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## **BACK AND FORTH**

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If there is something that you can be sure of is that if President Chávez says something everyone is going to have something to say about it and it's going to force issues on to the table. When everyone figured the Administration would take it easy for awhile and not initiate any radical measures before the upcoming regional elections, last week Chávez announced that he was buying the Spanish Banco de Venezuela and on the last day, before the Special Powers Law expired, he issues and approves 26 decree-laws that were quite polemic. The question that everyone is asking is: why? And, what else can we expect? In this report we will try to answer these questions.

### **Chronicle of a Purchase Foretold**

The nationalization of the Banco de Venezuela (BdV), which is controlled by the Spanish-based Grupo Santander, took a lot of people by surprise. However, at **Ecoanalítica**, we have been pointing out that since the Government created the Banco del Tesoro, it has always had the intention of taking over one of the bigger banks so that it could better manage public funds and have more of an impact on the economy. The BdV was a logical choice. First, it's the third largest bank in Venezuela,

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and it has a fairly extensive network of offices (more than 250). Second, it's controlled by one single group of shareholders which control around 96% of all the shares. And lastly, it's owned by foreign interests, and therefore more susceptible to reaching a friendly agreement.

Last Thursday, the President, when referring to the purchase, used language which was quite harsh and gave off the impression that it had taken all those involved by surprise. But this is far from the truth. The negotiations began weeks ago, when the deal a local group was making to buy the BdV fell through. Our sources inside the Ministry of Finance have indicated that the Administration is willing to offer US\$ 1.50 billion for the BdV, this would be around US\$ 300 million more than the local group led by banker Víctor Vargas was offering.

### **There won't be an across the board nationalization of banks**

The purchase of the BdV doesn't mean that the Government is going to start buying up all the banks. We believe that the Government, with this purchase, and given the size of the bank, will begin to become much more involved in the financial market. This isn't exactly good news. What's worrying is the way the State is becoming so involved in activities that aren't inherent in its functions and thereby reducing the role of the private sector, plus the distortions that could be caused in the financial market because of the fact that the State owns the third largest bank in the country.

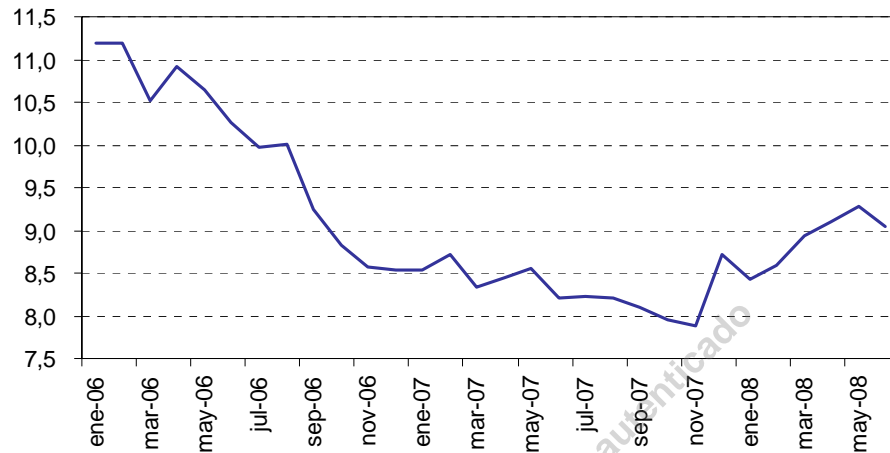
### **Zero incentives**

Behind the purchase of the BdV is the ideological conception that only the State is capable of solving the country's problems and that it is the main architect of social change. But the cost of the inefficiency of public companies in the medium term is very high.

One of the first consequences of these measures for the sector will be a rearrangement of deposits, because given its size, the BdV will manage a larger portion of public deposits. In fact, one of the advantages of this process is that private banks are going to compete for funds and businesses of an important number of medium-sized and big companies that would probably decide to close their accounts at the BdV. The negative side of the deal is that bankers may perceive a high level of risk which could put a stop to investments in this sector, especially those related to capital increase.

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Venezuelan Banking Capitalization (%)



Sources: SUDEBAN and Ecoanalítica

**There is not any reason to concern in the short term**

It's worth mentioning that this new wave of nationalizations doesn't mean that a fiscal crisis could erupt in the short term. We at **Ecoanalítica** have estimated that outstanding payments for the nationalization of the Orinoco Belt strategic associations (Exxon, Conoco and ENI), the cement companies, SIDOR and now the BdV would amount to US\$ 11.6 billion. While this is an important amount that accounts for about a third part of the windfall profits received by the State during the first half of 2008, this figure is more than manageable by the Executive. Therefore, the problem has nothing to do with the government being able to pay.

**There is not any reason for hope in the long term**

The problem that has to worry all Venezuelans is what kind of State is being constructed. Why expend US\$ 1,2 billion in buying an efficient bank? Why aren't these moneys applied to cover health, infrastructure, and security priorities just to mention a few of the multiple problems our country has? An ever increasing State is eventually a guarantee that future macroeconomic adjustments will have greater resonance on the entire society. Because the problem is not whether oil prices go up or down; the true problem is that we need ever increasing oil prices to finance this new notion of State: more and more powerful but less capable of solving the most urgent problems affecting the population.

