



Weekly Report

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FOOD SAFETY?

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The last few weeks has witnessed a number of very charged statements being issued by government spokespersons. In this Report, we will comment on one that stands out, a statement made by the Minister of Agriculture, Elias Jaua, during the middle of July, concerning the public sector and how in the near future it will become the country's only importer of food. This statement has led us to ask ourselves the feasibility of this statement and just how big is the role of the public sector in the food imports. This Report will also include a brief commentary on new tensions arising between Venezuela and Colombia.

Food imports continue to increase

The BCV, in its 2008 Economic Report (using National Statistic Institute (INE) figures as its main source of information) released food import figures (without defining whether public or private sector) that reached US\$ 7.49 billion, up by 78% from the previous year's figures (US\$ 4.19 billion), increasing its participation in total imports, going from 9.1% to 15.6%. These figures clearly show a number of things, for example, they show another dimension of just how dependent the country is on oil; in other words, if we don't produce and sell oil, we don't get the US-dollars that



allow us to pay for the food we import. It also shows that as time goes by we produce less and less, per capita, of the food we need.

... but there are some discrepancies in the figures

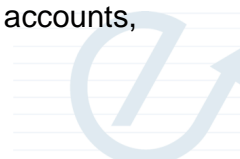
At *Ecoanalítica*, we have noticed that there are some discrepancies in some of the other official figures, for example, the information released by CADIVI regarding food imports. According to the figures, during 2008 it authorized US\$ 7.58 billion (US\$ 4.52 billion in ordinary imports and US\$ 3.06 billion through the Aladi Agreement) compared to the US\$ 5.84 billion it authorized in 2007.

Food Imports (US\$ Million)		
	Approvals CADIVI	BCV
2006	3,470	3,250
2007	5,843	4,188
2008	7,577	7,490

Sources: BCV, CADIVI and Ecoanalítica

At first glance, there doesn't seem to be any discrepancies. And, even though CADIVI authorizations don't always equal CADIVI liquidations, it's also true that one of the Government's main priorities (therefore CADIVI's too) is food, therefore, there should be no greater difference between the amount authorized and the amount liquidated. Also we seek in CADIVI's lists of companies that have authorized foreign currency looking for CASA (the institution that supplies MERCAL and make food imports) and we didn't find it anywhere, so we ask ourselves what is happening with public sector imports? Upon reviewing the Ministry of Foods' 2008 year end balance statement and accounts, we find that CASA shows purchases on the international market for US\$1.93 billion for 2008, and US\$ 1.11 billion for 2007. This, without knowing exactly how food purchases made by PDVSA through its company Bariven are being accounted. According to the BCV, the total imports of the public sector for the years 2007 and 2008 were \$ 7.529 million and \$ 9.413 million, respectively.

Much has been written about the lack of transparency regarding the managing of these food imports made through MERCAL. At *Ecoanalítica* we feel that it is necessary to clarify the figures in these accounts,





especially when during an exchange control period, importing anything at the official rate is big business.

There is no doubt that the Government has become a bigger player in the food sector

It is quite clear that within the economic and social model introduced by the Government, the private sector is a secondary player. It is the State which transforms society and the private sector is left to play a very limited role in the course of events. The State is not only focused on regulating the private sector, but also on eliminating it from certain areas of the country's productive sector. According to the Government's point of view, there are certain "strategic sectors" which can't be in the hands of the private sector and must be controlled by the State. This was clearly reflected by the wave of nationalizations which took place in 2006.

