



Weekly Report

Year 5, Number 29
Week II, August 2009

By:
Asdrúbal Oliveros
Maikel Bello

HOW IS INVESTMENT IN VENEZUELA?

Reproduction or distribution prohibited

The institutional changes which have taken place during the last few years and the confrontational climate that exists between the State and the private sector of the economy have had a very significant impact in Venezuela's business climate. And despite this, the private sector continues to be the sector which employs more people and also invests much more than the public sector does.

What does the BCV say?

The 2008 Economic Report brings to light some interesting points about investment in Venezuela. This is quite significant, because in the past the Central Bank of Venezuela (BCV) has been very reluctant to release to the public the figures and information regarding investments made in the country. Keep in mind that what we are referring to when we say investment is Gross Fixed Capital Formation (GFCF), a concept used in investment for transportation equipment, machinery and other equipment, buildings and construction works.





The points that stand out the most of the report are:

- A general characteristic reflected by investment spending is its high level of volatility, especially when compared to other GDP components.
- In Venezuela, the investment rate (measured as the relationship between the GFCF and the GDP) showed a sustained and rapid increase between 2004 and 2007, and despite the fact that it has dropped slightly in 2008 to 31.4%, it is still at one of the highest levels it's been during the decade. The report points out that during the last few years, investment spending has been significantly greater in Venezuela than other Latin American countries which have shown much more modest investment spending levels averaging around 20%.
- This significant increase in Venezuela's investment rate was backed by a significant increase in non-residential spending, which includes buildings and other construction works; machinery and equipment; and transportation equipment.

Gross fixed capital formation as part of the GDP (%)



Fuete: BCV y Ecoanalítica

An important finding

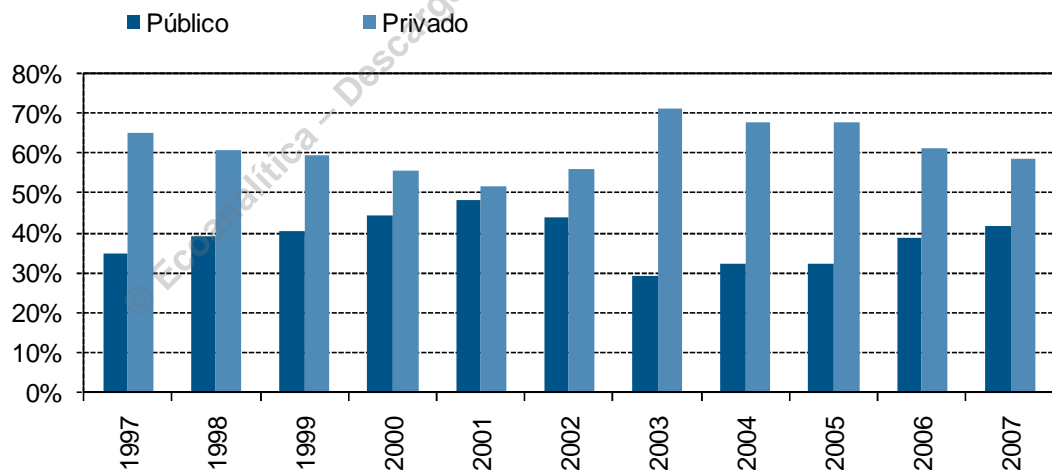
Another important point highlighted by the 2008 Economic Report has to do with the composition of Venezuelan investment. During the last few years, given the political and economical dynamics experienced in the country, two



statements have been introduced to the public which by now seem to have become undisputable truths. The first one is that the private sector doesn't invest, it only takes advantage of the bonanza. The second one, which is a product of the first statement, is that the increase in investment of the last few years is coming from the public sector.

Regarding these two statements, the 2008 Economic Report points out that "private sector investment spending during the last 10 years represents 60% of the total (19% of GDP) and it has traditionally been more volatile, given that it has responded with much more sensibility to the changes regarding the future performance of the economy." The report continues to point out, "private investment was much more diversified than public sector investment (12.4% of GDP) and it has tended to concentrate of infrastructure projects, building components, and other construction works."

**Gross fixed capital formation by institutional sector
rate of participation (%)**



Fuente: BCV and Ecoanalítica

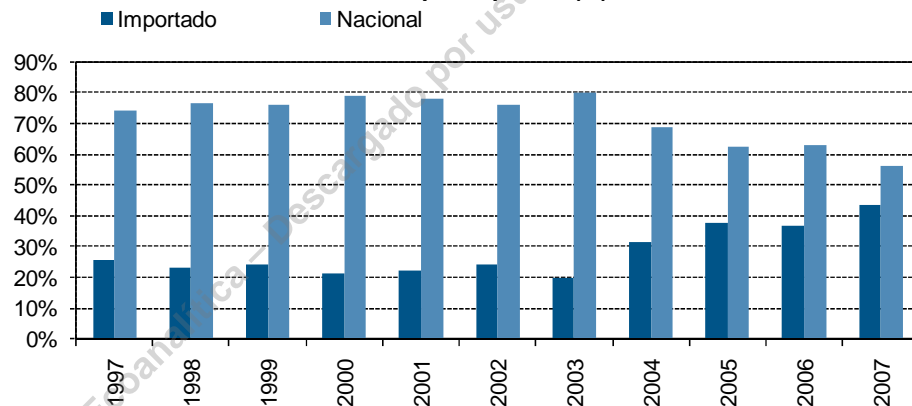
These facts seem to have conveniently been forgotten by the Executive office. Minister Giordani has pointed out the important role investment plays in order to ensure growth and the BCV shows how the private sector has been a fundamental factor and played a fundamental role in this sense, but that it is also very sensitive to changes. So, the Executive Office should be creating an ideal environment so that this continues to develop. Unfortunately, it's quite evident that this has not been the case.