**26 laws forced upon the Venezuelan people**

The issue of the BdV purchase was eclipsed by the enacting of 26 decree-laws on the last day of the Special Powers Law. We at **Ecoanalítica** are convinced that with these laws the government is trying to adjust the institutional framework for the implementation of its

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economic model. Three fundamental points lie beyond the detailed analysis of each law:

1. Implementing some of the reforms that weren't approved in the past constitutional referendum. This confirms that a constitutional reform wasn't necessary to apply the proposals.

2. Granting more significance to economic activities of the new social and economic organization modalities: community councils, social production companies, mixed companies, etc., to the detriment of "traditional" private businesses.

3. More control for the State and making past quasi-illegal practices legal, especially concerning surplus resources, PDVSA financial execution, and public credit operation, among others.

### Main aspects of the enacted laws

Laws	Former law	Special Powers Law
Organic Law of Aquatic Spaces	All activities related to aquatic spaces are declared of public interest and strategic.	All matters related to aquatic spaces, islands and ports, especially national and international sea transportation of good and people are declared to be of public utility and interest.
Law creating the social fund for the rising and disposition of surplus resources from the national public administration entities	No similar law existed before.	Creation of the fund which will mainly address mixed companies and civil organizations established with 50% of public resources. The Executive has the last word.
Law of Integral Agricultural Health	Legislation was limited to a Lumber of species both animal as well as vegetable	The protection comprises animals, vegetables, products and subproducts of both origins, soils, water, air, people and the relations among them.
Law for the Promotion and Development of People's Economy	No similar law existed before n	This law provides for barter as an alternative exchange means, within the framework of a community socio-productive model.
Law of the Economic and Social Development Bank of Venezuela (BANDES)	Infrastructure financing from public and private initiative is established	The reformed article also provides for financing of mixed companies (public and private)
Law for the Promotion and Development of the Small and Medium-sized Industry and Social Production Units	This was known as Law for the Promotion and Development of the Small and Medium-sized Industry. It recognized the value of the generation of capital of the small and medium-sized industry	The social production unit will serve the people always maintaining collective benefit. Small and medium-sized industries must respond to the demands of the community.
Law of Suppression and Liquidation of the Industrial Credit Fund	This entity was already created in 1978	A liquidation board is set up and transfer of financial and real estate properties to the National Institute for the Development of the Small and Medium-sized Industry is ordered.
Public Administration Organic Law	Appointment of regional authorities was not included in the previous law	The Executive may appoint regional authorities that will be responsible for planning and implementing territorial ordering and development policies with their own budget.
Law Restructuring the National Housing Institute (INAVI)	The Law of the National Housing Institute established that this entity should be responsible for providing technical support to communities for the construction of housing projects.	This law is part of the three major performers in terms of national housing projects: INAVI, Habitat Mission and ALBA Bolivariana.

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Laws	Former law	Special Powers Law
<b>Agrarian Credit Law</b>	The duration of long-term loans was not clearly defined. Some institutions didn't comply with the compulsory agricultural loan portfolio.	The maximum term for long-term credits may be up to 20 years. The expansion of the compulsory loan portfolio to 30% is established.
<b>Law on Channeling and Maintenance of Navigation Routes</b>	The National Channeling Institute was the competent authority on this matter.	The corresponding ministry will be the entity governing these matters.
<b>Law for the Reform of the Organic Law of the Public Sector Financial Administration</b>	No similar law existed before	The Inter-generational Savings Fund is created through article 156, which provides for that the fund shall be established with resources coming from the oil industry, within a period of 20 years.
<b>Organic Law of the National Bolivarian Armed Force</b>	The National Armed Force consists of four components: Army, Navy, Air Force and National Guard.	The National Bolivarian Militia is included as a complement to the National Bolivarian Armed Force for the Nation's Integral Defense.
<b>Law of Benefits and Payment Facilities for Agricultural Debts and Items Strategic for Food Security and Sovereignty</b>	Only some decrees existed for specific cases.	Article 5 sets forth restructuring current credits up to 10% of the total agricultural portfolio.
<b>Law of the Agricultural Bank of Venezuela</b>	The National Agricultural and Livestock, Fishing, Forestry and related Areas Fund operated until March, as well as the Law of Banks and other Financial Institutions.	The bank may grant credits for terms longer than those established in the General Banking Law. The new beneficiaries include micro, small and medium-sized producers.
<b>Law for the Defense of People's Access to Goods and Services</b>	Laws of Consumer Protection and People's Defense against Hoarding	Goods may be expropriated without them being previously declared to be of public utility, in commercial chains of basic goods and services.
<b>Law of Simplification of Administrative Procedures</b>	It wasn't of compulsory compliance for states and municipalities	The law is applied to all levels of public administration; entities should establish a citizen's customer service office called "Ventanilla Unica"
<b>Law on Partial Reform of the Social Security Law or Social Security Law</b>	Organic Law of the Social Security System	20 articles were reformed
<b>Organic Tourism Law</b>	The previous law allowed state governors and private business to appoint members of the Single Tourism Funds.	Tourism Management and promotion will depend upon the State. Tourism chambers are not mentioned. Holidays may be moved to run into weekends for tourism purposes.
<b>Law of National Railway Transportation</b>	The senior railway authority will be autonomous	The government deleted the word "autonomous" from the name of the entity responsible for managing national railway policies. Consequently, the National Autonomous Railway Institute is now called National Railway Institute
<b>Organic Law on Agroalimentary Security and Sovereignty</b>	The Law on Agricultural Marketing was in force until now. This law was repealed by the new one.	Community Councils, along with the Executive, are going to determine food consumption per region and which items are going to be consumed. The 90-day strategic food reserve is created.
<b>Law on Housing and Habitat Credits</b>	The law didn't establish active, leading, deliberating and self-managing participation	This law incorporates community councils to the national housing and habitat system. Mortgage credits up to 100% of the value of the main home may be granted now.
<b>General Law of Banks and other Financial Institutions</b>	The Law of Banks and other financial institutions only had its 318 <sup>th</sup> article modified.	At the request by a minister and upon authorization of the head of State and the President of Fogade, transfers of goods to the republic may be authorized without a prior public offer.