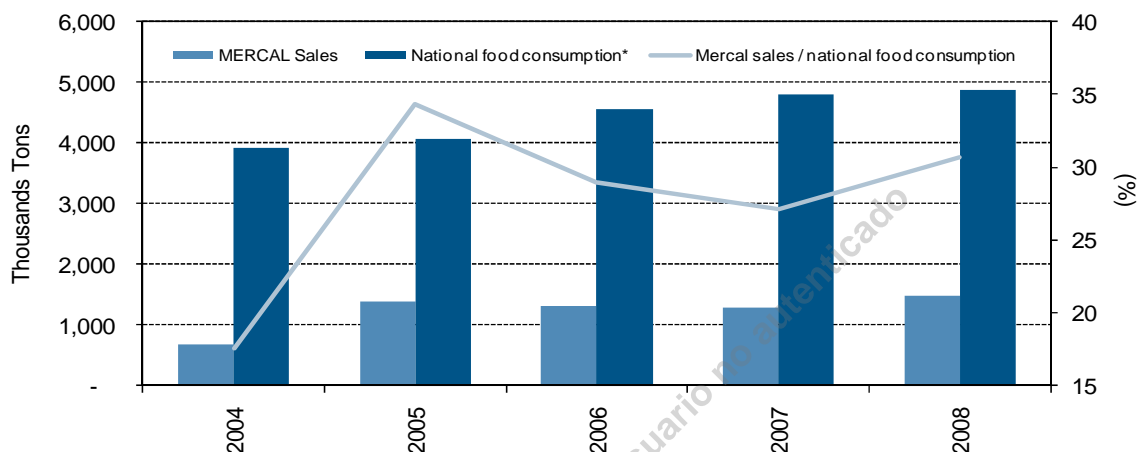
For a while now, all signs have pointed towards the food sector being the next in line to be nationalized, and though a massive wave of nationalizations within the food sector hasn't occurred yet, there is no doubt that the Government has increased its role in the food sector. There have been a few minor expropriations within the agro-industry sector, and some expropriation of lands, and special grants for production which have been very small scale and inefficient, mainly through the MERCAL network and recently through PDVAL.

According to information released by the Ministry of Food, if you only consider the domestic consumption of subsidized items purchased through the MERCAL network, coverage during the 2003-2008 period has averaged out at 28%, and just during 2008 this coverage reached 30.7%. what we want to highlight with this is how the Government has increased its participation in the food sector and we are not evaluating MERCAL's performance and/or efficiency.





National food consumption and sales through MERCAL



* Data correspond to the consumption of products listed in Food Mission
Sources: MINPAL and Ecoanalítica

Impact of “Food policy” on inflation

An important fact that must be considered with respect to inflation is the role public sector direct and indirect subsidies play, essentially regarding the food sector and basic services. Food items and non-alcoholic beverages represent 25.6% of the consumer price index, within which MERCAL and PDVAL generate significant figures. Ministry of Food official figures reveal that up until July 21 of this year, the network has distributed 719,987 tons of food through 16,456 points of purchase.

Besides the market penetration figures released by the Ministry of Food, private sector surveys also show how the State food distribution networks have significantly penetrated the market. Around 40% of the population has made at least one purchase in a PDVAL store, and 51% in a MERCAL store. Also, 25% of those surveys did their main grocery shopping in a MERCAL store, while 18% did it in a PDVAL store.

The down side of this is that these networks are the ones which suffer the most from shortages of first necessity products compared to private stores. Unofficial estimates put the shortages of first necessity products by MERCAL at 41%, followed by PDVAL at 28%, neighborhood shops at 24%, informal sector merchants at 12%, and the private sector supermarket chains at 8%.

MERCAL’s subsidy level had been increasing exponentially, since their prices have not been adjusted except for a few items last year (oil, black



beans, and lentils) while inflation for food items was at more than 50% compared to the previous year (in October 2008). This is too much for the Government to cover, and this is why the Executive office announced a few months ago that 14 basic items that MERCAL sells will progressively increase in price. Price increases began in May and they have been implemented progressively, keeping a close eye on inflation. According to the Minister of Food, Félix Osorio, the impact on the National CPI will be at around 1.4%. Osorio also pointed out that the aim is to still keep prices 40% below the regulated level.

