



# Weekly Report

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***THE GASOLINE SUBSIDY:  
WHO'S GOING TO DARE  
PUT THE BELL ON THE  
CAT?***

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After the recent statements made by President Chávez with respect to gasoline prices and regarding who it benefits, it's appropriate that we ask ourselves, exactly what does the gasoline subsidy mean to Venezuelan society. Though it is true that Venezuela is one of the world's leading oil producers, and therefore it is only right that gasoline should be cheaper here, it's also true that whatever subsidy there is shouldn't go beyond the limits of what's rational. With some very simple number crunching, we can get a very clear idea of what the subsidy represents to PDVSA accounts.

**How can we arrive at a figure that represents the subsidy?**

In order to calculate the figure that equals the gasoline subsidy, you compare the domestic price of gasoline to gasoline's opportunity cost, which is to say, the amount of money that the State is not collecting because it is allowing the subsidy. You reach this figure by calculating the export price of gasoline and comparing it to the domestic sale price of gasoline. This will give us the amount of subsidy awarded for every liter of gasoline sold in the domestic market. If we then multiply this subsidy for the number



of liters sold in the domestic market, we arrive at the total amount of subsidy being awarded.<sup>1</sup>

**Increased domestic consumption is covered by reducing the amount of gasoline exported**

When looking at the table, it important to notice how increased domestic consumption of gasoline before a constant refining capacity or sometimes even declining refining capacity, leads to reduced levels of gasoline export. This is very important, since for every liter of gasoline we sell domestically, it's one more liter that we don't sell on the international market, with all the lost revenue that implies. Domestic gasoline consumption has been increasing from year to year, leading to a significant drop in gasoline sales on the international market.

	GASOLINE SUBSIDY					
	2003	2004	2005	2006	2007	2008
Export Price (US\$/b)	26,5	37,9	50,2	64,0	74,7	91,9
Capacity of each barrel (159 Liters)						
Official Exchange Rate (Average)	1,61	1,88	2,11	2,15	2,15	2,15
Export Price (VEF/Liter)	0,27	0,45	0,67	0,87	1,01	1,24
Gasoline Exports (MMM de Litros)	6,27	5,99	5,06	5,51	4,64	4,18
Domestic Gasoline Consumption (MMM Liters)	12,16	13,46	14,07	14,91	15,90	16,42
Domestic sale price (average price VEF)	0,08	0,08	0,08	0,08	0,09	0,09
Subsidy Amount per liter (VEF)	0,19	0,37	0,59	0,78	0,92	1,15
Total Subsidy (MM VEF)	2.278	4.944	8.272	11.647	14.681	18.962
Total Subsidy <sup>1</sup> (MM US\$)	1.414	2.626	3.915	5.417	6.828	8.820
Total Subsidy (%GDP)	1,7%	2,4%	2,9%	2,9%	3,0%	2,8%

Sources: BCV, PDVSA, MENPET and Ecoanalítica

**It's not just the devaluation and the price of oil that are the main determining factors concerning the subsidy. Increased domestic consumption is important too.**

Given that the domestic price of gasoline has remained practically constant in nominal terms, the total amount of subsidy has been increasing. Up until 2005, this increase had been pretty much proportional with the devaluation, and the main factor which increases the price of gasoline: the price of oil. When comparing the last 5 years we find that the average exchange rate has gone from VEF 1.61/US\$ in 2003 to VEF 2.15/US\$ in 2005, and there is has remained up to present day. As we have already mentioned, the ever increasing amount of domestic gasoline consumption is another important factor which affects the exponential increase of the subsidy.

On the other hand, the price of a barrel of gasoline on the international market went from an average of US\$26.50/per barrel in 2003 to

<sup>1</sup> It's important to point out that the total amount of subsidy should also include the transportation costs that PDVSA also has to bear in order to distribute the gasoline in the domestic market, and subtract this cost from the cost of transporting the gasoline from the refineries to the docks to ship for export. Since the domestic transportation cost is much higher than the latter, the calculations we have just described do not reflect the complete total subsidy being awarded.

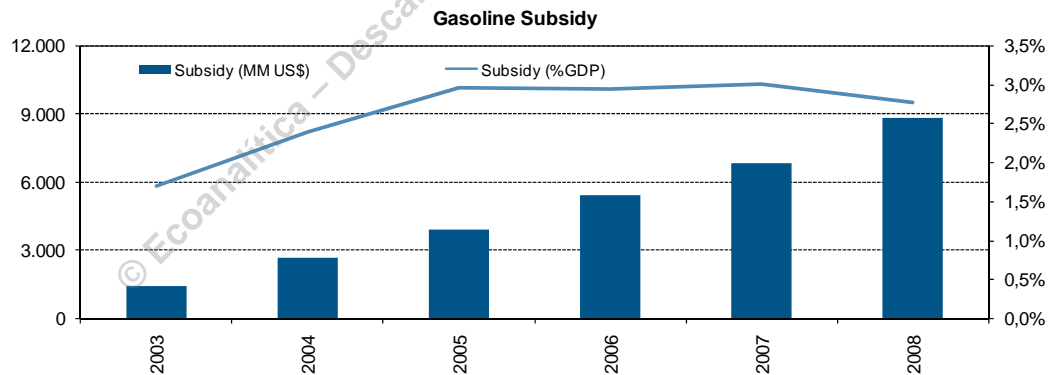


US\$91.90/perbarrel in 2008. Using these prices, one calculates the price of gasoline per liter and then you subtract the domestic price per liter from it.