Sources: El Nacional and Ecoanalítica

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### What might come?

Within the framework of the 21<sup>st</sup> Century Socialism and of the Social and Economic Development Plan, the government is going to continue to promote new modalities of property, social organization or business management, especially concerning cooperatives, social productions companies, socialist companies, workers' councils, community councils, etc. This will be more marked in those sectors where the State plays a key role, particularly in the oil, food and construction sectors. The greatest impact will be felt in the efficiency and quality of works, which may become a double-edged sword for the government.

This will happen because most of these new social and economic participation modalities lack the technical expertise of the financial strength to undertake projects of great magnitude, which has already given rise to multiple delays and inconveniences. Therefore, numerous agents perceive that the government is facing fiscal problems in the light of the delays and suspensions of works. The worst problem is the lack of money, because this has to do with an ideological stance.

The National Executive has pointed out that spending has to be ruled, from this year on, according to the guidelines of the 2007-2013 Social and Economic Development Plan. The Plan establishes that a new socialist production model has to be created over the next six years, which will be basically composed of social production companies.

### What happens with the private sector?

Every private business feels, in a lesser or greater degree, that they can be the next victim of the government. This prevents them from making new substantial investments to increase production capacity; instead they are investing in the expansion of their (direct and indirect) coverage and in deepening their knowledge about consumers.

A deepening process of the Interdependence between public sector – that controls most of the economy – and the private sector – that understands and knows the market and produces quality goods – is being initiated. However, the State will be always tempted to apply “drastic” or unilateral solutions that can have significant impact on the economic dynamics and public opinion.

### *Economic Tips*

**Nationalization of Banco de Venezuela increases country-risk.** The major investment funds perceive the purchase of Banco de Venezuela by the State as something negative for the country, because it is a signal that the government doesn't want foreign investment which is indispensable to guarantee economic growth. Venezuelan bonds, in turn, show a decreasing trend: Global 27 went from 91.1% to 90.1% and papers maturing in 2034 dropped from 86.4% to 85.5%.

**New state-owned bank will emulate Brazilian example.** Once nationalization of Banco de Venezuela is completed, the National Executive plans to follow the example of Caixa de Brasil, the largest public bank in Latin America, which serves the poorest sectors of the Brazilian population with investment projects and programs to increase accessibility to the banking system. The plans of the Executive also include municipalization of the institution in order to make it more accessible throughout the country.

**A not too positive record.** The history of state-owned banks doesn't always have a happy ending in Venezuela. On the contrary, 7 banks have gone bankrupt under governmental control between 1961 and 1983. The most recent case is Banco Industrial, which despite of the fact that it hasn't still been declared bankrupt, it has registered negative results in consecutive fiscal years and it has managed to stay afloat thanks to the money injected by the State.

**Chávez's inconsistency.** During last May, Chávez threatened the financial sector with taking control of the banking sector, pointing out that private banks should prioritize low cost financing for the industrial sector. However, figures obtained from the Bank Superintendence show how the State-owned financial institutions are the ones that are less focused on credits.

**More shortages.** Domingo Maza Zavala, former BCV director, stated in an interview that shortages hasn't been eradicated and that government is increasing imports instead of promoting domestic production. Maza pointed out that "the government has launched a pseudo-informative campaign to claim that there aren't any shortages and markets are saturated with food, but what is not being told is that most of the food items are imported."

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**BCV handed profits over to government.** VEF 157.4 billion will be handed over to the Administration in respect of profits obtained by BCV. These profits come mainly from exchange operations, because the Bank is selling dollars at VEF 2.15/\$ today that were purchased at a lower price in prior years. However, it's important to point out that official exchange rate hasn't been adjusted over the last three years.

**Venezuela is interested in more Argentinean bonds.** The Argentinean Secretary of Finance announced that although Argentina's finances are under control for the rest of 2008, more public bonds are being sold to Venezuela. According to President Chávez, the bond purchase is worth US\$ 1.462 billion.