Average savings on products purchased in MERCAL (%)							
	2003	2004	2005	2006	2007	2008	2009*
MERCAL savings vs regulated price	17.3	28.7	31.6	32.1	43.2	52.1	49.2
MERCAL savings vs market price	36.9	40.1	44.5	49.2	59.6	74.3	61.9

* Figures at July 18, 2009

Sources: MINPAL and Ecoanalítica

At **Ecoanalítica**, we feel that given the importance MERCAL has with respect to the price index, the impact on inflation will be more around 2.7% and not 1.4%, as predicted by Minister Osorio. The impact will be more severe during the months of July and September (when the second stage of the minimum wage increase kicks in).

Taking what we have just said into account, we believe that it is necessary to put Elías Jaua statement in perspective. Even though we don't doubt the Government's intentions to increase its participation in the food sector, that it go as far as that the public sector will be the only one importing food, we don't believe makes much sense. At **Ecoanalítica**, we do believe is that there will be a significant increase in imports controlled by the public sector of items subsidized through MERCAL, thereby taking these items out of the hands of the private sector.

Relations between Colombia and Venezuela

Though it is not the topic being discussed in this week's Report, we can't fail to mention the strained diplomatic relations between Colombia and Venezuela (a U.S. military base located on Colombian soil and the discovery of arms, presumably Venezuelan military arms, in the hands of guerrillas). There is no doubt that these events will affect the bilateral trade relations of both countries, and in the worst case scenario, if relations are



completely cut, it could threaten more than US\$ 7.70 billion in bilateral trade, which was the amount registered in 2008. Of the US\$6.81 billion that Venezuela imported from Colombia last year, around US\$ 1.26 billion was in agriculture and agro-industry goods especially beef, chocolate, and raw milk). At first glance, and without considering the full impact of a total collapse in trade relations, it will be easier and quicker for Venezuela to find other suppliers to import the same goods than for Colombia to find another market to export the goods to.

In any case, this isn't the first time relations between these countries has been tense, and despite President Chávez' recent statements to freeze relations with Colombia and to review Colombian investments in Venezuela, at **Ecoanalítica**, we don't believe these events will have a negative impact on bilateral trade relations, among other reasons due to the political and economic cost it would generate. Plus, the Colombians have nothing to gain by letting this situation escalate.

Economic Tips

CADIVI backlogs would be overcome before year end. According to the Minister of Economy and Finance, Alí Rodríguez Araque, CADIVI will have overcome the backlog in the allocation of foreign exchange for imports before the end of 2009, because oil prices recovery would allow the situation with CADIVI to be normalized.

Public spending in 2010 will account for 31.8% of GDP approximately. According to the multiple-year span of the 2008-2010 budget, 2010 spending will account for up to 31.8% of GDP, for a two-point plus decrease in public spending (including central government and other entities) compared to the projections for other years. Non-oil revenues are expected to have greater relevance, meaning that they will largely depend on tax payments. Non-oil revenues are estimated to represent around 17% of GDP, whereas oil revenues would amount to 13% of GDP.

Venezuela with low foreign investment. According to a report by ECLAC, Latin America received US\$457.82 billion in net revenues from foreign direct investment between 2004 and 2008. In terms for foreign investment, Chile received US\$53.0 billion and Colombia an average of US\$39.0 billion, whereas Venezuela just received



US\$5.84 billion, below foreign investment in the Dominican Republic (US\$7.0 billion). The UN Conference on Trade and Development, in turn, places Venezuela among the group of countries with high attraction potential, but with a low index of effective inflow of foreign investment.

The number of employers fall 3.4% in the first six months of the year. According to INE, the number of employers went down at the end of the first six months of the year, from 477,387 employers recorded in December 2008 to 460,784 employers at the end of last month. This implies that the percentage lost 3.4% over a period of six months, that is, 16,603 employers less. A decrease of 41,280 workers and employees working in private companies took place at the close of the first half of 2009, in comparison to last year's end.