That's cheap, I'll buy two...

According to the BCV, one of the things that helped investment levels remain high during this period analyzed was the fixed exchange rate, or rather, that the business sector had access to official rate foreign currency, which was clearly overvalued. This help them acquire foreign capital goods, especially transportation equipment and other machinery and equipment, which annual rates of increase during the current expansion period averaged at 40% and 36%, respectively. This, even considering the significant slowdown observed in 2008, which was mainly caused by the drop in investment in imported products.

**Gross fixed capital formation by place of origin
rate of participation (%)**



Fuente: BCV and Ecoanalítica

So, it's only natural to expect a significant slowdown in investment in 2009 given the restrictions imposed on the access to foreign currency via CADIVI which in the first semester has been around 40% less.

Another factor which spurred on investment, also a product of the exchange control, was low real interest rates.

Also leads in employment

With respect to employment, the private sector also stands out. According to information released by the National Statistics Institute (INE), in June of this year, the private sector employed a total of 9,764,393 people, 161,696 more workers than last year. When comparing the private sector to the public sector, the public sector has been hiring more people lately, but nothing to compare to the numbers employed by the private sector. Official



figures show that 17.9% of the people working are working in the public sector at the close of June 2009, while the private sector employed 82.1% of the people. Exactly one year ago, government workers represented 17.7% of the working population while 82.3% worked in the private sector.

It's important to keep in mind that informal sector workers also make up part of the private sector. According to the INE, around 40% of the people working in the private sector are self employed, this means that 1,976,651 workers work in the informal sector.

A difficult context

During the first semester of the year, the Venezuelan economy began to show obvious signs of slowing down, clearly reflected by key indicators such as the evolution of the loan portfolio, the commercial sales index, the manufacturing industry index, and the situation with the basic industries and the oil industry. The second quarter figures which the BCV is about to release will reflect a drop in economic growth.

In essence, the significant slowdown (now a recession) in Venezuela has been most felt by the private sector. In our opinion, the sector which will be the most vulnerable are the ones which experienced the highest level of consumer growth, such as imports, the oil sector, and construction. While the Administration has been able to keep the ship from completely sinking by borrowing, using out-of-budget resources, and implementing certain exchange mechanisms through the swap-market.

According to our analysis, the private sector situation, in the medium term, will be as follows: Companies are not investing to increase production capacity, but to extend their coverage and intensify their knowledge about consumers. Dependence on imports will increase, given the exchange rate overvaluation; CADIVI will cut foreign exchange allocations, and therefore many imported products will no longer be competitive.

The public sector will continue to increase its participation in the market, but there will also be more interdependence between the public sector and the private sector, which is knowledgeable about domestic markets. All of this will have a negative impact on investment and employment. What's left is an economy running just on public spending and growing well below its potential (3.8% yearly average).





Economic Tips

PDVSA hands over only 40% of its income to the Central Bank. The Central Bank's foreign currency receipts and disbursements for the first quarter of the year show that PDVSA handed over only US\$3.29 billion, equivalent to 40% of the amount the state-owned oil company obtained from crude exports during that period. In *Ecoanalítica's* opinion, PDVSA has been gradually gaining a level of financial and foreign exchange autonomy whose influence on the economy is as great as or greater than that of the Central Bank itself.

Latent pressures on the parallel market: The price of the parallel dollar has skyrocketed in the past few days as a result of the lack of intervention by the National Treasury Office and PDVSA in the unofficial market, owing to the fact that the Central Bank has not paid out US\$8.5 million, even though CADIVI has already approved that amount for exporters. There are also reports that buyers of the recent *Petrobonos* issue are selling these papers in order to obtain more bolivars when they sell the dollars obtained from the resale, given the depreciation of the bolivar at the parallel exchange rate.

Poverty in Venezuela continues to decline. The president of the National Statistics Institute (INE), Elías Eljuri, announced that the reduction of poverty in Venezuela continues if one compares the poverty indices for the first semesters. Measured in terms of income, poverty fell from 27.7% (1,769,000 homes) in 2008 to 26.4% (1,190,000 homes) in 2009, considerably below the poverty level posted in 1998 (49%). Extreme poverty also declined, going from 21% in 1998 (985,270 homes) to 7.5% in 2008 (471,000 homes) and to 7% in 2009 (453,458 homes).

Besides that, inequality in Venezuela has also been reduced. According to Elías Eljuri, between 1998 and 2009, the inequality index in Venezuela dropped from 0.487 to 0.407, the lowest in Latin America (INE figures). Eljuri clarified that factors influencing this result were the increase in the minimum wage from US\$185 in 1998 to US\$409 in 2009; the existence of pensioners with pensions equal to the minimum wage; money transfers made directly to the population; and equal wages for rural and urban workers. However, it should not be forgotten that the INE has changed its method for measuring poverty, unemployment, and other variables and that the bolívar is overvalued.