**Inflation of July.** The inflation for July was located in 1.63 % throwing an accumulated variation January – July of 18.2 %. During the first 7 months of the year we are very near of reaching the estimated inflation by the Government for the year 2008 of 19.5%. The national inflation of July was located in 1.91 %, with an increase in the accumulated variation January – July of 17.3 %. The major determinant of the increase of prices are the food and not alcoholic drinks, which present an accumulated variation in what goes of year of 23.2 % in the metropolitan zone of Caracas and 21.8 in the whole country.

**International Reserves.** Keeping their increasing trend, international reserves closed at US\$ 35.56 billion on Friday, August 1<sup>st</sup>, up 2.75% from the week immediately before, when reserves were at US\$ 34.6 billion.

**Interest rates.** Lending rate of the country's six major banks dropped by 2.06%, to 23.2%, the last week of July. Time deposits also lost 0.11% to close at 17.18% the same week, showing a decreasing trend over the last weeks.

**Liquidity.** Liquidity reached VEF 162.22 billion the last week of July, up 1.67% from the previous week.

### *Oil Tips*

**Drop in price.** Venezuelan oil basket continued to fall last week with a drop of US\$ 1.2, to US\$ 116.4/bbl. According to the Statistics, International Prices and Economy Coordination of the Ministry of Energy and Petroleum, on reports of

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lessened economic activity worldwide, particularly in the USA, and its effects on oil demand.

**By the end of July.** Despite the recent deceleration of oil prices in July, the barrel of oil closed at US\$ 122.4, up from June price (US\$ 119). Thanks to these prices the average for the year-to-date was US\$ 103, or 195% over the US\$ 35 used as reference for the national budget.

**Extraordinary income.** PDVSA has obtained extraordinary income from exports in the order of US\$ 30.52 billion, which have been growing at a pace of US\$1.00 billion per week.

**Falling down.** The OPEC basket of crude oil lost US\$ 3.7 last week to close at US\$ 122.2 per barrel. Following the same trend, WTI dropped US\$ 3.4 to close at US\$ 124.2. Brent also lost US\$ 4 to close the week at US\$ 124.8.

**Prices are cooling down.** After the escalation of prices during the second quarter of 2008, the Venezuelan oil basket has lost about US\$ 10 over the last 15 days, or 8% of its value, dropping from a peak of US\$ 126.5 on the week to US\$ 116.4 last Friday.

**Production cut is not discarded.** According to Rafael Ramírez, Minister of Energy and Mining, the recent drop in crude oil prices shows that the increase registered until last month was basically the result of speculation in futures market and not a consequence of supply problems. He didn't rule out the possibility that a further production cut may be discussed in the next OPEC meeting in September.

**Figures don't match.** According to the OPEC Yearly Statistic Bulletin, at the end of 2007 Venezuela didn't have 112 drilling rigs, as Luis Vierma claimed, but 71. The bulletin places Venezuela in the third place in terms of oil production within the Organization, with an average of 2.95 million b/d.

**Agreement with Spain.** According to the Secretary of State for Latin America, Trinidad Jiménez, the 10,000 b/d at US\$ 100 per barrel that President Chávez offered to sell in his last visit to Spain will be intended mainly to guarantee oil supply and accumulate reserves.

**Exploration in Bolivia.** The director of PDVSA and president of CVP, Eulogio del Pino, announced that exploratory works will be carried out in 12 hydrocarbon

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blocks in upcoming months, with the investment of about US\$ 887 million. Works will increase Bolivia's gas reserves.

**Agricultural compensation.** The ministers of agriculture of the 18 countries members of Petrocaribe gathered to analyze the agricultural and food cooperation proposal presented by Venezuela, which includes the creation of a fund between US\$ 400 and US\$ 500 million a year.

**Deals with Ecuador.** With the two drilling rigs that were operating in Venezuela and that were sent to Ecuador, oil production of this last country increased by 1,500 b/d. It is also possible that PDVSA expands its participation in Ecuador over the upcoming months with the incorporation of a joint venture to exploit Sacha, in the Amazonia, and fields in the Gulf of Guayaquil.

### *Business Sector Tips*

**Foreign Exchange allocation is speeded up.** On August 1<sup>st</sup>, the Ministry of Economy and Finance published a list with the tariff codes that don't require "Non-production certificate" issued by MILCO. This was decided in order to streamline foreign exchange allocation, reduce speculation and seek a new way to control inflation.

**Import licenses suspended.** The Minister of Food, Félix Osorio, informed that after having reached an agreement with the private sector, the issuing of import licenses for milk, cheese, chicken and beef was suspended. The measure results from a slight seasonal increase of national production, which complete placement on the domestic market has to be guaranteed.

**Millionaire community banks.** Community banks, the entities responsible for financing projects to be developed by community councils, have received VEF 3.2 billion in 2008. Although resources for these banks have to come from the community council national fund and the micro-financial fund, the National Treasury has given them VEF 40 million over a period of seven months. VEF 1.4 billion of the annual bank's budget is still to be executed in the second half of the year.

