



Weekly Report

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LABOR MARKET OUTLOOK: THE WEIGHT OF THE LEGISLATIVE AGENDA

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The National Assembly reinitiates its schedule of sessions to discuss and approve laws. During the first period scheduled, Parliament approved 30 laws, highlighted by three very controversial laws: the Education Law, the Electoral Process Law, and the Urban Lands Law. The Legislature also passed a reform of the Organic Code for Penal Process, in record time. During this second period of sessions it's expected that the reforms to the Labor Law and the Social Property Law be approved. Both laws will have a very significant impact on the labor market and the private business sector in Venezuela.

A full agenda

Parliament goes back in session this week and first on the docket is the second round of discussions of the reforms of the National Youth Law. During the coming days, it's expected that the following laws will be discussed and approved: Labor Law, Social Property law, Foreign Service law, Police Service Statute, and the Vehicle Purchase and Sale law. There is also talk of reform of the General Bank and Other financial, Insurance, and Reinsurance Institutions Law being introduced and passed. The exact number of laws discussed has yet to be determined.



During this period, the Parliament also has to discuss the Budget Law and the Debt Law for 2010.

Labor the main part of the agenda

With respect to the labor market, in a legal and regulatory context, it doesn't look too promising. There are currently four National Assembly Commissions working on defining four laws with which the Government expects to base its legal structure in order to carry out its socialist project in Venezuela. These laws are the Public Planning Law, the Social Property Law, the Workers Council law, and the reform of the Organic Labor Law. As we have already said, we have no idea when the Administration plans to discuss these laws, especially those related to Workers Council, and Public Planning. Some members of the Legislature have even said that they are not ruling out the possibility of also including the Communal Council Law.

What is clear is that these laws are on the agenda in order to adjust the guidelines of the 2007-2013 Socialist Plan Simón Bolívar, and it's very likely that at least some of these laws be approved before the end of the year.

Significant changes: looking to put more substance into the so-called 21st Century Socialism

Without going into extreme detail about the main changes be proposed by these laws, we are not lawyers, at **Ecoanalítica** we believe the most controversial aspects being considered are:

- A national planning system is being proposed that will oversee all the existing powers, from Ministries to Communal Councils, and whether they receive their allotted transfer of resources will depend on if they are following the socialist program guidelines set by the Government or not.
- So far, the wording of the Social Property Law looks to install a concept by which the Government will be able to control production means, in state-runs companies at least. The idea is to develop a social property model based on the Social Production Companies.
- This project looks to establish an equal salary for all state-run company industrial workers as defined in the document "*Políticas laborales y negociación colectiva*" (Labor Policies and Collective Negotiations) developed by the Ministry of Labor and Social Security. Among other things, the document says that labor rights should not be progressive and out-of-salary benefits should be eliminated or suspended.
- Regarding the Organic Labor Law, discussions will cover reduce the workday, defining a scheme by which to reimburse retroactive benefits, and define a new labor relation's model.



- The Social Development Commission will discuss the need for expanding the vacation period to 45 days, as well as the number of yearend bonus days an employer has to pay its workers.
- Socialist worker councils will be introduced which will not only be included in the labor reform but will also have its own legal division. The Administration expects the workers to participate in the management of private and public companies through these councils.

In summary, the object of these laws is to create ways to break from the traditional ways the private sector received profits from producers, displacing this type of focus from the market, and replacing it with “conscientious planning.”

Other laws

The National Assembly Finance Commission has classified as “urgent” the presentation in plenary session of the Insurance Activity law project. The Finance Policy sub-commission expects to include this on the list of laws to be debated in the coming weeks. The Commission is also trying to include the General Bank Law onto the legislative agenda which looks to reinforce the BCV’s role in fixing commissions and controlling interest rates, as well as introduces changes to FOGADE contributions, capitalization indexes, and establishing new quotas in the loan portfolios.

All this in context with an economy that is slowing down

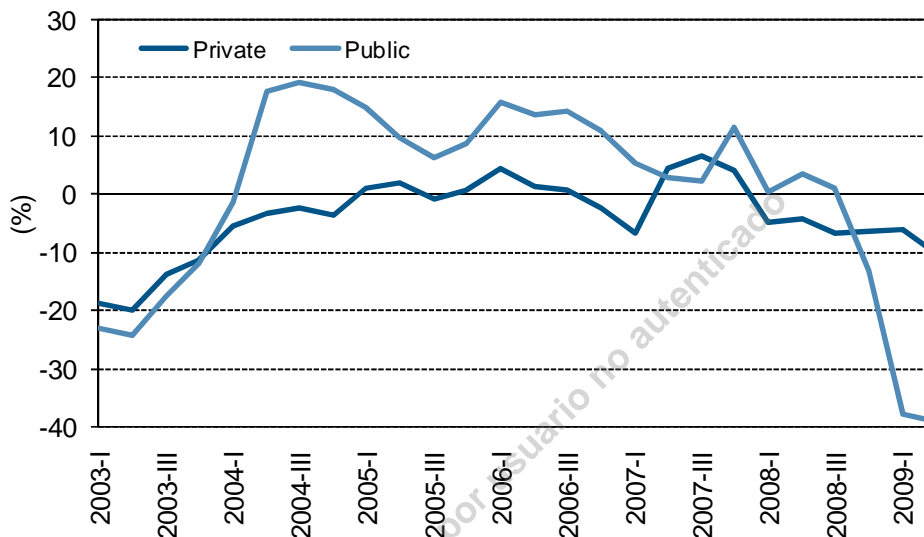
An economy which is slowing down brings with it an increase in the unemployment rate and an increase in the informal sector of the economy. In Venezuela’s case, with high and increasing inflation, you also have to include a significant and continually deteriorating level of purchasing power for the people.

