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FEATURED Q&A

What Will Be the Impact of Lula's Visit to the Middle East?

Q Brazilian President Luiz Inácio Lula da Silva earlier this month met with leaders in Israel, the Palestinian territories and Jordan, seeking to carve out a role for Brazil as a mediator in the Middle East and to boost trade and investment ties with the region. What will be the impact of Lula's visit? Is there a role for Brazil to play in the Israeli-Palestinian peace process? How important are economic ties between Brazil and Middle East countries?

A Reginaldo Mattar Nasser, professor of international relations at the Pontifícia Universidade Católica de São Paulo: "It's important to view the repercussions of President Lula's Middle East trip in light of the larger context in which it was carried out, namely the complex issue of the Israeli-Palestinian conflict. In general, the trip was extremely positive and the best way to judge this is to look at the perceptions of the actors directly involved, including both the governments of Israel and the Palestinian Authority and their respective societies. One of the most respected Israeli newspapers, *Ha'aretz*, summed up the feeling among peace advocates when it referred to Lula as 'the prophet of dialogue.' We shouldn't lose sight of the fact that this is one of the most complex conflicts of the 20th century and that Lula's mediating capacities as the leader of an emerging country are important. Building peace isn't just the responsi-

bility of the great powers, as Brazil has already demonstrated in Haiti. But it's also crucial to recognize that these qualities in and of themselves are insufficient to put an end to the conflict, which ultimately still depends on the United States. The Middle East is becoming more and more important for the Brazilian economy. Brazilian trade flows with the Arab world grew 148 percent between 2004 and 2008. Meanwhile, from 2007 to 2008, Brazilian exports grew 41 percent, while imports increased by 62 percent and trade flows

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Chávez Eyes Possible Military Cooperation With Ecuador

Venezuelan President Hugo Chávez (L) said Friday during a meeting in Quito with Ecuadorean President Rafael Correa that the two countries must consider military cooperation. See brief on page 2.

Photo: Ecuadorean Government.

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NEWS BRIEFS

Chávez: Venezuela, Ecuador Must Consider Military Cooperation

Venezuelan President Hugo Chávez on Friday said his country and Ecuador must consider military cooperation in light of threats from the U.S. "empire," EFE reported. Chávez made the statement in Quito during a visit with his counterpart, Rafael Correa. The two countries must consider "cooperation accords in the military, scientific, technological area," which would help in "guarding our borders," said Chávez, who has said he is threatened by an accord allowing U.S. troops greater access to Colombian military bases.

Ecuadorean Journalist Sentenced to Prison for Insulting Official

A journalist in Ecuador was sentenced Friday to three years in prison and ordered to pay \$10,000 in legal costs after publishing an editorial critical of a government official, the Associated Press reported. Emilio Palacio of local daily *El Universo* had been charged with insulting Camilo Saman, the head of Ecuador's National Finance Corp., in an article that depicted Saman's bodyguards cracking down on the newspaper for unfavorable coverage. Groups including the Inter American Press Association have voiced concern that Ecuador is trying to muzzle critics.

Colombia's Central Bank Leaves Interest Rate Unchanged at 3.5%

Colombia's central bank on Friday maintained the benchmark interest rate at 3.5 percent, citing a lower than expected inflation rate in February as a sign that the economy is not yet overheating. The bank added the Colombian economy was benefitting from higher commodity prices due to growth in India and China.

Political News

Colombia's FARC Releases Soldier Held Since Last Year

The Revolutionary Armed Forces of Colombia, or FARC, on Sunday released a soldier that the rebel group had held captive for more than a year, the Associated Press reported. Pvt. Josue Calvo, who was seized in April 2009, was released to the International Red Cross in the FARC's

Calvo had been held since April 2009.

first release of a hostage in more than a year. Calvo, 23, was flown from the jungle to the provincial capital of Villavicencio in a helicopter loaned by Brazil. The FARC had said Calvo was suffering from an unspecified illness, but he did not use a wheelchair that had been provided for him when he arrived in Villavicencio. The rebel group said Calvo was one of two soldiers it would unilaterally release this week. The FARC also said it would free Sgt. Pablo Emilio Moncayo, 32, who has been held for 12 years. The rebels said this week's releases would be the last they would carry out as a goodwill gesture. The FARC said it would now exchange 20 police officers and soldiers it still holds if the government agrees to free imprisoned rebels. Colombian President Álvaro Uribe has characterized the FARC's unilateral hostage releases as publicity stunts. The FARC last released captives in February 2009 when it freed a soldier, two politicians and three police officers. Today, two helicopters loaned by Brazil's government are expected to fly to Florencia, the capital of Caqueta province, in order to pick up Moncayo on Tuesday, an International Red Cross spokesman told the AP.