The BCV to transfer VEF 8.6 million to the Administration. The Central Bank of Venezuela will transfer VEF 8.6 million to the Administration for exchange profits. These profits are derived from the price differential between the foreign exchange bought and sold by the BCV, mainly purchases and sales that take place with a considerable time span among them.

Interest rates. The active interest rate for the fourth week of July was 19.8%, representing an increase of 14 basis points in relation to the previous week. Time-deposit and savings rates were steady at 14.5% and 12.6%, respectively.

International reserves. International reserves remain almost the same at 30.43 billion in the end of the fourth week of July, with a fall of just 0.8%. Compared to the same period of the last year, these have fallen 12.1%.

Liquidity. According to latest information provided by the BCV, the liquidity at the end of the third week of July showed a rise of 0.2% over the previous week, when placed in VEF 210.586 million. So far this year, liquidity has increased 8.4% and has increased by 31.7% compared to the same period last year.

Oil Tips

PDVSA starts auditing expropriated companies. After a few delays to determine the value of the companies and start compensation payments, the state-owned company is auditing the companies that were expropriated last May, PDVSA



president, Rafael Ramírez, informed. Although the process has already started, the number of companies that are being audited, out of the 74 nationalized ones, and the compensation payment dated have not been specified. In this regard, the lay provides for that compensations can be paid in cash or in tax debt discounts.

Orinoco Oil Belt bid postponed again. According to Minister Rafael Ramírez, the Orinoco Belt's Carabobo block bid process has been postponed again (for the third time). "The bid has been postponed, because the interested companies have been asking for more time for them to conduct analysis and establish consortiums; we think that is reasonable," he added. This statement was followed by a new schedule, but no new dates. Furthermore, the Minister visited the Orinoco Oil Belt with top executives of the Russian energy companies that are the "new ones" that are competing for a right to take part in the projects.

Finally! Agreements between PDVSA and service contractor companies. Sources informed that the renegotiation with the companies that provide drilling services concluded last week and that outstanding debts are going to be paid this week. The holding negotiated a discount of at least 16% with the companies and proposed the following rate cut scheme: 45% in cementing, 26% in fluids, and 73% in re-perforating, as a measure to adjust industry costs. US H&P expressed their interest in continue operating in the country after reaching a series of payment agreements with PDVSA.

Protests continue in the oil sector. Groups of PDVSA workers have been staging demonstrations recently demanding that elections of the Federación Única de Trabajadores Petroleros de Venezuela (FUTPV) (oil union) be held. This would facilitate collective contract negotiations, which expired in last January. Furthermore, some workers protested for the fulfillment of the current collective contract concerning the Food Electronic Card (TEA) and health services, in addition to the payment of performance evaluation. Workers of the recently nationalized companies in Zulia state protested because they have not received their payments of wages and salaries since PDVSA took control of these companies in May.

Japan is already in the Orinoco and Mariscal Sucre projects. After the Japanese government threatened Venezuela with cutting financing, the governments of Venezuela and Japan are expected to have designed for the end of the year a joint venture project for oil development and production in the Junín and Carabobo blocks of the Orinoco Oil Belt. Furthermore, Japanese companies have partnered looking for a 20% participation in the Mariscal Sucre Gas Project, in which PDVSA has a majority stake (60%) and the other 40% is available to other partners.





In addition, in the negotiations between the Japan-Venezuela Steering Committee, financing was agreed upon in different areas, including, a US\$1.5 billion loan from the Japanese Bank for International Cooperation (JBIC), which could be earmarked for the improvement of Puerto La Cruz and El Palito refineries, and US\$1.0 billion financing for the development of the Western Cryogenic Complex Project in Zulia state. The project to create a Japan-Venezuela Fund was also discussed.

A Bank for PDVSA would be created according to an agreement with Russia.