This gives you the gasoline subsidy, and it shows that it has been increasing by a multiple greater than 14, going from VEF 0.08/liter in 2000 to VEF 1.15/liter in 2008.

**Gasoline subsidies represented VEF18.96 billion in 2008 (US\$8.82 billion) and represents 2.8 points of GDP**

When you multiply the liters of gasoline sold in the domestic market by the implicit gasoline subsidy that we just calculated, we find that the subsidy went from VEF2.28 billion in 2003 to VEF18.96 billion in 2008. If we divide these amounts by the average exchange rates of the times we find that the subsidy went from US\$1.414 billion in 2003 to US\$8.82 billion in 2008. And if we measure the subsidy in terms of the size of the economy, it went from representing 1.7 points of GDP in 2003 to representing 2.8 points of GDP in 2008. It's important to point out that this figure, with respect to the size of the economy, is not larger due to the significant real depreciation of our local currency, which "inflates" the medium value of our GDP in US-dollars.



Sources BCV, PDVSA, MENPET and Ecoanalítica.

**How much does the subsidy represent in terms of education, health, etc.?**

The implicit gasoline subsidy in 2008, compared to what is established in the 2009 National Budget Law, represents 7.7 times more than what the national Budget has earmarked for housing (VEF 2.466 billion); twice as much as what has been earmarked for healthcare (VEF 9.289 billion); 4.4 times more than what has been allocated for transportation and communication (VEF 4.31 billion); 39.9% more than what is destined to be used for security and defense (VEF 13.55 billion); and 62% more than what the country plans to spend on education (VEF 30.496 billion). In general





terms, the subsidy represents a little more than 11.4% of the 2009 National Budget Law.

**What sad is that this is a subsidy that the rich take advantage of the**

Despite all this, it's important to analyze who is being benefited by the subsidy the most and evaluate if it really does benefit the poor. To do so, we have calculated a gasoline consumption pattern for each income level included in the Central Bank of Venezuela (BCV) survey taken on family budgets in the Caracas Metropolitan Area.

Social Strata	Subsidy per inhabitant (VEF Thousands)	Subsidy per family (VEF Thousands)	Total subsidy (MM VEF)
I	0.15	0.92	1,354
II	0.43	2.58	3,076
III	0.77	4.64	5,146
IV	1.35	8.13	9,383
<b>Total 2008</b>	0.68	4.06	18,960

Sources: BCV, PDVSA, MENPET and Ecoanalítica

As was to be expected, gasoline consumption increases more than proportionally the higher you climb in terms of social strata, in other words, the gasoline subsidy it totally regressive, benefiting the higher social strata. The 25% of the population which is in the highest income bracket (IV strata) consumes almost 9 times more gasoline the 25% in the poorest bracket. When you divide the subsidy among the population of each one of the social strata and multiply it by the average size of the family, we find that “the Venezuela State gave the families belonging to the richest levels of the population VEF 8.13 billion in gasoline subsidies in 2008 while the 25% of the population belonging to the poorest levels only received VEF 916 in gasoline subsidy.”

No one is questioning the right that every society has to choose where it wants to spend its resources. We, at **Ecoanalítica**, made these calculations and present these figures so that we can reflect over the magnitude of the gasoline subsidy, what it represents, and how beneficial it is for us as a society.





## Is it convenient now?

It's clear that after 11 years since the last time gasoline prices were adjusted, it's time we reviewed the situation, and more so when we look at how that subsidy is being distributed among the population. However, certain considerations must be made. Given the current economic crisis, gasoline prices must be increased in stages and in a plan that covers at least 5 years. And, as prices begin to reach more rational levels, the Government must design mechanisms to compensate the more vulnerable sectors of society, and so that transportation does not receive an overly harsh impact with inflationary consequences.

It seems like the Government, in a year facing a significant slowdown in the economy, is beginning to evaluate this issue, but without taking into main factors into consideration, so a gasoline price increase could complicate the macroeconomic situation even more, if the price increase is seen as a merely fiscal matter.

To think of a an increase in gasoline prices as a simple measure to collect more revenue would be a grave mistake given the economic slowdown were are in and what it will mean to Venezuelan society. Any plan considering a gasoline price increase has to be carefully thought out and be over the long term. Just one figure to put this in perspective: if gasoline prices were to go up by 20%, this would cut the subsidy back by US\$ 138 million and to eliminate the subsidy completely, the price increase would have to be increased by 1,319%. (Using data from 2008). Projecting a lower international gasoline price for this year, if we "generally" assume 55US\$ per barrel (considering a constant domestic consumption) the requirement increase would be 751%.

## Economic Tips

**Economic packet is closer.** This Saturday march 21st, the president Chávez is announcing some economical measures to face the global crisis. He also assured that these measures are ment to help the poor people and not the rich ones. In addition to that he resumed the idea of the acquisition of "Banco de Venezuela" by the state and also stating that the idea of buying it was never withdrawn and that the action of





reinforcing the public banking system is still in the agenda. These measures will be focused to achieve an increment of the income that has been shorted down by the strong fall of the oil prices.