Calderón: U.S. Lobbyists Blocking Efforts to Stem Weapons Flow

Powerful lobbyists in Washington are thwarting efforts to fight the flow of

weapons to Mexican drug traffickers, Mexican President Felipe Calderón said in an interview broadcast Sunday on CNN. In a taped interview, Calderón told GPS host Fareed Zakaria that U.S. lawmakers have told him that they face stiff opposition to cracking down on the sale of assault weapons, which wind up in Mexico. "[U.S. lawmakers] say that they are facing strong opposition and very powerful lobbies in the Congress," said Calderón. The Mexican president added that in the past three years, Mexican authorities have seized 66,000 weapons, half of which are assault weapons. More than 80 percent of the weapons seized in Mexico come from the United States, said Calderón, adding that there are some 10,000 gun shops in the United States near the Mexican border. Most of the weapons sold in those stores "are coming to my country," said Calderón. "The United States must stop the flow of assault weapons to Mexico," he added. Mexican officials want U.S. lawmakers to reinstate the ban on assault weapons, which expired in 2004. Gun rights groups in the United States generally oppose putting the ban back into effect. Last week, U.S. Secretary of State Hillary Clinton, Defense Secretary Robert Gates and Homeland Security Secretary Janet Napolitano were among the high-level U.S. officials at talks in Mexico City aimed at strengthening cooperating in Mexico's drug war. Since late 2006, nearly 20,000 people have been killed in drug-related violence



Calderón

File Photo: Mexican Government.

in Mexico. On Friday, the police chief of the town of Agualeguas in northern Mexico was found decapitated in his patrol truck, the Associated Press reported. The chief's brother also was found dead in the truck, on which "C.D.G.," an acronym for the Gulf drug cartel was written in blood. Hours earlier, gunmen shot and killed the deputy police chief and his bodyguard in the Mexican border city of Nogales in Sonora state. [Editor's note: See related Q&A in the March 25 [issue](#) of the *Advisor*.]

Economic News

Mexico Bank Loans Stagnated in January, February After Q4 Increase

Bank loans in Mexico stagnated in the first two months of this year after experiencing a large increase in last year's fourth quarter, Dow Jones reported Friday, citing the country's banking and securities regulator. At the end of February, loan balances totaled 1.97 trillion pesos (\$U.S. 157.7 million), a 4.1 percent increase from the same time a

Loan balances at the end of February totaled 1.97 trillion pesos (\$U.S. 157.7 million).

year earlier. However, the total was nearly the same as in December, according to the regulator, CNBV. In last year's fourth quarter, loans surged, driven mainly by mortgage, commercial and public-sector lending increases. The weak economy and tougher credit standards kept consumer lending levels down. Mortgage and public-sector lending grew in January and February of this year, but those gains were offset by falling commercial lending and weak consumer lending, including credit card lending. This year, economists are expecting 8 percent to 12 percent growth in bank lending as Mexico's economy recovers from its recession, the most severe in decades. Last year, Mexico's economy contracted 6.5 percent as a result of the global economic crisis and the recession in the United States, which buys 80 percent of Mexican imports.

Company News

Brazil's Petrobras in Talks for \$10 Billion Chinese Loan

Brazilian state-owned energy company **Petrobras** is discussing a new \$10 billion loan from China's state development bank, Brazilian newspaper *O Estado de S.*

Featured Q&A

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grew 51 percent to \$20.3 billion. Trade between Brazil and Israel also grew significantly, from \$440 million in 2002 to \$1.6 billion in 2008. More than anywhere else in the world, economics and politics go hand in hand in the Middle East. A good political partnership means economic opportunities."