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**Power consumption increases.** Rafael Ramírez, Minister of Energy and Petroleum, announced that power consumption has notably increased over recent years, going from a year-to-year average increase of 4% to almost 12%. He added that the government launched an equipment procurement process to increase thermal power generation in some plants throughout the country.

**Bonds are to be strengthened.** In his recent visit to Teheran, the Venezuelan Foreign Affairs Minister, Nicolás Maduro, met with Iranian President Mahmud Ahmadinejad and they agreed to “strengthen” the more than 200 agreements that both countries have inked so far.

**Little movement.** Figures of the Metropolitan Real Estate Chamber reflect that during the first semester of 2008, 5,442 operations of real estate purchase/sale were recorded, which implies a drop of 40% in comparison to the same period in 2007.

**And high prices.** The increase in the cost of construction materials has pressured housing prices up, so that from the first semester of 2007 and the first semester of 2008 the square meter average prices increased by 30%.

**Schools threatened with increased registration costs.** INDECU filed 361 cases against private schools that allegedly increased their registrations more than the 15% increase allowed by the Executive. Schools might be fined 3,000 tax units (VEF 138,000).

**It wasn't only education.** Proagro was fined 800 tax units (VEF 36,800) by INDECU for selling poultry at a prices higher than the regulated ones.

**Cemex has been fined for tax irregularities.** Seniat, upon reviewing tax payment in years 2006 and 2007, fined US\$ 37.7 million the cement company for tax irregularities, because the company declared improper losses during the aforementioned years.

## Political Tips

**TSJ ratifies order banning pre-candidates from public office.** The TSJ decided to declare article 105 of the Organic Law of the Comptroller's Office and

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the National Fiscal Control System as constitutional. Therefore, the order that bans pre-candidates from running for public office for the next November regional elections is ratified.

**MERCOSUR could speak.** Given the multiple reports received concerning the banning against a number of aspirant candidates in Venezuela, the Committee on Human Rights of the MERCOSUR Parliament is expecting to meet the General Comptroller Clodosbaldo Russián and with the “*inhabilitados*”, in order to “urgently” examine the case. This could result in a reprimand against the Venezuelan government.

**IACHR is also concerned.** In a recently published report, the Inter-American Commission on Human Rights (IACHR) points out that more than two years have elapsed since Mayor Leopoldo López reported the TSJ that he has been banned from public office. IACHR considers that this delay isn't justified and it will proceed to hear López's complaint.

**End of the Special Powers Law.** After 18 months, the Special Power Law expired. This law granted President Chávez powers to legislate. During that period, Chávez enacted 64 decree-laws in different areas, 26 of which were suddenly passed on the last day of the Law (07/31/08). The most important laws approved in the last package include the reform of the Law of Banks, the Armed Force and the Social Security Laws.

**Laws passed under the Special Powers Law were discussed.** In his last Sunday TV and radio program President Hugo Chávez assured that the 26 laws passed via the Special Powers Law had been discussed and analyzed before their approval. At the same time he urged those people that aren't in agreement with the decree-laws to go to the TSJ and uphold the rule of the law existing in the country.

**More laws in the making.** According to Vice-president Ramón Carrizales, the Executive is still working on 16 decree-laws that due to their complexity could not be approved during the 18 months of the Special Powers Law. Once these 16 decrees are ready, they will be submitted to the AN for their consideration. These decree-laws include: the Territorial Reordering and Development, the Telecommunications, the Informatics and Postal Services, and the Public Financial System Laws.

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**Organic Law on Agro-alimentary Security and Sovereignty.** This law will govern activities related to production, processing, exchange, distribution, commercialization, storage, imports, exports, regulation and control of food, agricultural products and services, as well as the required inputs for their production.

**Law for the Defense of People's Access to Goods and Services.** Under this new law, the Executive will be authorized to take measures, when necessary, to stop improper price increases, hoarding and boycott of products and services declared as staples or to cut prices of goods or service rates.

**Law creating the social fund for the rising and disposition of surplus resources from the national public administration entities.** Under this law the President creates a legal framework to take surplus resources from public administration entities. These resources will be deposited in a social fund that will be at his entire disposal. This was being happening in the practice, only that a single fund had not been created.

**Law for the Reform of the Organic Law of the Public Sector Financial Administration.** The reform of the Law contemplates the creation of an Inter-generational Savings Fund, fed with resources from oil. It also establishes that autonomous and public institutes and commercial associations don't need any authorization to carry out public credit activities.

**Law for the Partial Reform of the Social Security Law or Social Security Law.** The reform made by under the Special Power Law was based almost entirely on a better definition of penalties and in a overall increase in fines. Therefore, amounts to be paid range from 25 tax units (VEF 1,150) for a light offense up to 100 tax units (VEF 4,600) for those considered very serious.

**Opposition increases the number of unitary candidates.** With the announcement of the unitary candidates in Barinas, Delta Amacuro, Monagas and Portuguesa states, the opposition has reached a total of 17 unitary candidates out of the 23 governor's offices that are up for grabs. They also announced that agreements have been reached for 26 new mayor's office candidates, thereby amounting to 154 municipalities where agreements have been closed.