**A Lower Unemployment?** The National Institute of Statistics (INE) announced the unemployment rate of February 2009. On that month the rate was 7.4% showing a considerable decrease when compared with the previous month (9.4%). However this could be caused by seasonal factors. Checking historical data we saw that the rate of unemployment for February 2008 was 7,6%, showing a decrease of 2.6% even when we are in a economic crisis

**Gold Sale.** Last week it was revealed that the Central Bank of Venezuela (BCV) sold some 7 tons of gold from its international reserves, around US\$ 200 million (just over US\$ 940 per troy ounce). This is no bad deal. First, that gold was registered in the BCV's financial statements at US\$ 300 per troy ounce. In this way, a profit of more than US\$ 600 per troy ounce was made. Secondly, the BCV is obliged to buy the gold produced in the mines of Guayana, which means that there would be no future commitment of the BCV's gold reserves.

**Fiscal Administration for 2008.** According to the BCV's 2008 report to the National Assembly, there was a financial deficit (a lack of resources with regard to financial needs) of 2.8% of the GNP and a primary deficit of 1.5% of the GNP. Regarding this result, the BCV reported that during the last three years, there had been a balance in fiscal accounts, while there had been no primary deficit since 2001. In terms of the GNP, income showed a contraction of 5.3 points, while expenditure fell by only 0.4 points. Regarding income, only the payment of royalties registered a nominal increase of 23.1% compared to similar payments in 2007.

**Classic FMI package.** The Government has been "obliged" to adopt a package of measures proposed by the FMI in the seventies that caused a recession in Latin America, according to economic analysts. These measures include a rise in gasoline prices, the introduction of new taxes and devaluation. However, such measures would only contribute to an increase in income, but would not resolve macro-economic problems.

**Repressive economic measures?** With great expectations over the economic measures soon to be taken by the national government, the Caracas Chamber of Commerce, Industry and Services hopes that these will not be repressive, and





considers an increase in gasoline prices will affect both prices and costs of goods and services.

**Real salaries could fall again...** analysts believe that real salaries could fall again if the Executive insists on reducing contractual benefits and restricts negotiations on collective bargaining, besides which an economic recession with high-level inflation rates are forecast. For his part, one of the members of the Labor Solidarity Committee, Daniel Santolo, reported that the idea of the new organization is to unite all the labor groups in conflict to define a course of action in order to avoid a deterioration in contractual benefits or the violation of labor rights.

**100% goals achieved, but...** Antonio Amorós, SENIAT's National Director of Domestic Taxes, reported that the goal established for Income Tax collection (ISLR) had been completely achieved during the first two months of this year, reaching a total of Bs.F. 1.9 billion. When this figure is compared to the amount collected during the first two months of 2008, once the effect of inflation is taken into account, there appears to be a contraction of 12.6 %.

**International reserves.** International reserves showed a loss of 0.4%, moving from US\$ 29,31 billion at the close of the third week of February to US\$ 29,19 billion by the fourth week of February.

## Oil Tips

**OPEC: current production levels maintained.** In order to relax and create breathing space for the world economy, suffering from the current crisis, OPEC decided to maintain its production levels without change. Under this measure, only previously-established cutbacks will be put into effect. However, another meeting will be held at the end of May in order to analyze the situation and to evaluate a further cutback. Faced with this situation, the 12 countries which make up the OPEC cartel announced that they will comply "totally with the decision taken in December 2008", by which they need to withdraw between 800,000 and one million barrels per day.

**Changes in the resolution on natural gas for vehicles.** The Ministry of Energy and Oil (MENPET) reported that a modification will be made to the resolution concerning the





use of GNV in public transport. According to a statement issued by MENPET, from March 24, workshops will be organized for mechanics nominated by the bus companies. A technical and juridical commission will also be created jointly with these transport companies to agree on modifications to the resolution.

**China and Venezuela will build refinery.** PETROCHINA will build, in conjunction with Venezuela, a refinery in the Guangdong province to process heavy crude from Venezuela, with a capacity to refine over 200,000 barrels per day. The shareholders will be Venezuela and China only; the participation of the latter will be more than 51%. According to figures from the Chinese customs service, Venezuela exports 130,000 barrels daily to this nation.

**Brazil and Venezuela postpone again terms for Pernambuco refinery.** The ministers of Energy and Mines of Brazil and Venezuela have postponed for sixty days the contract of association of the Pernambuco refinery project. Negotiations to build the bi-national refinery Abreu e Lima began in 2005, but certain disagreements have prevented these nations from finalizing an agreement.

**PDVSA contributed less resources than expected to the treasury.** By the end of February, the state oil company gave to the treasury Bs.F.2.50 billion, even though the amount expected was Bs.F.4.50 billion. Contributions through royalties were Bs.F. 1.7 million while tax revenue provided Bs.F.554 million. It is expected that this year oil income will reach the sum of Bs.F. 77.90 billion.

**Less production.** The monthly OPEC report indicates that the production of Venezuelan crude oil in February fell by 51,500 barrels, as compared with January, to 2.14 million barrels. However, according to government sources, total production was around 3 million barrels, after the cutbacks established by OPEC.

**Rafael Ramírez refuses to open negotiations on oil contract.** During one of the meetings between representatives of oil workers, PDVSA directors and the vice-president of the Republic, the minister Rafael Ramírez refused the possibility of discussing the oil workers' collective contract, despite having promised the workers that discussions would begin after February 15. For their part, the oil workers from Zulia state met to reject an internal statement by PDVSA in which they accused workers of trying to force a strike in the industry.