The creation of a PDVSA subsidiary bank to develop cooperation projects with other countries was agreed upon during the visit of the Russian Prime Minister, Igor Sechin. The bank will work jointly with Russia's Gazprombank that depends on Gazprom, taking this modality as an example. President Chávez pointed out that "we will soon have the PDVSA bank." Also, was also signed between PDVSA and Gazprom local subsidiary to incorporate a service company in the areas of oil and gas, with a guarantee of technology transfer and technical assistance.

Ecuador: PDVSA is negotiating with traders. Oil sales to PDVSA would be reporting losses for Ecuador, according to a complaint of an Ecuadorean oil sector leader, who pointed out that the Venezuela state-owned oil company imposes trade conditions to PETROECUADOR, claiming that no barrel of crude oil or fuel oil allocated to the Venezuelan industry reached Venezuelan refineries; instead, they were sold on the market to the same traders. This would mean that Holland's Trafigura would have Liquefied Petroleum Gas, Cutter Stock, Fuel Oil and Napo crude oil contracts covered in a relation to the Venezuelan state-owned company.

World demand for 2010 will grow 1.1% now. According to a study conducted by Reuters among nine analysts, oil demand is expected to increase by 900,000 b/d (1.1%), to 84.9 Mbd by 2010, for the first increase over a two-year period. Demand has fallen 2.5% since the 86.2 Mbd level in 2007, as a result of the double impact of high prices and lower consumption due to the crisis.

Supply of non-OPEC countries will remain strong. Supply of non-OPEC countries is expected to grow 100,000 b/d, on average, in 2010, to 50.5 Mbd, with the crude oil requirement from the group growing 400,000 b/d, on average, to 29.5 Mbd. This level is close to 2 Mbd less than the amount of oil that the world required from OPEC member countries in 2008. In this regard, it could be said that oil demand won't be particularly strong next year.

Local basket's price goes up the US\$60/bbl. mark again. The Venezuelan basket gained almost 8% last week, closing at US\$60.8/bbl., vs. US\$56.4/bbl. a week before.



The Ministry of Energy and Petroleum attributes the increase to an “environment where the increase in house sales and profits report from companies like Ford are leading people to believe that US economy has touched bottom and energy demand will grow over the next months.” With this price increase, the yearly average is US\$48.1/bbl. If this jump sustains, it can be said that the Administration can have a respite at the time of executing budget items.

International oil baskets continue to recover. According our Bloomberg’s database, oil prices increased at the end of the fourth week of July. WTI closed at US\$68.0/bbl., for an increase of US\$3.4/bbl. (5.41%), whereas London Brent gained US\$4.9, to close the week at US\$70.3/bbl., approximately 8% vs. the prior week. Early this week, baskets were sold at higher prices (US\$68.3/bbl for WTI and US\$70.8/bbl. for Brent). This increase may be underpinned by the positive expectations about the economy for the second half of the year.

Business Sector Tips

Trade exchange with Colombia falls in the first half of the year. According to the Colombian Ministry of Commerce, exports from Colombia to Venezuela significantly dropped in the first half of 2009: Leather manufacture, -85.2%, clothing, -74.1%, agro industry, -23.3%, industry, -17.4%. According to the Venezuelan-Colombian Economic Integration Chamber (CAVECOL), exports from Venezuela to Colombia contracted 56% and imports, 3%, during the first six months of the year, in comparison to the same period in 2008. According to CAVECOL, binational trade exchange will drop 25% at the end of 2009.

Russia will grant US\$4.0 billion loan for Venezuelan mining. Details concerning the use of the funds to be contributed by Russia’s state-owned Gazprom aren’t still known; however, Gazprom assured that these resources will be disbursed in late August for the development of the mining sector in Venezuela.

Venezuela-Iran Cement Company will be ready for 2010. Venezuela’s and Iran’s governments are jointly building a social production cement plant, Cerro Azul, in Monagas state. According to Diosdado Cabello, the plant will be operative by the end of 2010. It will operate with peak technology and be a vertically integrated company, that is, it will control from production to distribution.