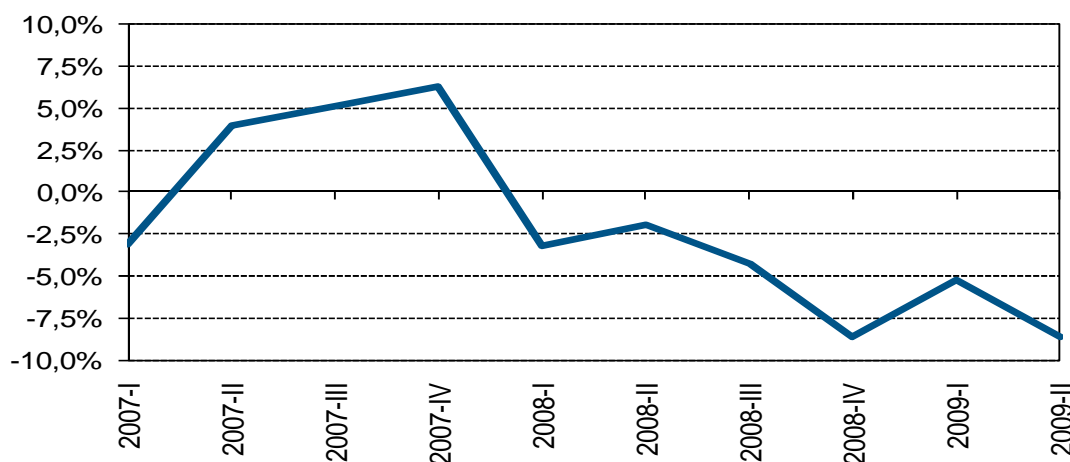


Giordani announces upturn in the economy in next five months. People's Power Minister for Planning and Development Jorge Giordani stated recently that the Executive would revitalize the economy over the next five months (by increasing aggregate supply), the goal being to bring down inflation. He also highlighted that consideration is being given to the need to break the inflationary cycle by using methods such as domestic agricultural supply.

Barroso denies implementation of dual system. In the television program *José Vicente Hoy*, Manuel Barroso discarded the implementation of a dual foreign exchange system, although he clarified that, in any case, this would not be a decision for CADIVI. He also denied that CADIVI's functions would be transferred to the Central Bank.

Wages buy increasingly less. The Central Bank recently published the remunerations index for the second semester of 2009. After discounting the impact of inflation on wages and salaries, the general remunerations index fell by 8.6% in real terms compared to the same period last year. It should be noted that the private sector posted a reduction of 10% compared to the second semester of 2008, whereas the public sector showed a deterioration of 39%. The graph reveals that, in the last few quarters, the deterioration in wages has been accompanied by a reduction in unemployment. However, although employment is expected to increase in the second semester, there will be no improvement in wages and salaries in real terms.

Real Wages Index (IQ-1997=1,00)



Sources: BCV and Ecoanalítica



Interest rates: According to the latest information available, the lending rate for the first week of August was 18.9%, up 170 basis points from the last week of July. Term deposit and savings account rates were 14.5% and 12.6%, an increase of 2 and 0 basis points.

International reserves: The international reserves posted an increase of 0.6%, going from US\$31.09 billion at the close of the first week of August to US\$31.28 billion in the second. Compared to the same period last year, the reserves have dropped by 13%.

Money supply: According to the latest information from the Central Bank, money supply at the end of the last week of July posted an increase of 1.8% compared to the third week before, to VEF 219 billion. Money supply has increased by 12.75% so far this year and by 34.24% compared to the same period last year.

Oil Tips

Fuel agreement with Colombia canceled: In connection with reduction of trade relations with Colombia, President Hugo Chávez ordered the termination of Venezuela's fuel agreement with that country during his program *Aló Presidente* on August 9. The repercussions for Venezuela consist of losses for PDVSA from fuel sales. According to information from the Colombian oil company Ecopetrol, Colombia buys some 4.5 million gallons of gasoline a month from PDVSA to supply the markets of Cúcuta and the Department of La Guajira, both on the border with Venezuela.

Oil Belt back in production: After Venezuela agreed to reduce its oil production by 189,000 b/d (121,000 b/d from the Oil Belt) in January, complying with the OPEC quota, full production has been resumed by putting into production the four existing extra-heavy crude upgraders plus an alliance with the Chinese oil company CNPC. As a result, production of 600,000 b/d was achieved on Wednesday, August 5, said Eulogio Del Pino, PDVSA's vice-president for exploration and production. This suspension of the cut could be due to a decision to raise production to cover a shortfall in PDVSA's crude production this year.

...Although there will be a scheduled shutdown. Del Pino announced that there will be a scheduled 40-day shutdown starting on September 15 at PETROPIAR, the



upgrader belonging to PDVSA and CHEVRON with a capacity of 180,000. During that time, PETROPIAR will export between 100,000 and 110,000 b/d of diluted crude made from extra-heavy crude.

Reserves of Junín 7 Block certified: PDVSA has completed the quantification of the Junín 7 Block by means of a study conducted by the Spanish company Repsol YPF with the participation of the certification firm Ryder Scott. This study is part of an effort to certify proven reserves within the Orinoco “Magna Reserve” Project, to be completed in 2010, and which should ratify Venezuela as the country with the largest liquid hydrocarbon reserves in the world, amounting to 173 billion barrels.

Stumbling blocks for investors in the Carabobo Project: Despite the fact that, thanks mainly to the oil price boom, there was a favorable climate for exploiting crude in the Orinoco ‘Oil Belt between 2007 and 2008 (with as many as 27 companies having been selected), today there are a number of stumbling blocks that are forcing international oil companies to closely examine the decision to invest, among them the Venezuelan Government’s refusal to accept international arbitration, the requirement that the minority shareholder put up all the funding without the possibility of having control of the business, control of dividends by PDVSA –which has not paid dividends since 2008-, uncertainty with regard to game rules, an increase in the recovery factor from 8% to 20%, not to mention the climate of uncertainty created by expropriations and benefits granted in other industries.

CITGO facing cash flow problems: In June this year, Fitch Ratings reduced its rating for CITGO from stable to negative, after taking into account that the company’s financial statements for the first quarter of 2009 showed a negative cash flow of \$1.15 billion. In revising its rating, Fitch considered that the negative cash flow would continue at least until 2010 owing to the high levels of capital required to cover the company’s commitments.