**PDVSA will assume payments.** In order to guarantee the efficient running of the industry, the Venezuelan oil company PDVSA will honor its payments to a new group of contracted workers, specifically to those companies involved in the control of solids which have been assigned to PDVSA's oil-drill division in Western Venezuela. In a statement, PDVSA complained that these companies are not complying with the collective agreement, which "forms part of the war being waged by those sectors opposed to the revolutionary process that want to generate a crisis in the oil industry."

## Business Sector Tips

**Banks Law will be adapted to new realities.** Edgar Hernández, the Banks superintendent, stated that this year changes will finally be made to the General Law of Banks and Other Financial Institutions, and that a set of regulations will also be produced. He gave assurances that "Parliament is prepared to consider this proposal as a priority among the laws which need to be revised." He concluded by saying that "the Banks Law must be adapted to new realities."

**SENIAT asks that no details should be omitted from Tax Returns.** José David Cabello warned contributors that when calculating tax, all income received as wages must be included (claimed under a fixed work relation) or as salary (compensations to personnel under contract) and which affects income, as a result of work activity during the 2008 financial year.

**Sale of Stanford Bank postponed.** The government has established March 16 as the deadline for receiving the required documentation from those interested in buying Stanford Bank. These requirements should be received by SUDEBAN for evaluation, and participants must also pay Bs.F. 10,000.

**Warnings about Venezuelan credit cards being blocked abroad.** The main credit card franchises, Visa International and MasterCard Worldwide, warned financial institutions about the risk of Venezuelan credit cards being blocked abroad, since they are not complying with the requirement of making daily payments for operations carried out abroad using that financial instrument.





**Regulation of housing contracts under consideration.** The National Assembly is considering the introduction of a law to regulate the pre-sale of houses. The idea is to have contracts checked by an organization such as the Ministry of Public Works and Housing or by INDEPABIS. They also intend to unify the rate of inflation so as to establish pre-sale prices of houses.

**Automobile sector records Bs.F. 2.025 billion loss.** According to the Federation of Automobile and Machinery Distributor Associations of Venezuela (FADAM), the national assembly plants failed to produce some 40,500 automobiles. Assuming that the average price of a vehicle is Bs.F. 50,000, the units which were not assembled represent a loss of Bs.F. 2.025 billion. Apart from this, it represents a loss to the treasury of Bs.F.182 which would have been collected as VAT.

**Toyota paralyzed for over a week.** The Toyota assembly plant continues to be occupied by the labor union SINTRATOYOTA, which has resulted in the failure to manufacture between 600 and 700 vehicles. Argenis Vásquez, the union's organization secretary, said that they had presented a proposal with three demands. Firstly, they want the company to eliminate some of the restrictions regarding the assignment of vehicles to employees, to appoint a commission to evaluate the conditions of the dining-hall and to improve health insurance.

**The State intends to absorb 3% of CANTV shares that remain in private hands.** The minister for Telecommunications and CANTV president, Socorro Hernández, reported that the State hopes to take control of 3% of the shares in the telephone company which remain in private hands through the Public Offer of Acquisition (OPA).

**Farmers demand that communes be set up at Hato Caroní.** Families of the Roa Farmers' Front expect the agricultural communes to be included in the divvying up of the land belonging to Hato Caroní. The farmers say they have a priority claim on this land as they were the ones who requested its intervention; however, according to them, the projects announced by the government do not include the farmers' organizations.

**1,107 agricultural instruments handed over in Yaracuy.** The National Lands Institute (INTI) has handed over 1,107 agricultural instruments to producers in Yaracuy state as part of the social justice policies being implemented by the Venezuelan Government. INTI's coordinator in Yaracuy, Ángel Pino, said that these documents included agrarian charters, testimonies of continued occupation, allocations, and the transfer and registration of improvements.





**Fear of expropriation prompts retrofitting of trawlers.** Faced with threats from Agricultural and Lands Minister Elías Jaua to expropriate trawlers whose owners are unwilling to retrofit them, the majority of businessmen in the industrial fishing sector have applied to INSOPESCA (Socialist Fishing and Aquiculture Institute) to start retrofitting, even though there is uncertainty as to what this entails. As for fish supplies, businessmen reject the idea that there will be a shortage, at least until after Easter, as there is sufficient in store.

**Proposal to raise the price of paddy rice to VEF 1.2/kg:** Tulio Burgos, a board member of FEDEAGRO (Agriculture and Livestock Producers' Confederation) announced that they had submitted a proposal to the Agriculture and Lands Ministry to increase the official price of paddy rice for producers to VEF 1.2/kg, so as to cover production costs and leave a profit for the producers.

**Delays by CADIVI afflict dairy sector.** CAVELÁCTEOS (Venezuelan Chamber of Dairy Product Importers, Manufacturers, and Distributors) says that CADIVI is taking a long time to approve foreign currency for importing milk, cheeses, and dairy byproducts. According to Teresa López, the executive director of CAVELÁCTEOS, these delays are affecting 16 companies that import dairy products and, what is more, not only are Venezuelan importers starting to be viewed with caution on international markets, they are also beginning to lose credit lines they were using before.

## World Crisis Tips

**No consensus in the G20:** The meeting of economy and finance ministers and central bank governors of the extended G20 in preparation for the summit to be held on April 2 concluded without dispelling the impression of a lack of consensus among the main industrialized countries that has spread in the market in the last few days. While the United States (supported by Japan) puts emphasis on the need to implement a coordinated global fiscal stimulus, the European countries (led by Germany and France) give priority to financial regulation.