Car imports will drop 77.8% in 2009. According to information provided by the Ministry of Commerce, the foreign exchange budget to import finished cars for 2009 amounts to only US\$500 million; this means that only 30,000 units could be imported in 2009, down 77.8% from 2008. Furthermore, the allocation of foreign exchange at the official exchange rate will depend on car dealers selling the units at the suggested prices.

Venezuela holds up milk import agreement with Uruguay. According to the president of Uruguay's Cooperativa Nacional de Productores de Leche (CONAPROLE), the Venezuelan government is holding up the imports of powdered milk from Uruguay, although a contract to import 10,000 tons between 2009 and 2010 is already signed, because Venezuela currently has a high powdered milk inventory. CONAPROLE president pointed out that they will have to look for another destination for a 4,000 ton shipment that was scheduled for this year.

Sugar mills could be expropriated. President Chávez threatened with expropriating sugar mills that do not distribute enough production to retail sellers at the controlled prices. Furthermore, the Minister of Food assured that this product will be sufficiently available on supermarket shelves in the next weeks: a vessel with 14,000 tons came in last week and two will arrive next week, one with 12,500 tons and other with 20,000 tons.

SIDOR workers are fighting for a payment of US\$500 million. The union of the recently nationalized SIDOR, prior owned by Argentina's Ternium, is waging a legal fight against the Government, demanding the payment of US\$500 million, corresponding to 15% of the yearly liquid profits the company obtained between 2003 and 2007, which this latter is legally obliged to pay. The union is supported by the Caracas Accountants' and Lawyers' Guilds, SENIAT's tax experts, the Attorney General's Office, the General Comptroller's Office and the Vice Presidency.

World Crisis Tips

Home prices in the US increase for the first time in 34 months. This week Case and Shiller released the house price index for the month of May, which showed an increase of 0.5%. Although the increase is low, it is the first in 34 months, when prices



reached their peak levels after growing for 7 years in a row (155% in total). On a year-to-year basis, prices are still 17.1% below the levels of May 2008.

New home sales increase 11% in June in the US. New home sales unexpectedly increased 11% in June, in comparison to May. On a yearly basis and after a seasonal adjustment, this sales rate would imply 384,000 sales in 12 months. However, on a year-to-year basis, sales are still 21.3% below those in June 2008. Notwithstanding, this is a considerable improvement for the real estate market, above all considering the high unemployment rates. This is the third month in a row with sales increases on a month-to-month basis.

Consumers' confidence drops in the US. The Conference Board released the Consumer Confidence measures for July, this week, which fell to 46.5 points (1985=100) after having reached 49.3 points in June. The main cause for pessimism by the US consumers is the high unemployment rate. The percentage of people that believe that it is difficult to find a job increased to 48.1% in June, up from 44.8% in May; the index concerning the evaluation of current situation dropped to 23.4% from 25% the prior month, and the expectation index lost 3.5 points with respect to May, closing at 62 points.

CIT Group needs US\$3.0 billion to avoid bankruptcy. The commercial bank CIT Group needs a US\$3.0 billion loan to get capital, due to the large number of outstanding loans it has. The Group could be obliged to declare bankruptcy if it doesn't obtain at least US\$1.0 billion from its bond holders, through the proposal to change each dollar of the bank's loans for 82.5 liquid cents. This would be the largest bankruptcy since the Lehman Brothers' collapse.

Naked short selling prohibition will be permanent. The US Securities and Exchange Commission (SEC) will make the prohibition on naked short selling, which has been established in October as a result of Lehman Brothers' collapse, permanent. The decision is aimed at reducing the market power of the two large investors on the prices of shares, which prices are expected to fall.

Credit card crisis reaches Europe. According to IMF estimates, 14% of the total credit card debts in the US will not be paid off and banks will have to record them as losses. Losses will amount to US\$67.96 billion. The IMF estimates that banks in Europe could lose 7% of their credit card debts (US\$172.7 billion).