A **Ely Karmon, senior research scholar at the International Institute for Counter-Terrorism and the Institute for Policy and Strategy at the Interdisciplinary Center in Herzlyia, Israel:** "President Lula has stressed the importance of searching for peace in the Middle East, by means of dialogue rather than isolation, and showed his determination to engage in the region. This diplomatic offensive fits Brazil's enhanced regional and global standing, its ambition for a permanent seat in the Security Council and Lula's personal ambition to play an international role. Lula's intention to mediate in the Israeli-Palestinian conflict has little chance to materialize, as Brazil's diplomatic presence in the region is modest and the two sides are betting mainly on the United States' mediation. Moreover, while Lula supported 'the right of Israel to peace and security,' he gave more-concrete support to the Palestinians by condemning the Israeli settlements, by calling on Israel to dismantle the West Bank security barrier and by saying he is prepared to talk to Hamas. The Israeli leadership insisted in their dialogue with the Brazilian president for a more assertive stand on the Iranian nuclear project in the context of Brazil's decision

not to support the proposed sanctions against Iran. Mahmoud Abbas probably asked Lula to convince Iran to put an end to its support for Hamas and stop meddling in the internal Palestinian conflict, as Abbas did during his visit to Brazil.

“Lula's intention to mediate in the Israeli-Palestinian conflict has little chance to materialize.”

— Ely Karmon

However, differences over Iran have not hampered Israel and Brazil from strengthening their economic cooperation. Brazil is Israel's largest trading partner in Latin America, and Israel has the intention to support \$1 billion in exports and investments in Brazil. Israel has become the first non-South American partner in the free trade agreement Mercosur. The 70 Brazilian business leaders accompanying Lula were also looking to invest in the Palestinian territories and Jordan. King Abdullah's talks with President Lula focused on mechanisms to develop economic relations in the fields of alternative energy, industry, water and agriculture. The two leaders agreed to work intensively towards the signing of a free trade agreement between Jordan and the Mercosur trade bloc."

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Paulo reported Sunday, citing a person familiar with the matter. Petrobras last year received a \$10 billion loan from the China Development Bank in an agreement that connected loan repayments to oil exports to China. Petrobras could announce the new loan during Chinese President Hu Jintao's April 15-16 visit to Brazil, the newspaper reported. Rio de Janeiro-based Petrobras is borrowing

large sums of money from bond market investors and Brazilian state credit agencies in order to fund capital spending that could reach \$220 billion through 2014, Reuters reported. Petrobras could use loan proceeds to purchase exploration equipment, including machinery made in China, the newspaper reported. A Petrobras spokeswoman would not confirm the report with Reuters.

Featured Q&A*Continued from page 3*

A David Fleischer, emeritus professor at the University of Brasilia and editor of *Brazil Focus*: "Lula held conversations with Israeli President Shimon Peres and Prime Minister Benjamin Netanyahu, and addressed the Knesset. Lula and First Lady Marisa Leticia visited the Holocaust Museum and laid a wreath on the tomb of Yitzhak Rabin. A contentious situation occurred when Lula's Foreign Affairs Advisor, Marco Aurélio Garcia, vetoed a visit to the tomb of Zionism founder Theodor Herzl. This enraged the Israeli Foreign Minister Avigdor Lieberman (considered a radical conservative) who boycotted Lula's visit. Although its bilateral trade and investments with the region is relatively small, Brazil aspires to the role of 'mediator' of the Israel-Palestine conflict to help broker new peace negotiations. Brazil presents itself as a disinterested party and offers its good offices to this effect. Brazil has dialogue with all nations, including Iran, and Lula has become respected as a competent international leader. Apparently, the Palestinian Authority would accept Brazil in this role, but the current Israeli government is hesitant. Lula has gained support for this role from leaders of Jordan

and Syria. Both Palestinian and Israeli leaders asked Lula to convince Iran to reduce its support for the radical Hamas group, which opposes any negotiations

“Brazil has a role to play in the region but is considered a 'neophyte' by the traditional powers.”

— David Fleischer

with Israel. Brazil has a role to play in the region but is considered a 'neophyte' by the traditional powers—the United States, the United Kingdom, France and Russia. Whether Lula will accomplish this aspiration before he leaves office next January is an open question.”

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

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