**Some agreements:** While agreement exists, in principle, on the need to increase the financial resources of the IMF and the multilateral agencies so that they can channel aid





to developing countries during this crisis, there is not complete agreement on the amounts. The United States talked of US\$ 750 billion, but the Europeans did not want to go above half a billion. Moreover, the IMF has been charged with the task of evaluating and monitoring response to the crisis. Although all participants have made an effort to emphasize points in common and to point out that there is an unprecedented commitment to solve the crisis, the fact is that no progress has been made on specific agreements that combine positions.

**World Bank expects the world economy to contract by between 1% and 2%.** The president of the World Bank, Robert Zoellick, said that the world economy could contract by between 1% and 2% this year and that Central and Eastern Europe is particularly exposed to the crisis because it moved quickly to integrate with trade, investment, and remittances. He also commented that trade could probably post its biggest decline in 80 years.

**IMF: negative world growth in 2009:** Strauss Kahn, the director of the International Monetary Fund, said that world growth could be negative in 2009 for the first time in decades. He stated that *"The IMF expects global growth to slow below zero this year" since "continued deleveraging by world financial institutions, combined with a collapse in consumer and business confidence, is depressing domestic demand across the world."*

**World trade will fall by 7%.** Pascal Lamy, the director of the World Trade Organization, has said that the flow of world trade will fall by 7% as a result of the world crisis. The director of the WTO said that "The trade numbers are going to undergo a drastic change. Now the world economy will have zero or negative growth; trade will have a contraction of 6% or 7%" for the first time since 1982".

**EEUU: Even worse than forecast:** The monthly employment figures were even worse than expected. Nonagricultural employment fell by 651,000 in February and the figures for jobs lost for the preceding months were revised substantially upward. This makes it a run of three consecutive months with a loss of more than 600,000 jobs, something that has not happened since 1938. Moreover, the unemployment rate rose by half a point to 8.1%, the highest in 25 years. Employment in the manufacturing sector contracted by 168,000 jobs; and salaries rose by 0.2% from the previous month and by 3.6% from a year ago, a trend that seems unsustainable if unemployment continues to rise.





**EEUU: Trade deficit at a six-year low:** The trade deficit fell by 9.7% in January to US\$ 36 billion, the lowest in six years, with a 6.7% drop in imports and a 5.7% decline in exports, a true reflection of the collapse in the volume of world trade. Excluding oil, the deficit increased slightly to US\$ 21.3 billion, nearly the same level as the previous month. While net exports' contribution to growth in the first quarter will probably be practically nil, the most significant development is the weakness of all the components of foreign trade.

**Japan's exports collapse.** In January, Japan posted its first current balance of payments deficit since 1996, owing to the collapse in exports. The current balance of payments (not adjusted) posted a deficit of JPY 172.8 billion, the biggest since January 1985. Although the surplus on the revenue account shrank by 31.5% to JPY 992.4 billion, the main reason for this situation was in the trade balance. Exports fell by 46.3% compared to a year ago, exceeding the 31.7% drop in imports.

**Lloyd's hands over control to the British Government.** The plan to rescue Lloyds has been finalized. In exchange for public insurance covering assets to a value of £ 260 billion, the British State's stake in the bank will increase to 75% of its capital once preferred stock has been converted into ordinary shares. Approximately 83% of the insured assets come from HBOS, the bank that Lloyds acquired in October. Lloyds will pay the State a fee of 5.2% on the insured assets, more than RBOS paid in its day (2%). The market capitalization of Lloyd's is £ 6.34 billion.

**Eurozone: drop in retail sales.** In January, the retail sales index was down from a year ago for the eighth consecutive month, dropping to 2.2%. The global recession and the increase in unemployment are eroding the confidence of consumers, who are cutting back on spending, a trend that is expected to continue in the coming months. Details of automobile sales in Europe were also published, posting a drop of 18% from the previous year: Volkswagen down 10.2%; PSA, -25.3%; Ford, -12.7%; Renault, -23.1%; General Motors, -21.9%; Fiat, -16.5%; Toyota, -18.3%; Daimler, -29.8%; and BMW, -29.2%, in addition to reductions in the majority of the remaining Asian manufacturers.

**Estimated 13% drop in remittances to Latin America forecast:** The Inter-American Development Bank announced that remittances to Latin America and the Caribbean posted an increase of less than 1%. However, it warned that this trend would not continue this year, rather that results would tend towards the negative owing to the recession in immigrant recipient countries and other challenges facing immigrant workers. Given this situation, Alberto Moreno, the president of the IDB, said that "a





reduction means social problems because the remittances are a main source of income for thousands of families.”

**Chile's credit rating the highest in Latin America:** Owing to the “transparent, prudent, sustained” macroeconomic policies, the amount of debt granted Chile is the highest in Latin America, according to the ratings produced by Standard & Poor's (S&P). The rating agency also stated that the growth of the Chilean economy could be below 1% this year and that copper prices would remain low, which could result in a deficit on the current balance of payments equivalent to 4% of Gross Domestic Product (GDP).