**Ministerial change.** The appointment of Héctor Rodríguez Castro as new Minister of the Presidential Office by the National Executive was published in the *Gaceta Oficial* No. 38,986 dated August 4<sup>th</sup>. Rodríguez Castro will replace Jesse

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Chacón who is the candidate of the PSUV for the mayor's office of Sucre municipality, Miranda state, in the next November regional and municipal election.

**Public sector demands.** The National Federation of Public Sector Workers and Employees (Fentrasep) presented the Ministry of Labor and Social Security with a collective convention draft for workers and employees of the public sector, in which they demand benefits such as 40% wage increase, 150 days of Christmas bonus among other benefits. The Ministry of Planning and Development will calculate the cost that these benefits would represent for the Republic.

### Other Tips

**Rates are maintained.** The US Federal Reserve maintained reference interest rates at 2% and expressed its concern about inflation and the slow pace of economic activity. The decision, expected by the markets, wasn't unanimous. One of the members of the Board of Governors, Richard Fisher, voted against the decision and proposed an increase in interest rates that haven't changed since last April.

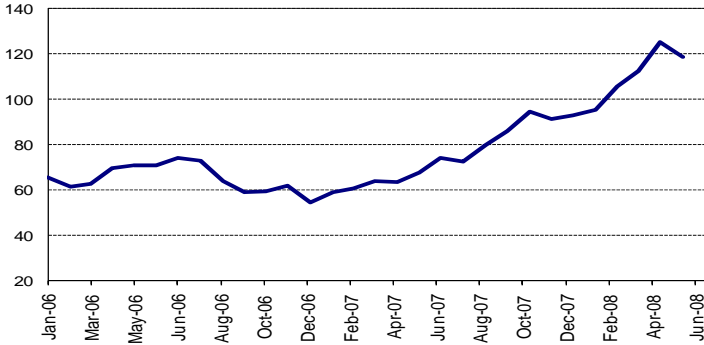
**Chávez ties with Bush.** A study on governance by *Iberobarómetro* reports that presidents Hugo Chávez and George W. Bush are the most influential leaders in Latin America. Chávez's administration has 54% of approval rate in Latin America, below almost the other heads of states in the region: Álvaro Uribe (85%), Lula Da Silva (67%), Tabaré Vázquez (67%), Felipe Calderón (61%), Rafael Correa (57%), Evo Morales (56%), and Leonel Fernández (55%). In Venezuela, Chávez's approval percentage falls to 47%. The study states that Venezuelans perceive the lack of personal security as their worst problem.

**Meeting in Argentina.** Presidents Hugo Chávez from Venezuela, Cristina Fernández from Argentina, and Luis Inacio Lula Da Silva from Brazil met in Buenos Aires to talk about topics related to Latin American and energy integration as well as recent events concerning WTO and the failure of the Doha Round.

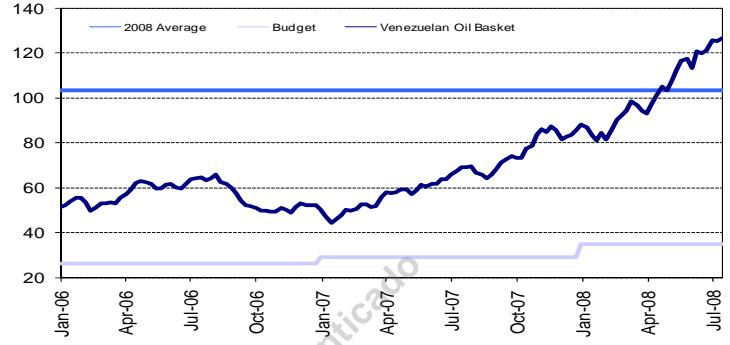
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## ECONOMIC OVERVIEW

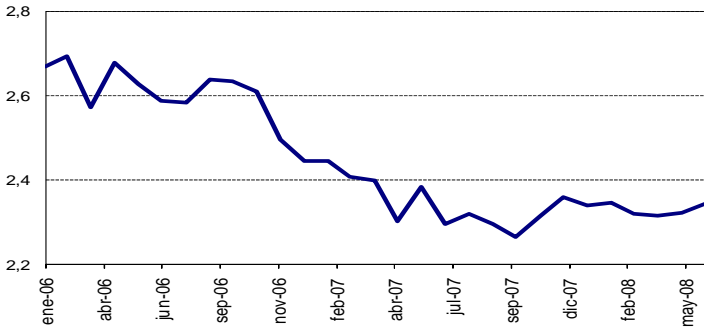
**Oil Prices (WTI US\$pb)**



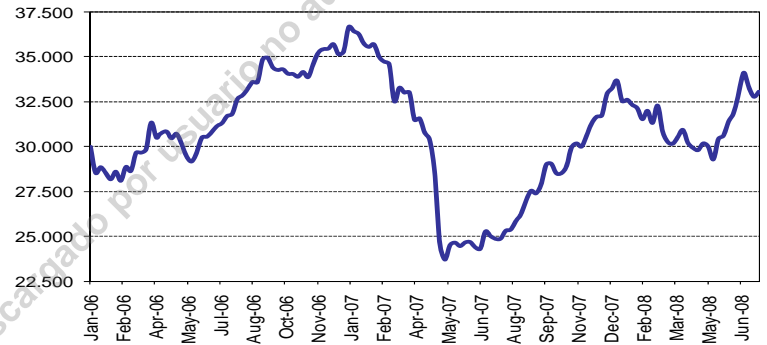
**Oil Price (Venezuelan Basket US\$pb)**