Hence PDVSA’s injection of cash: Taking no account of its sizeable commitments, PDVSA will start to pay a US\$1 billion debt it has with its affiliate Citgo, which borrowed from a bank syndicate headed up by BNP Paribas and the UBS in December 2007 in order to inject cash into its parent company (PDVSA). This measure will raise the cash flow of this affiliate, which is in the business of refining and marketing hydrocarbon products in the United States, the Gulf of Mexico, and the Caribbean.

Petrochemical projects postponed: Braskem, the largest petrochemical company in Latin America, is apparently to postpone for up to two years investments it planned to



make with PEQUIVEN -estimated at US\$4.5 billion- owing to a surplus supply of plastic as a result of a drop in world demand, the company's vice-president told Reuters. For that reason, the factory of the joint enterprise PROPILSUR, which is to produce 455,000 tons a year of polypropylene, will start to operate in 2013 and not in 2011 as originally planned. Meanwhile, the polymer unit, which will produce 1.3 million tons of polyethylene, is apparently to be opened in 2014, two years later than scheduled.

Agreement on refinery in Pernambuco nearly ready: The presidents of Venezuela and Brazil are expected to sign the partnership agreement between PETROBRAS and PDVSA for the construction of the Abreu e Lima Refinery, to be located in Brazil's Pernambuco state, in September, with no issues pending negotiation. PDVSA will own 40% of the refinery, which will have a processing capacity of 230,000 b/d and a total estimated cost of US\$4 billion.

Cienfuegos's 35 million barrels: With production of 65,000 b/d, this Cuban refinery, which was opened in December 2007, reports 21.5 million barrels for 2008 and 13.5 million for this year to date, according to an official Havana newspaper. The refinery's general manager, the Venezuelan Pedro Villarroel, said that production is going according to schedule and that now they are working on the construction of four new tanks to increase storage capacity to 150,000 b/d. The impact of this refinery's increased refining capacity (current and future) will apparently be felt directly in PDVSA's already sizeable and opaque accounts receivable from PETROCARIBE countries, with Cuba being its main debtor.

Price stays above US\$70 p/b on international markets. According to Bloomberg, oil prices rose at the close of the first week of August. WTI closed at US\$70.93 per barrel (p/b), up US\$1.48, an increase of 2.1%, while London Brent gained US\$1.89 to close the week at US\$73.59 p/b, up 2.6% from the previous week. At the start of the week, the baskets traded down with prices of US\$70.60 p/b for WTI and US\$73.50 p/b for Brent. This slight drop could be explained by the downward trend on world stock markets and the market's overreaction to the increase in the prices of these commodities in the past week.

Venezuelan crude average approaching US\$50: The price of the Venezuelan basket recovered nearly 7% in the first week of August, closing at US\$67.73 p/b compared to US\$63.16 p/b the previous week. The minister for energy and oil attributes this increase to optimistic expectations for the recovery of world economic activity, which will boost energy consumption. This increase in the price raises the



average for the year to US\$49.24 p/b, which increases the revenue the State receives from oil to US\$23 billion.

Business Sector Tips

Impact of switching trading partners: Substituting imports from Colombia with imports from Argentina will have a series of consequences not only for Colombia but for the Venezuelan economy as well. For one thing, Venezuela does not pay customs duties on its exports to Colombia, but exporters will have to pay duty of 5%, 10% or 15% when exporting goods to Argentina. Moreover, when importing from Colombia, the merchandise takes 25 days to reach Venezuela and there is an inventory turnover of between 30 and 45 days, whereas if goods are purchased from Argentina, they take 52 days to arrive and stocks would last approximately three months; and that does not taken into account the jobs generated by trade with Colombia.

Bill to amend Banking Law: The bill to amend the General Banking Law currently being debated in the National Assembly forbids the use of the Central Risk Information System for purposes other than automating inquiries for information consolidated in the system and explicitly bans its use for processing loans or opening accounts; establishes that banks will be forced to use year-end profits to issue shares and all workers with more than one year of service will be entitled to one of those shares, which shall be nontransferable; states that, if a loan applicant has had delinquent accounts in the past, banks may not refuse to grant him a loan for that reason alone; and provides for the creation of the National Financial System Users Council to supervise the activities of financial entities and all banking practices.

And besides that, banks will have to hand over 1% of their profits to the Communal Councils. The bill to amend the Banking Law proposes that all financial institutions be forced to hand over 1% of their profits to finance projects of communal councils or other types of community organizations. This 1% would be handed over to the government agency specified in the law for it to administer and distribute. In addition, the compulsory micro credit quota would be increased from 3% to 5% and SUDEBAN would have the authority to adjust this percentage on a six-monthly basis to a maximum of 10% of loans.





SUDEBAN increases capital requirements for universal banks. The Superintendency of Banks (SUDEBAN) has issued a resolution according to which universal banks must have capital of at least VEF 170 million if they are established in Caracas or a minimum of VEF 85 million if they are only in the provinces. Previously, these requirements were VEF 40 and 20 million, respectively. Fifty percent of the new requirements must be met by December 31 this year, and they must be met in full by June 30, 2010.

Minimum capital requirements also increased for other banks, as follows: commercial banks, VEF 70 million or VEF 35 million, depending on whether they are located in the capital or not; mortgage banks, VEF 35 million or VEF 25 million; investment banks, VEF 45 million or VEF 22 million; development banks, VEF 65.6 million or VEF 32.8 million; micro-business development banks, VEF 12 million; second-tier banks, VEF 70 million or VEF 35 million; financial leasing entities and money market funds, VEF 22 million or VEF 12 million; savings and loans entities, VEF 35 million or VEF 18 million; foreign exchange houses VEF one million; and foreign exchange operators, VEF 100,000. The deadlines for complying with the new regulations are the same as for universal banks.