## Political Tips

**Azuaje: still no response from the TSJ on Chávez family cases.** In addition to challenging the President to expropriate the land owned by his brothers, Deputy Wilmer Azuaje said that the National Assembly had still not responded to the accusations against the Chávez family. He pointed out that the Supreme Tribunal of Justice had, however, already notified him that it had declared itself competent to accept a petition for a preliminary hearing to determine probable cause of accusations against him. “One of the plaintiffs who are petitioning for my parliamentary immunity to be lifted on the grounds of alleged slander is the President's brother, Narciso Antonio Chávez,” he said.

**Manuel Rosales: deprivation of liberty.** The Public Ministry asked for the deprivation of liberty against Manuel Rosales Guerrero, former governor of Zulia state in Venezuela and actual Major of Maracaibo City. Rosales was accused by the commission of delinquency of illegal enrichment. The public prosecutor, that's leading the case, Katiuska Plaza, said that the felony was mentioned in 73rd article according to the 46th article of the "Law Against Corruption".

**PSUV proposes national broadcasting plan.** With a view to drawing up a national communications plan that will allow the formation of socialist battalions to move ahead, several delegates of the United Socialist Party of Venezuela have started the debate on a communications policy.





**Governors lose control of roads and ports.** The National Assembly plans to pass the partial amendment to the Decentralization Law today, Article 8 of which will allow the Executive to “reverse the transfer of powers granted to the states for the conservation and administration of and deriving of profits” from roads, national highways, ports, and commercial airports.”

**Governors threatened:** In his Sunday program, President Chávez threatened to put opposition governors in prison if they opposed the enforcement of the recently amended Decentralization Law, which allows the Executive to reverse the powers granted to the regions. “They are strategic facilities and they belong to all the people, not to a minor regional caudillo or the mafias,” said the President.

**Governors and mayors will be subordinated to a regional authority.** Once the Land Use Planning and Management Bill is passed, the President will be able to appoint a regional authority for each “functional region” to be in charge of developing land use planning and development policies, plans, and projects.

**Fishman’s Day decreed:** The governor of Sucre state celebrated the end of trawl fishing with a vigil held on the wharf of Cumaná’s Fish Market and decreed March 14 as National Artisanal Fisherman’s Day in an event that was broadcast by VTV. The Executive hopes to strengthen artisanal fishing, to which end it will allocate funds that will enable fishermen to adapt their boats or engage in this type of fishing.

**Parties have 60 in which to hand in their accounts books.** The political parties have 60 days to hand in to the CNE the accounts books that will allow the agency to audit the amounts spent on the campaigns for the recent elections. CNE Director Germán Yépez stated that the parties that do not submit this information will be sanctioned as provided for in current regulations.

**Teachers getting ready to protest:** The president of FENATEV (National Federation of Education Workers of Venezuela), Pedro Morantes, said that they are to start holding meetings with teachers shortly to demand a salary increase and to defend the teaching profession. On the matter of the collective employment contract and its possible suspension owing to the lack of public funds, the leader Vicente Romero stated that it was necessary for the teaching profession to unite.

**TSJ orders sentencing of police captains implicated in April 11 case:** The Supreme Court of Justice’s Chamber of Criminal Appeals ordered sentencing as a





matter of urgency in the case of the police captains Iván Simonovis, Henry Vivas, and Lázaro Forero and the eight Metropolitan Police officers accused of being implicated in the events of April 2002. The Chamber of Criminal Appeals turned down the petition by the Prosecutor General's Office for a review of the entire public oral trial.

**Venezuela warns on joint fumigation of border with Colombia.** Vice-president of the Republic Ramón Carrizalez stated that the Venezuelan Government will take a stand if it is confirmed that Colombia wants to fumigate areas of its border with glyphosphate. These statements were in response to those made by Freddy Padilla de León, the commander of the Colombian armed forces, who said that they would dust coca crops in the department of North Santander, on the border with Venezuela.

**PPT proposes amending "Resorte" Law.** The secretary general of the political party *Patria Para Todos* (Fatherland For All) has announced that they will push for an amendment to the Law on Social Responsibility in Radio and Television. According to Albornoz, the amendment seeks to get the audiovisual media to allocate more time to programming aimed at crime prevention in Venezuela. However, National Assembly President Cilia Flores asserted that they were working on amendments to both the "Resorte" Law and the Law on Exercising Journalism.

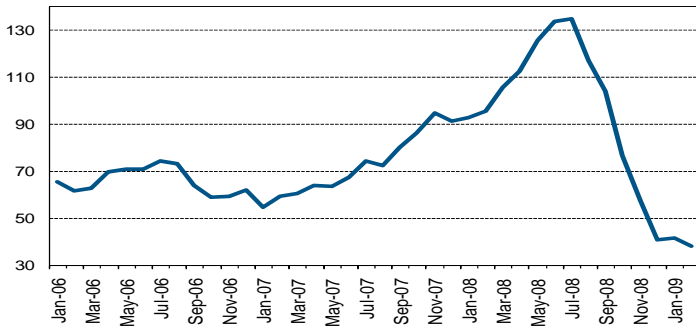
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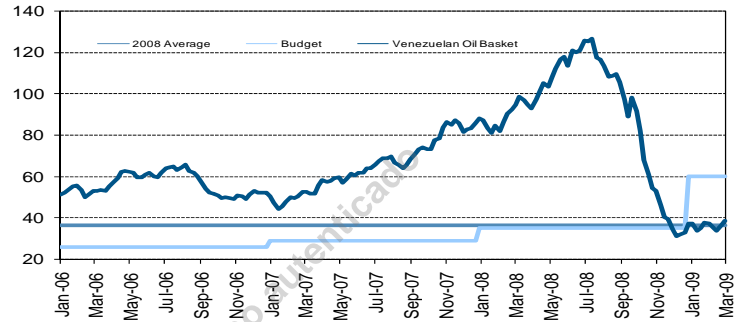