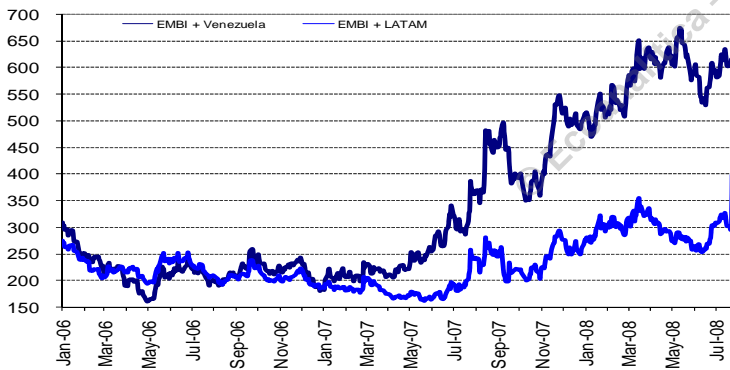
**Oil Production (MMBD)**



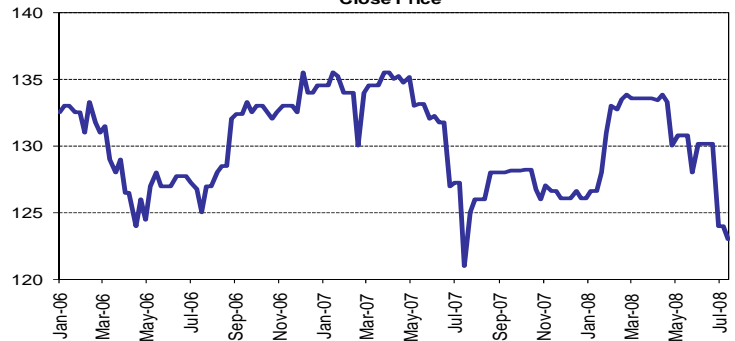
**Fx Reserves - BCV (US\$ Million)**



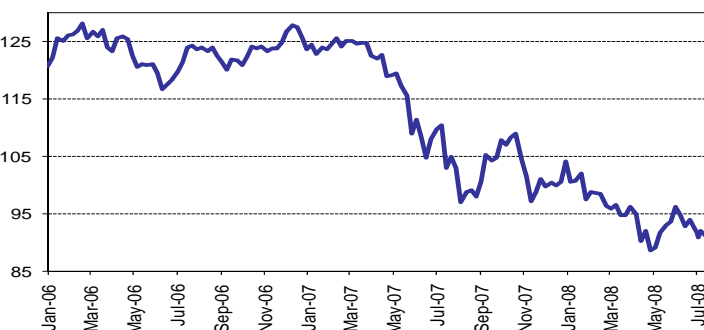
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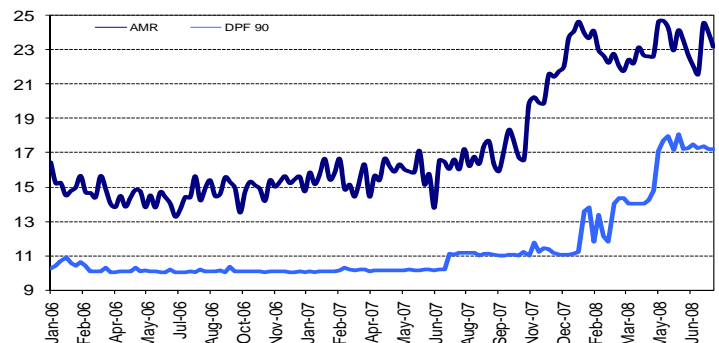
**Venezuelan Global 18 Close Price**



**Venezuelan Global 27 Close Price**



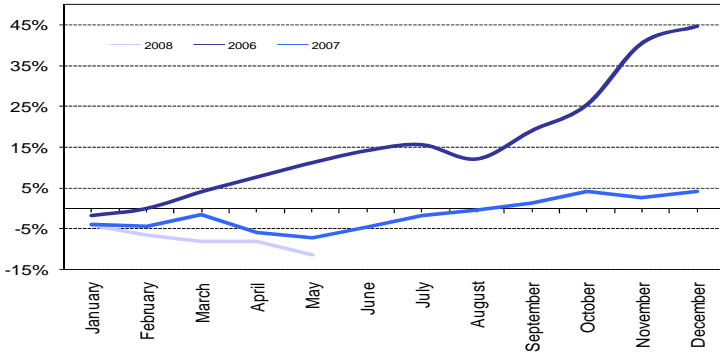
**Interest Rate (Six Principal Banks)**



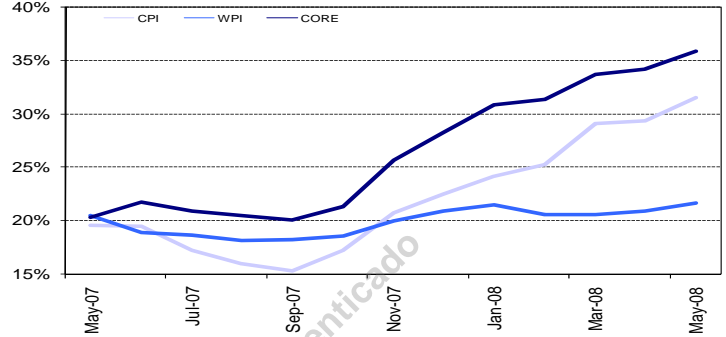
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## ECONOMIC OVERVIEW