The British economy contracts 0.8% in the second quarter. Last Friday, Britain's National Statistics Institute released the first official numbers for growth during the



second quarter. The 0.8% contraction was worse than expected by the market, above all because a week before, the British National Institute for Economic and Social Research had forecast a 0.4% contraction. As a consequence, whether the Bank of England will stop its expansive monetary policy when the agreed amount of £125.0 billion comes or if it will continue to try to expand credit to boost the economy is increasingly uncertain.

Unemployment rate's slight increase in China. Urban unemployment rate in China increased to 4.3% in the first quarter, from 4.2% in 2008 second quarter. During the first half of 2009, 9.06 million of urban Jobs were lost and 5.69 million of new jobs were created. The International Monetary Fund expects unemployment rate to close the year at 4.4%.

Asian monetary policy. Whereas in the US the concern about the monetary base growth to give rise to inflation after the recovery looks premature, in a number of Asian countries this concern may be pertinent. Shanghai stock index has grown 89% and India's 59% for the year-to-date and home prices have also considerably increased. As a result, the concerns of central banks of South Korea, India and China about inflation are legitimate.

...However, it is too soon to increase rates. However, a rise in interest rates of these central banks would be a "monetary suicide," because with the US rates, which are close to zero, their currencies would strengthen even more vs. the US dollar. As a result their exports would become less competitive and they cannot afford that with an international demand that is still very weak.

Political Tips

No more non revolutionary laws. In the commemorating of the tenth anniversary of the elections through which elected the current members who drafted the Constitution (Constituyente), President Chávez said that it is inexplicable that there's still old laws in force, referring to the laws Education and Election, and therefore asked members whether it was possible to celebrate the 10th anniversary of the Constitution with the fact that in Venezuela do not exist anyone of the non revolutionary laws in force.

And he offered reinforcement ... He offered that if the deputies feel they need reinforcements to eliminate the "unconstitutional" laws, then he is willing to receive a



new AN Enabling Act, to accelerate the process. If so, it would be the fourth time that the president would have special powers to legislate, because in the years 1999, 2000 and 2007 were granted by the parliament. Moreover, addressed to the President of the Supreme Court, he said that in his view many laws are unconstitutional.

¿Dictatorship of the majority? Chávez urged to the deputies to keep the "overwhelming" majority in the AN, in the legislative elections to be held in the coming year, even though have opponents members, his supporters must make up more than two thirds of parliament, to continue to generate changes in the "navigation map", whose goal is socialism.

Community work for public sector workers in 2010. The National Annual Operative Plan for 2010, prepared by the Ministry of Planning, provides for that ministries and public entities must submit programs aimed at promoting "social duty awareness," through community work or voluntary service on the part of their workers, which will have to be done out of their working hours. Besides community work, the ministries must include "incentives for social articulation with the surrounding environment," in the project. It could be inferred that these project will have to be implemented jointly with community councils.

The creation of a project bank in 2010 is being considered. According to the National Annual Operative Plan for 2010, a project bank will be created next year, with programs to be financed with extraordinary revenues, contrary to the projects that belong to the annual operative plan, which will be allocated funds from the budget. According to the plan, priority will be given to government projects related to food security and sovereignty, those focused on the recovery of electric power infrastructure and those promoting energy efficient use.

Venezuela is waiting for its accession to MERCOSUR. Presidents of MERCOSUR member countries (Argentina, Brazil, Paraguay and Uruguay) recently requested that a decision is made on the accession of Venezuela to the group, in the framework of its 37th Summit of Heads of State. The presidents of the member countries assured that Venezuela's accession to MERCOSUR will strengthen this tariff block. Venezuela, in turn, at the meeting of the Common Market Council (CMC), suggested that additional measures should be taken or working programs be changed, due to the slow progress made in terms of commercial and political goals of MERCOSUR.