AN proposes raising compulsory tourism quota to 7%. Along with the bill to amend the Banking Law, the National Assembly (AN) proposes increasing the compulsory loans quota for the tourism industry from 3% to 7%. The Central Bank and the ministry of tourism will decide whether the proposal should go ahead and the interest rates for these loans.

Vehicle sales down by 48%: According to the Venezuelan Automotive Chamber (Cavenez), new vehicle sales in the first seven months of the year fell by 48.6% compared to the same period in 2008. This is the 19th consecutive month in which there has been a contraction in vehicle sales. Most of that contraction is in imported vehicles, whose sales fell by 76.3%, whereas sales of vehicles assembled in the country were down by 19.2%.

Slowing down in the economy is affecting insurance. According to Softline Consultores, which collects information on the country's ten largest insurance companies (with 66.89% of the market), their profits fell by 11.93% in June compared to June 2008, for a total of VEF 646 million.

Government to restrict medicine imports: Minister for Commerce Eduardo Samán has said that medicine imports will be restricted because the country has the capacity to produce 98% of the medicines that are needed. According to the minister, the



domestic pharmaceutical industry's idle capacity is more than 50% and imports are currently covering half the demand.

CVG Bauxilum workers protest over lack of funds. Last week, Bauxilum's workers held a protest that stopped the plant for several hours because the Ministry for Basic Industries and Mining had not allocated the funds required to make the investments that are needed to keep the company operating.

Cemex increases monthly production. According to the Coordinator of the Cemex Transition Board's Operations Subcommittee, last month the cement company's plant in Anzoátegui state produced 240,000 tons, the highest monthly production figure in eight years.

Another stoppage at MMC Automotriz: The assembly plant located in Anzoátegui state that produces Mitsubishi and Hyundai cars and Fuso trucks has brought down its production goal yet again. At the start of the year it was 22,000 units, but after the four-month stoppage early in the year (labor conflicts), it was revised down to 11,000 units. Now, after a two-week labor stoppage, the company only expects to produce some 9,000 vehicles this year.

Ford increases market share as a result of the closure of GMV. During July, Ford increased its sales by 15.8% compared to July 2008. Its sales totaled 2,825 units, equivalent to 30.2% of the market.

More than 35,000 kg of green coffee seized. Officers of the CICPC seized more than 35,000 kg of green coffee that were going to be smuggled over the Colombian border. The beans will be processed at a plant belonging to the recently expropriated Café Madrid. Vice-minister for the Agricultural Economy Richard Canán announced that credits will be granted to small coffee producers through Banco de Venezuela – also recently nationalized-, so as to ensure consumers their supply of coffee in the coming months.

Three hundred people have allegedly infringed the foreign exchange system. The president of CADIVI, Manuel Barroso, announced that CADIVI had handed to the Public Prosecutor's Office 300 cases of people who had allegedly tried to cheat the foreign exchange system with false imports in order to obtain foreign currency.





World Crisis Tips

90% of economists polled in US believe the recession will come to an end this quarter. The US consulting firm Blue Chips Economic Indicators revealed the results of a survey conducted among economists in the private sector, according to which 90% think that the crisis will end this quarter, and of that 90%, two thirds believe that it will be a U-shaped recovery (slow, with a below average growth rate), 17% believe that it will be V-shaped (fast with above average growth), and another 17% think that it will be W-shaped (fast but temporary recovery followed by a relapse that will be overcome during 2010).

US unemployment dropped to 9.4% in July. The July unemployment rate in the United States was 9.4%, 0.1% lower than the previous month (9.5%). In July, the total number of jobless was 14.5 million, 5 million of whom have been without a job for 27 weeks or longer.

Productivity in the United States increases. Labor productivity in the United States rose by 6.4% in the second quarter compared to the same period in 2008, whereas in the first quarter it rose by only 0.3%. This is as a result of many companies reducing their marketing, sales, human resources, and training personnel, while employees who still have a job are working harder to maintain production.

Profits of US\$768 million for Freddie Mac in the second quarter: Following seven consecutive months of losses (amounting to US\$63.7 billion), Freddie Mac, the second largest US mortgage provider, which was rescued by the government last year, posted a profit and stated that it would not need further aid from the US Treasury. Its shares rose by 80% on the day it announced its profits.

In the UK, mortgages rose by 23% in June. In June, the last month for which statistics are available, the number of mortgages rose by 23% compared to the previous month, with a total of 45,000 mortgages being granted, the highest number in 11 months and nearly equaling that of July 2008, when 47,000 were granted. Reflecting the increase in demand, the mortgage interest rate (fixed for five years) went up from 5.54% in May to 5.7% in June.

But house prices remain very low. The British Government revealed that the average price of homes (£140,222) rose by 2% in June compared to the previous



month, but were still 10.7% below June 2008 levels. In May, average prices were 12.7% below those of May 2008, as a result of which it is expected that the real estate market will stabilize in the second half of the year.

Romania contracts by 10% in the second quarter; IMF provides relief. After posting one of the highest growth rates in the European Union last year (7.1%), Romania's GDP contracted by 6.4% during the first quarter of the year and is expected to contract by nearly 10% in the second semester of 2009 according to preliminary estimates.

Political Tips

Jump off the bandwagon... In the lead-up to the summit of the Union of South American Nations (UNASUR) held in Quito on August 10, President Hugo Chávez suggested that Colombia jump off the bandwagon if it wanted to, referring to Colombia's remaining in the South American block. President Chávez accused the Colombian Government of being against the South American union because President Uribe is joining forces with the United States to fight drug trafficking. Chávez also warned of "winds of war" because Colombia, Venezuela's neighbor, is allowing the United States to use seven military bases on its territory.