## ECONOMIC OVERVIEW

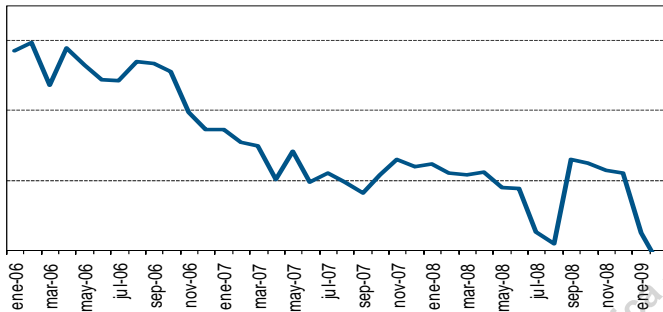
**Oil Prices (WTI US\$pb)**



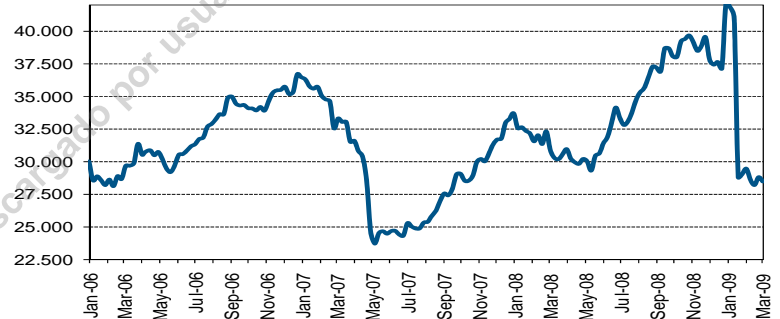
**Oil Price (Venezuelan Basket US\$/pb)**



