government attacks against employers**

In the context of the 99th International Labor Conference, which is being held in Geneva, delegates and technical advisers of the main Venezuelan employer group, represented by the Federation of Trade and Industry Chambers (Fedecámaras), will submit complaints regarding the violation of international conventions by the Venezuelan government.

According to the Venezuelan business sector, the country is characterized by the absence of social dialogue, the persecution of labor leaders, ideological aspects related to several laws, attempts by the Executive branch of government to limit the right to freedom of association, the lack of consultation with businessmen about the setting of minimum wage and extension of firing freeze and violations to private property, among other issues.

## **Chávez threatens to nationalize Empresas Polar**

Venezuela's President Hugo Chávez hinted on June 2 the possibility of nationalizing giant food manufacturer and supplier Empresas Polar.

"If you think that I do not dare nationalizing it, you are wrong; you do not make any mistake; otherwise you will gamble everything and lose. This is my recommendation for you, as who are

taking the way of conspiracy," a defiant Chávez addressed to Lorenzo Mendoza, the CEO of the consortium.

"If you love the poor, go and sell everything you have," he recommended Mendoza during an obligatory simultaneous broadcast.

"Once upon a time, there was something called (private TV channel Radio Caracas Televisión) RCTV, which does not exist any more. Mendoza I ask you to look yourself at that mirror."

### **Businessmen deplore Chávez's "economic war"**

Lope Mendoza, the acting president of the Federation of Trade and Industry Chambers (Fedecámaras), rebutted the declaration of "economic war" issued on June 2 by President Hugo Chávez against businessmen.

"The President of the Republic should think that given the ongoing economic situation in the country, we would rather seek national consensus where workers, the government and businessmen should take a seat to hold a respectful talk," the director said in the Annual Congress of the National Council of Industries (Conindustria).

Mendoza is certain that if the national government continues laying a siege on the private sector, domestic economy could record a fall higher than 6 percent and inflation rates at 45 percent.

### **Polar workers to Chávez: We do not want to be nationalized**

Workers of Venezuelan brewery Cervería Polar, located in the industrial area of Barquisimeto, state of Lara, have held two meetings after President Hugo Chávez threatened on June 2 to nationalize the company. The meetings are intended to discuss workers' fear about their future if threats become true.

"All workers are nervous for what the President (Hugo Chávez) said. But his words gave us more strength to keep fighting for everything. He (Chávez) is the one who uses the media, but we are aware that we do not want to be nationalized," said Rafael Rosales, a labor representative of the Venezuelan brewery, in an interview with El Universal.

"Do not touch our jobs. Let us work in peace," Rosales asked the government.

### **Retailers reject threats against Venezuelan businessmen**

Víctor Maldonado, the executive director of the Caracas Chamber of Commerce, Industry and Services, said that business groups have "every right to discuss" the Venezuelan government's policies and condemned the threats issued by President Hugo Chávez against Venezuelan businessmen.

"Debate is under way in the country on the efficiency of economic policies. These policies are good, if they give good results and bad if they give bad results," he said.

Similarly, Maldonado added that people could hardly believe that the poor economic performance is not the fault of the government.

"After 11 years of absolute control on oil revenues, after five years of total control over the National Assembly, after a period of presidential hegemony, people know who is to be held accountable for what is happening."

### **Government officials inspect Polar warehouses in the state of Barinas**

A group of government officials from the Institute for the Defense of Consumers in Access to Goods and Services (Indepabis), the Ombudsman Office, the Bolivarian National Guard and the Integrated National Customs and Tax Administration Service (Seniat) inspected the warehouses of Venezuela's food giant Empresas Polar, located in the state of Barinas, but "they did not find any irregularity. Everything was OK," a source told El Universal.

The inspections were part of a government plan called Fox 2 which seeks to avoid speculation and hoarding in Venezuela.

This distribution center located in Barinas state is responsible for food supply to Barinas state, and towns and cities of the states of Táchira, Apure and Portuguesa.

### **Venezuela's production at lowest level since 2005**

Declining oil prices threaten to worsen Venezuelan economic crisis  
The country is affected by shortage of US dollars and a serious decline of investment. Economist José Guerra, a former economic research manager at the Central Bank of Venezuela (BCV), says that President Hugo Chávez's decision to declare an "economic war" against the private sector "does not help overcome recession and promote investment"  
In the first quarter, Venezuela's economy declined by 5.8 percent, while Greece, which is the symbol of the global crisis, declined by 2.3 percent and Latvia, the country most seriously affected by the turmoil shaking Europe, fell 5.1 percent in May.

Paradoxically, Venezuela's economy is performing poorly while Venezuelan oil prices stand at USD 70 per barrel, or 81 percent higher than the first quarter of 2009. And problems are getting worse.

There are signals that Europe's increasingly weak economy is having a negative impact on oil prices. At the end of last week, the Venezuelan oil basket stood at USD 61.85, threatening to worsen the shortage of foreign currency, as 95 out of each USD 100 entering the Venezuelan economy come from oil pipelines.

Venezuela's domestic production is at its lowest level since 2005, and dependence on imports has soared to the extent that they provide 70 percent of tradable goods. At the same time, the outflow of foreign exchange is hitting record highs in an environment of worsening political conflicts.

According to the balance of payments disclosed by the Central Bank of Venezuela, capital flight in 2009 amounted to USD 22.41 billion, a 10 percent increase compared to 2008 and the highest in the last 13 years.

While demand for US dollars grows rapidly, foreign currency supply declines. Non-oil exports have virtually vanished and the foreign exchange provided by oil exports falls short of meeting the requirements of the Foreign Exchange Administration Commission (Cadivi), transferring funds to the National Development Fund (Fonden) and meeting the foreign exchange swap market.

To secure the supply of US dollars required by the foreign exchange parallel market -closed by the Executive branch two weeks ago and scheduled to resume under the management of the Central Bank- the government should continue issuing bonds. This would increase the US dollar debt, which has jumped 119 percent between 2004 and 2009.

Another option is to sell the US dollars that are part of the international reserves, but due to the transfers of funds to Fonden, this account has declined 24 percent so far this year.

Financial analysts believe that the government could force private banks to sell foreign currency bonds and use the papers in the hands of public financial institutions, but this source would be exhausted in a few months.

Meanwhile, economist José Guerra, a former economic research manager at the Central Bank of Venezuela (BCV), says that President Hugo Chávez's decision to declare an "economic war" against the private sector "does not help overcome recession and promote investment." \

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