Colombia defends itself. At the UNASUR summit, Colombia's vice-minister of foreign affairs, Clemencia Forero, stated that the United States had not asked to set up military bases in her country and that the bases in question are Colombian and fall under Colombia's jurisdiction and sovereignty. She affirmed that mutually agreed activities against terrorism and drug trafficking could be carried out from those bases and urged the members of the Union of South American Nations to respect the differences that exist in the region and to act in favor of unity and diversity.

Some aspects of the Education Bill: The new Education Bill establishes that the school year will have at least 200 days of classes, which will follow 60 days' vacation. On the issue of parental authority, it states that the family has the duty, right, and responsibility for educating children, adolescents, young people, and adults. In addition, ideological plurality is respected, as it states that education is founded on the Bolivarian doctrine, the doctrine of Simón Rodríguez, and social humanism, while remaining open to all schools of thought.



But not everything is positive: It also establishes that groups outside the school, in particular the Communal Councils, would be incorporated into the school and would evaluate and supervise in order to become guarantors of the formation of citizens. The bill proposes that the offer of certain courses of study could be reserved to institutions specially geared to imparting them journalism and history, for example.

University autonomy in danger: This bill puts plurality of thought in universities at risk by proposing that only those establishments whose autonomy is recognized by the State may enjoy “intellectual freedom.” It recognizes the right of autonomous universities to elect their authorities, but on the condition that equal conditions are established for the exercising of political rights by all members of the university community (teaching staff, students, administrative staff, workers, and graduates).

Relations with Colombia in the freezer, for now: On the occasion of the meeting with representatives of Colombia’s Alternative Democratic Pole (PDA), President Hugo Chávez reaffirmed that relations with the Colombian Government would continue suspended despite the return of Ambassador Gustavo Márquez to Colombia.

Second quarterly meeting between Chávez and Kirchner: The President of Argentina, Cristina Kirchner, traveled to Caracas this week to meet with her Venezuelan counterpart for the purpose of advancing technological-industrial cooperation. There are also plans for Kirchner to attend the business seminar being held under the auspices of the High-level Venezuelan-Argentine Bilateral Commission (COBAN).

Eighty percent of Caracas’s inhabitants reject attacks on media. According to an opinion poll conducted by Mercanálisis between July 15 and 26 this year, eight out of every ten of the city’s inhabitants reject the suspension of broadcasts by 34 radio stations and the threats hanging over 200 more and Globovisión, as well as the possibility of an amendment to the law that would force cable television channels to transmit the President’s nationwide networked broadcasts.

Will things get more polarized? According to *Perfil 21*, a survey conducted by the pollster Consultores 21, if parliamentary elections had been held on August 9, 48.3% of Venezuelans would have voted for opposition candidates and 44.1% for candidates proposed by the government; and if presidential elections had been held in the same week in August, support for reelection of the President would have been 44.2%, with 49.3% of voters opting for another candidate.





United States admits banning the sale of Toucan aircraft to Venezuela was a mistake. Members of the US Government told the Brazilian authorities that it was a mistake to have forbidden the sale of Super Toucans (manufactured in Brazil with US technology) to Venezuela. According to US government officials, opposing the delivery of the Super Toucans to the Venezuelan Government could have been a miscalculation, because President Chávez bought aircraft from Russia in their place. Even so, the US government officials stated that they are not in agreement with the sale of weapons to Venezuela.

Work plan for regional police forces in the pipeline: The General Police Council, chaired by Minister for the Interior and Justice Tareck El Aissami, is preparing a series of guidelines to be followed by all state and municipal police forces. The recommendations will cover issues such as human resources, equipment, uniforms, weapons, and police training. The General Police Council's technical secretary, Soraya El Achkar, stated that they will establish the police rate for each municipality and state.

UNO demands restoration of radio station concessions. Frank La Rue, the UN's rapporteur for freedom of expression, issued a press release to make known his concern over violations of the freedom of expression in Venezuela and to demand that the State return the signal to the 34 radio stations closed, as it was considered that this suspension was implemented in order to restrict forums of free opinion.

Amendment to the Criminal Procedures Code approved: The National Assembly's Home Affairs Policy Committee approved the amendment to the Criminal Procedures Code, despite the reservations of advisors. The deputies denied doing away with trials for those who commit crimes of lèse humanité, corruption, attacks on the financial system, war crimes, drug trafficking, and related offenses. However, the legislative advisors pointed out that this violates the principle of equality before the law.

The negative aspects of this law: The Home Affairs Policy Committee excluded an amendment to Article 374, despite the fact that the National Assembly's experts warned that the Constitution forbids arresting a person without cause and does not restrict suspension of the trial to cases where acts punishable by law carry a prison sentence of five years or more. Moreover, the Public Prosecutor's Office is allowed to trace calls, demand information on persons or incidents from any private individual or government official and require banks and telecommunications companies to provide information that might help to solve a crime. The amended code also orders financial entities and telephone companies to maintain call location registration units that operate 24 x 7.



FUTPV elections postponed for the fourth time: The elections of the Unitary Federation of Oil, Gas, and Derivative Workers of Venezuela (FUTPV) slated for September 2 have been postponed for the fourth time. It is said that a date will be set once a committee made up of two CNE directors and seven members of the FUTPV's Election Committee have checked the status of the workers who are to vote at this election.