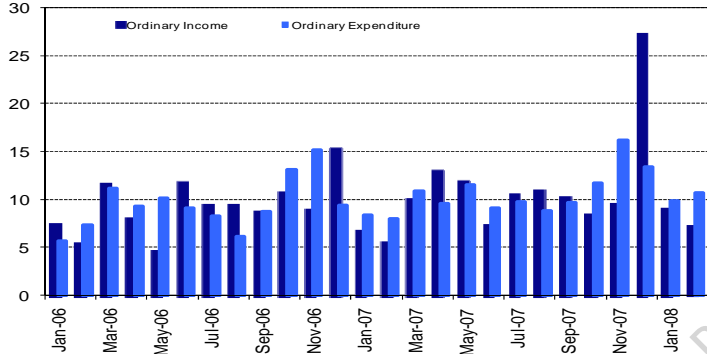
**Real Expansion (M2)**



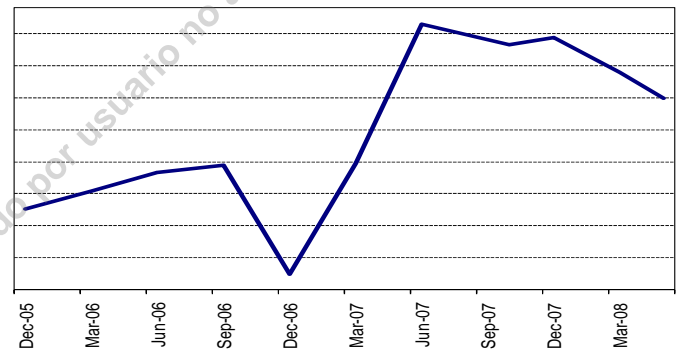
**Inflation (Last 12 Months)**



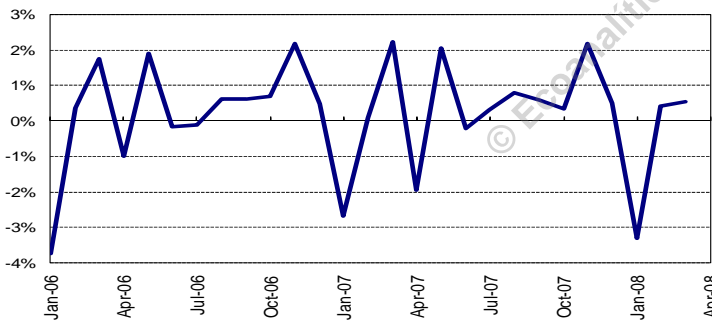
**Central Government (VEB Billion)**



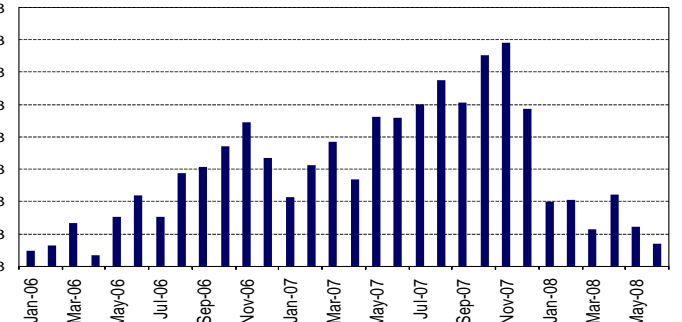
**Resources of the State (US \$ MM)**



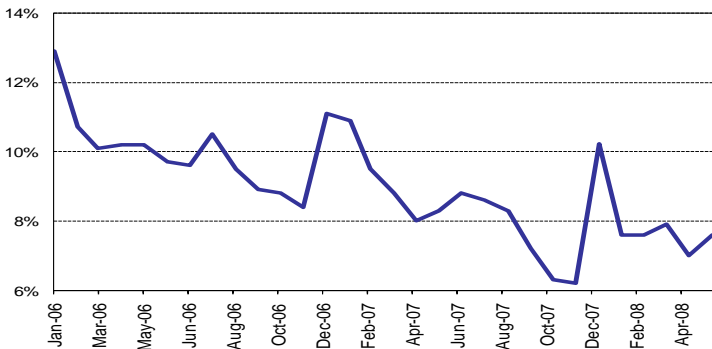
**Volume of Sales (% Variation)**



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



**Rate of unemployment (% Variation)**



**Disbursement (US\$ Million)**