Away with Capitalism? A document was recently distributed among the National Assembly (AN) deputies, which presents the guidelines that should be followed for the debate on the Labor Organic Law. According to these guidelines, private property





elimination, as a way to appropriate producer's surplus value, as well as replacing the market with "sensible planning," are necessary to get rid of Capitalism.

UN doesn't know anything about Venezuelan diplomats' expulsion from Honduras. The President of the UN General Assembly, Miguel D'Escoto, condemned the fact that the new Honduran government has ordered the expulsion of Venezuelan diplomats from that country. The former Sandinista Foreign Affairs Minister believes that current Honduran authorities are illegitimate and don't have the power to issue such an order. He warned that the illegal and spurious threat is a sample of their arbitrariness.

CONATEL initiated administrative proceedings against 50 radio broadcasters, for now. The Minister of Public Works and Housing, Diosdado Cabello, announced that CONATEL opened administrative proceedings against 50 radio broadcasters for lack of compliance with the legal requirements to keep their broadcasting licenses. In this regard, CONATEL will review every year and will set the deadline for the affected radio broadcasters to submit their allegations. Cabello highlighted that in those cases where it is confirmed that the original holder of the broadcasting license is dead, the radio frequency will be transferred to the State. The Radio Broadcasters' Chamber announced that they will take legal measures against the Government's effort to close 240 radio stations.

The Government guarantees legal security to Spanish investments in Venezuela. Representatives from the Spanish Confederation of Business Organizations pointed out that they expect that legal security of Spanish investments in Venezuela is guaranteed. The Minister of Public Works and Housing, Diosdado Cabello, underscored that Venezuela is open to foreign investments, but that companies will have to transfer technology and offer the proper assistance. Some of the concerns expressed by Spanish businesspeople are the delays in the foreign exchange allocation and farms' invasion and expropriations. In this regard, Miguel Ángel Moratinos, Spain's Minister of Foreign Affairs, informed that as a result of his meeting with Minister Nicolás Maduro, a permanent committee was created to defend the interest and address the cases of the Spanish citizens that were affected by lands expropriations. The first meeting of the committee will take place on August 13th.

Tobías Nóbrega was accused for corruption. The Attorney General accused Tobías Nóbrega for fraudulent embezzlement, according to the Law against Corruption, due to alleged irregularities that occurred while he was Minister.





Are Chávez-FARC links increasingly evident? According to the Colombian government, the Armed Revolutionary Forces (FARC) had anti-tank rocket launchers that Sweden sold to Venezuela. The European country asked Venezuela to explain the situation. The Venezuelan Minister of Foreign Affairs, Nicolás Maduro, in turn, considers that the accusations are part of a campaign against Venezuela and that they are intended to justify the military agreement between Colombia and the United States, according to which the US are authorized to use Colombia's military bases. However, he didn't answer if Venezuela had bought anti-tank rocket launchers manufactured by Sweden's Saab AB.

Other Tips

One of the most dangerous countries for journalists... The NGO Press Emblem Campaign (PEC) stated that Venezuela is one of the countries where journalists are most threatened. The NGO ranks Venezuela at the same level of countries like Honduras, Colombia, Afghanistan, Guatemala, Nepal, Sri Lanka, India, Kenya, Kirgizstan and Madagascar, and the Gaza Strip.

Talking about Venezuela in Washington. The organization American Enterprise Institute organize an event in Washington about the current Venezuelan situation with Moises Naim (Foreign Policy Magazine Director), Asdrubal Oliveros (Ecoanalitica Director), Antonio Canova (lawyer) and Luis Vicente Leon (analyst). Naim said that the reports that assure the collapse of Venezuelan economy are exaggerated; meanwhile Oliveros remember that the Government will use its extraordinary funds and indebtness to keep fueling public spending.





ECONOMIC OVERVIEW