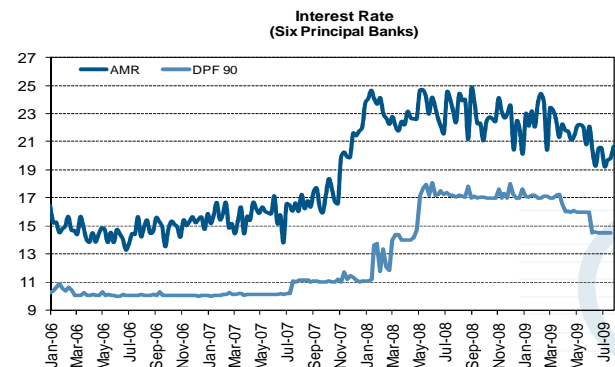
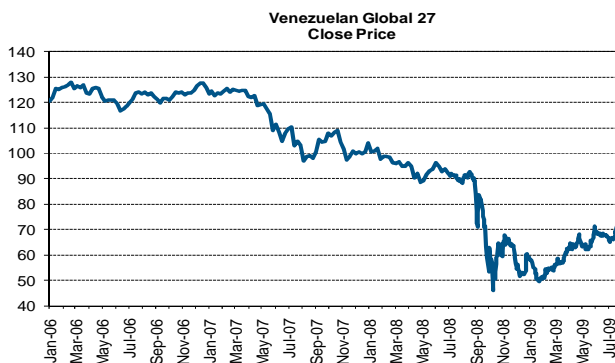
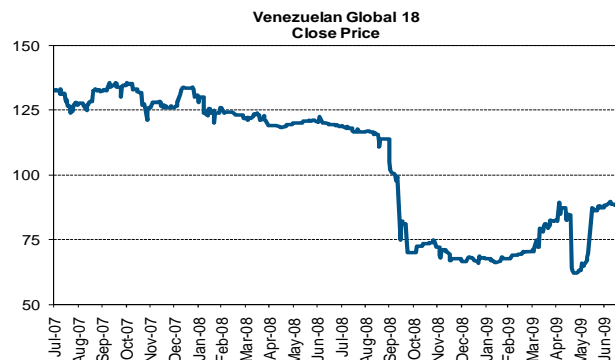
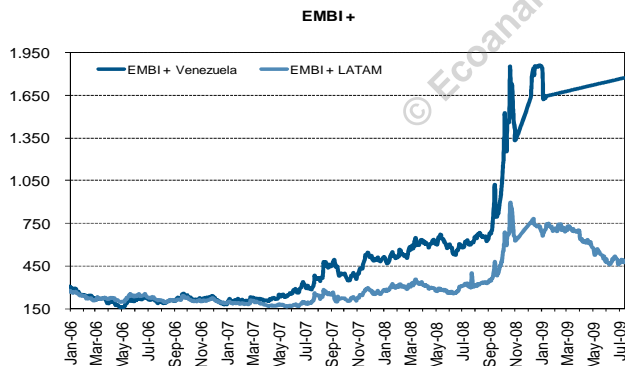
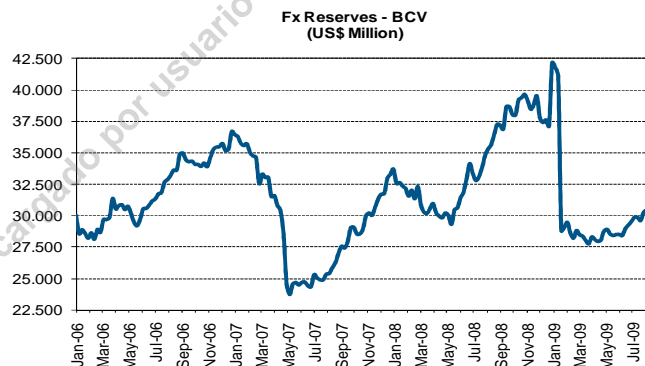
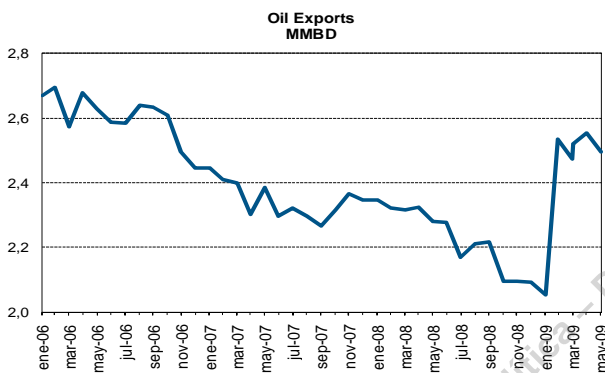
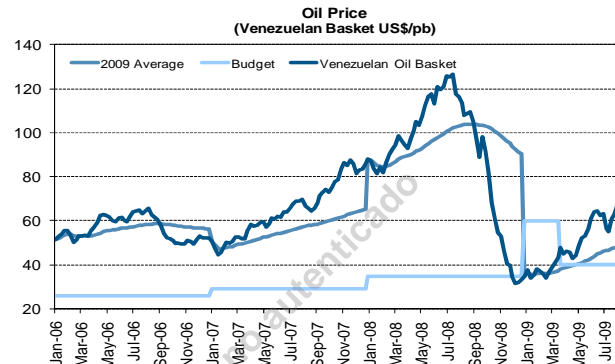
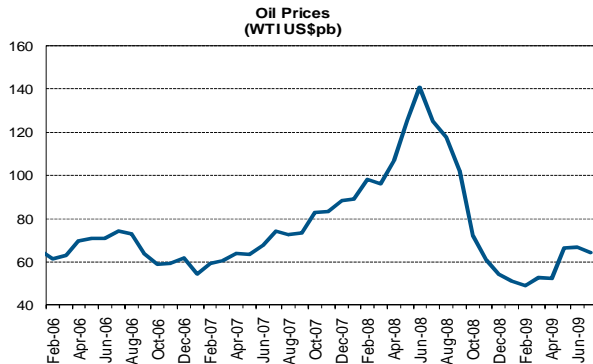
Canada is to be Israel's diplomatic representative in Venezuela. Sources at Israel's Ministry of Foreign Affairs said that an agreement had been signed with Canada for it to represent Israel's interests in Venezuela. This will permit the resumption of consular relations between the two countries, which have been suspended since the breaking off of diplomatic relations. The sources also confirmed that Spain had asked to represent Venezuela's interests in Israel.