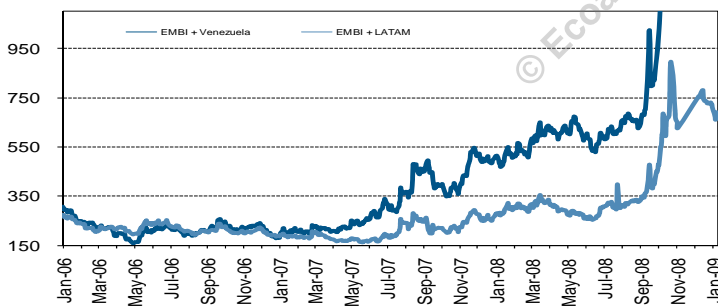
**Oil Production MMBD**



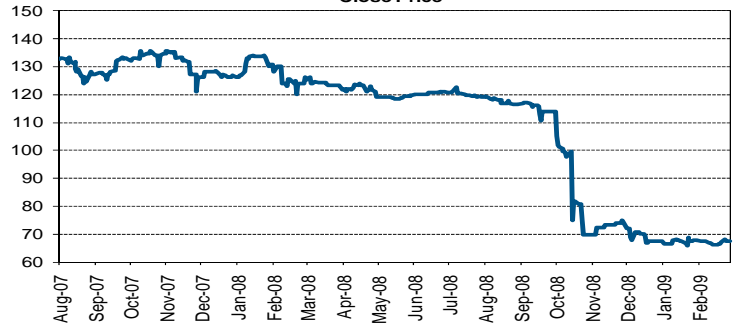
**Fx Reserves - BCV (US\$ Million)**



**EMBI +**



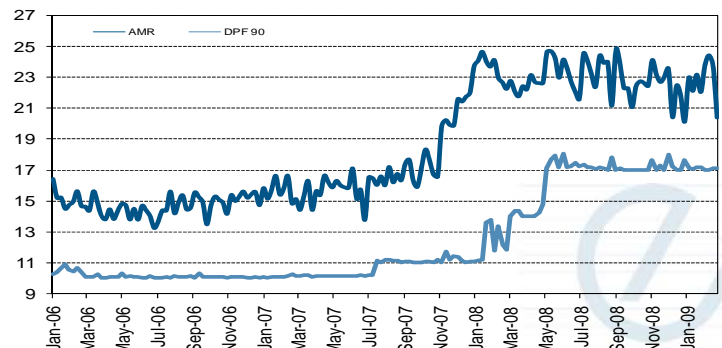
**Venezuelan Global 18 Close Price**



**Venezuelan Global 27 Close Price**

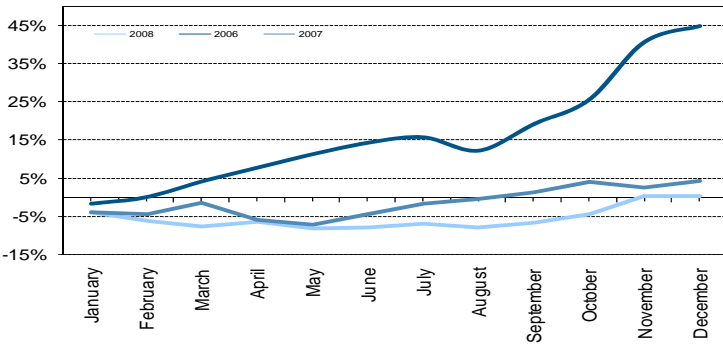


**Interest Rate (Six Principal Banks)**

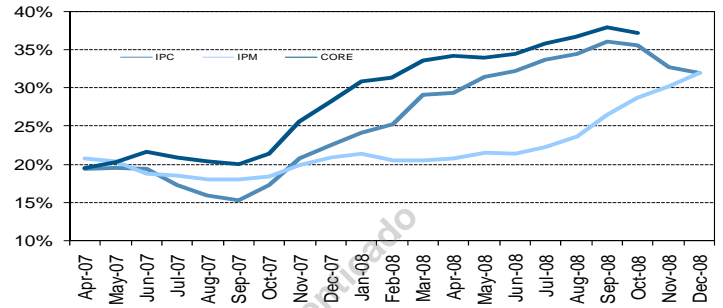




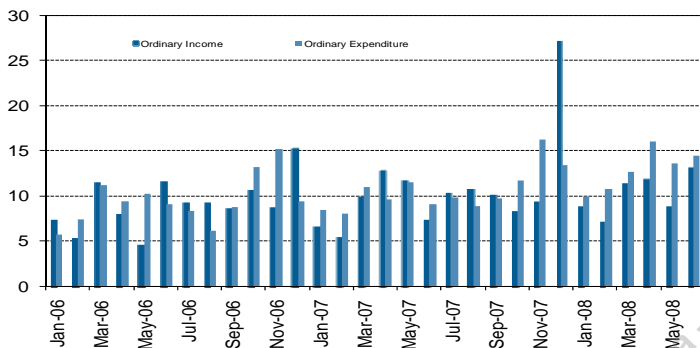
**Real Expansion (M2)**



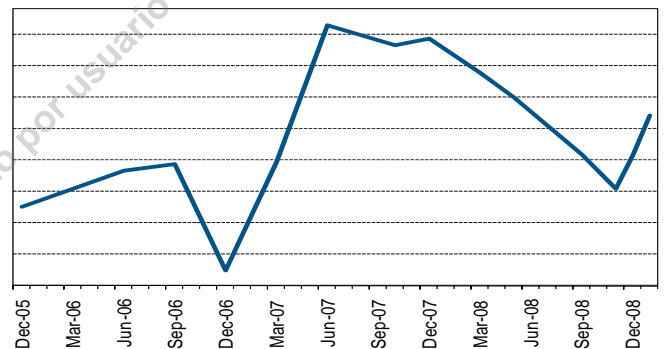
**Inflation (Last 12 Months)**



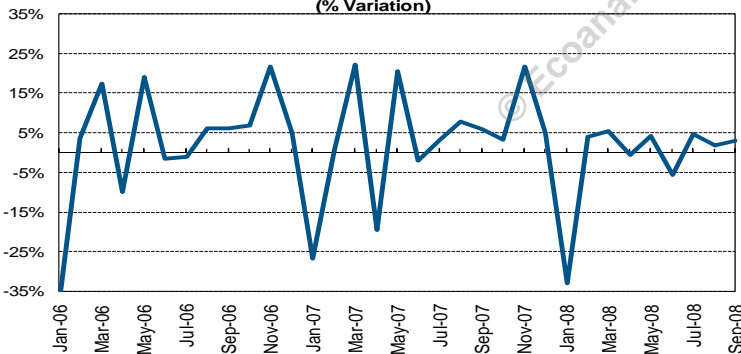
**Central Government (VEB Billion)**



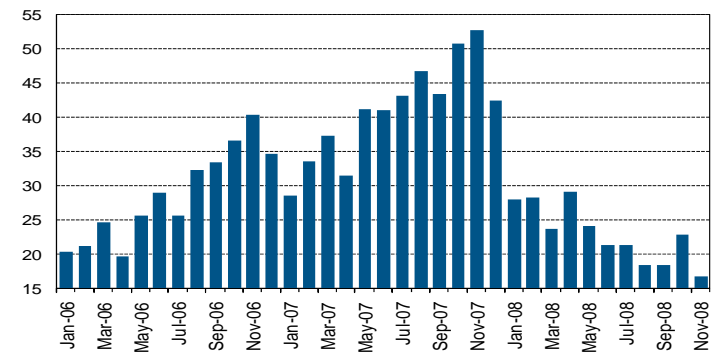
**Resources of the State (US \$ MM)**



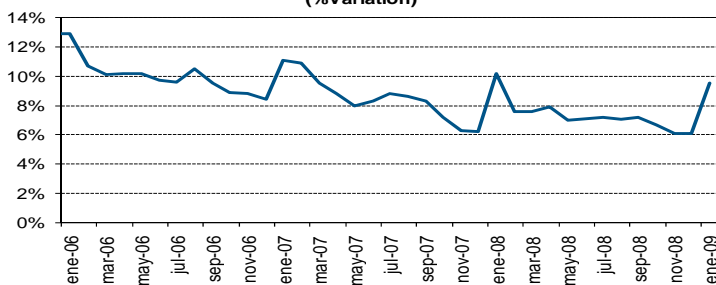
**Volume of Sales (% Variation)**



**Sale of Vehicles (Thousands of Sold Units)**



**Rate of unemployment (%Variation)**



**Disbursement (US\$ Million)**