© Ecoanalítica – Descargado por Usuario Verificado



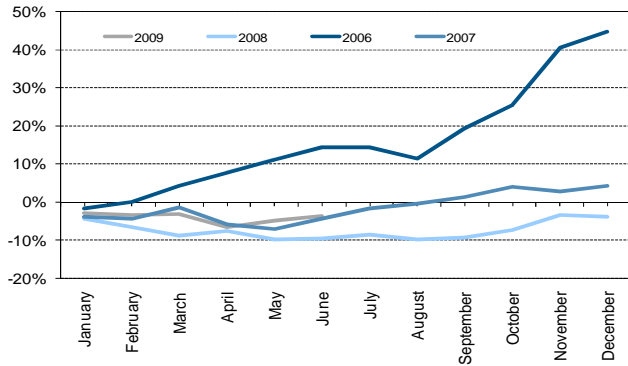


ECONOMIC OVERVIEW

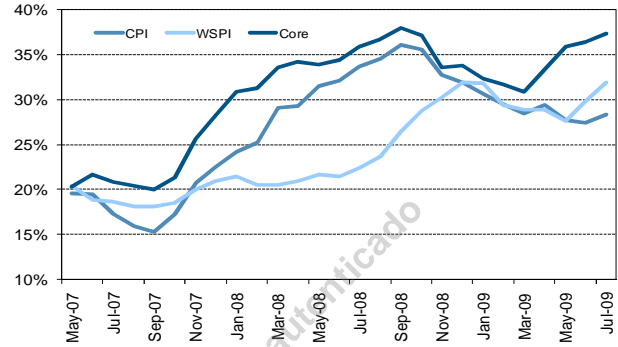




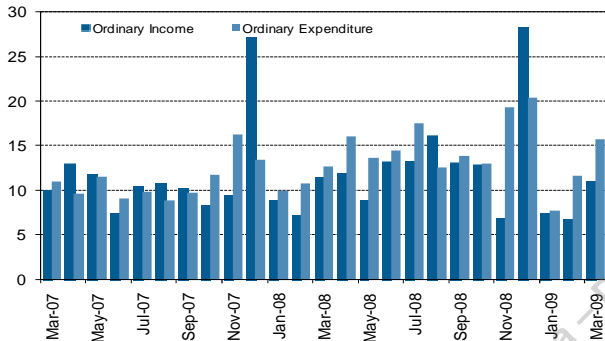
Real Expansion (M2)



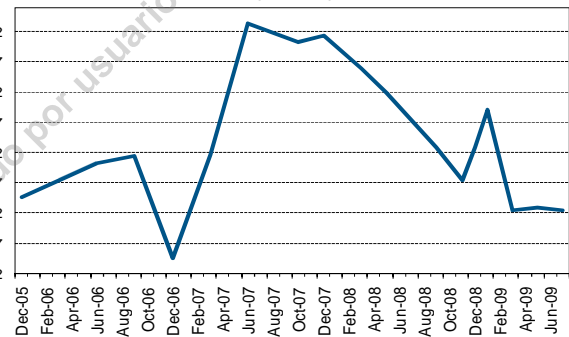
Inflation (Last 12 Months)



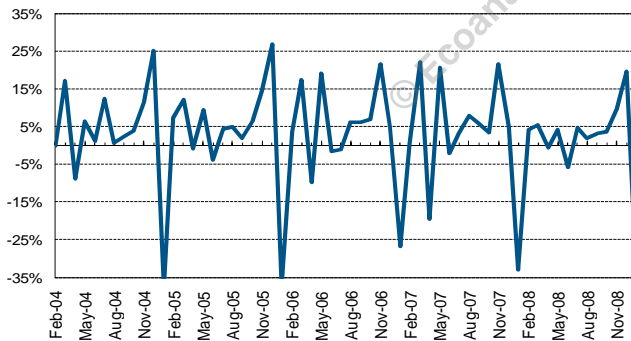
Central Government (VEB Billion)



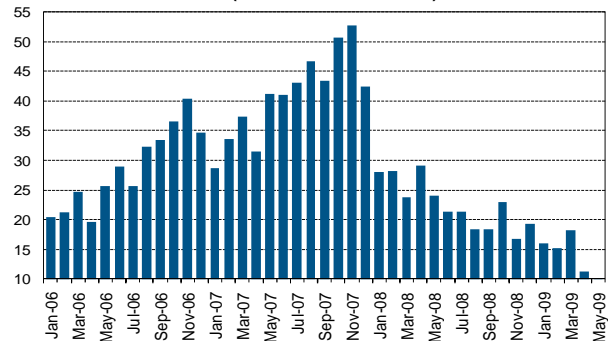
Resources of the State (US \$ MM)



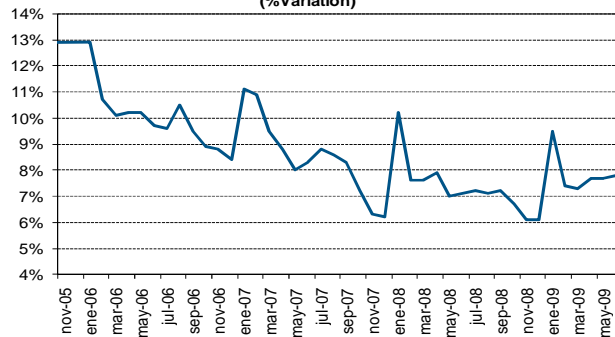
Volume of Sales (% Variation)



Sale of Vehicles (Thousands of Sold Units)



Rate of unemployment (%Variation)



Disbursement (US\$ Million)