With respect to the drop in purchasing power, 2009 second quarter income index figures released by the BCV show that after subtracting the inflation effect on salaries and wages, the general income index dropped by 8.6% in real terms compared to the same period last year. The loss in purchasing power for the private sector (-10%) was not as severe as it was for the public sector (-39.1%).





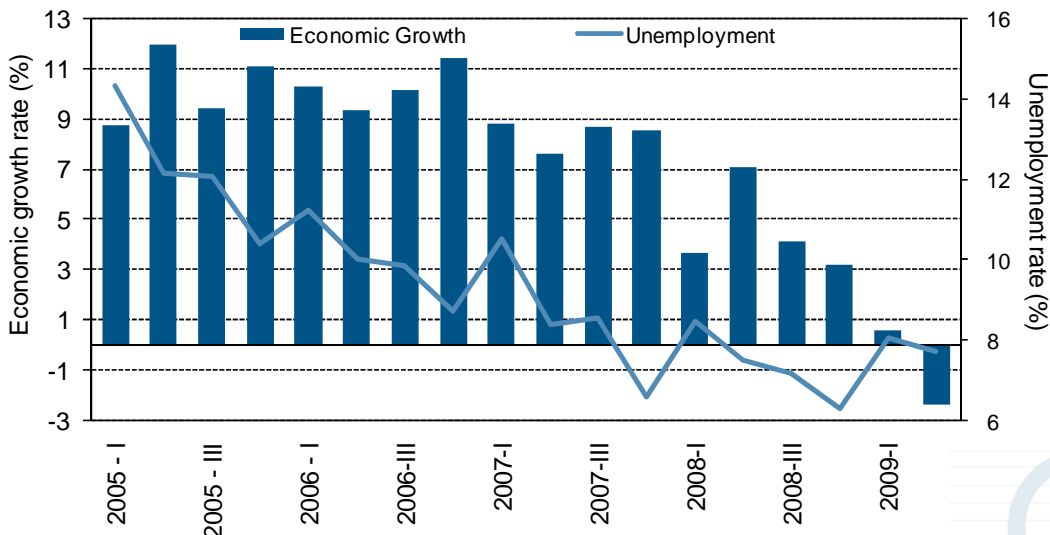
Real Wages Index by Institutional Sectors



Sources: BCV and Ecoanalítica

The economic slowdown and the drop in demand that has been registering since the third quarter 2008 has already caused the unemployment rate to increase to 8.5% in July, compared to the 7.2% posted in July of last year which equals an increase of 178.146 jobless people, according to the figures released by the National Statistics Institute (INE).

Economic Growth vs. Unemployment Rate



Sources: BCV, INE and Ecoanalítica



A shrinking private sector Another point that is very worrying is that during the first semester of 2009, the number of employers has dropped going from 477,387 employers registered in December 2008 to 460,784 registered at the end of July 2009. This reflects a 3.4% drop in six months which is equal to 16,603 fewer job providers, according to INE figures released in its latest semester report. Considering that in June 2009 the number of people with a job was at 11,888,179, for every employer, there are 716 employees on average.

In a context of high costs Another aspect that is worrying is that we expect a very significant increase in labor costs for companies, especially related to the Labor Law and the return to retroactive benefits. During the last two years, Venezuelan companies have had to comply with all the new labor regulations created lately, as well as increased monitoring by the government to make sure these measures are being met.

Companies have been forced to use more resources to be able to comply with all these new regulations. According to our calculations, for every VEF 1.00 that a company has to use to pay the wage of a worker it also has to invest an additional VEF 1.93 in order to cover all the new labor regulations. We estimate that by next year, company labor costs will increase by an average of 25%.

The future does not look bright At **Ecoanalítica**, we project that unemployment could close the year out at 8.0%, and it could go much higher in 2010 due to what we have just reported. But, despite however high unemployment reaches, the main problems that affect the national labor market (institutional weakness, political uncertainty, legal insecurity, and now, a severe slowing down of the economy) will remain and they will be getting worse.





Economic Tips

CADIVI liquidations dropped by 37.3%. According to figures released by the Commission to Administer Foreign Currency (CADIVI), during the first semester 2009, foreign currency liquidations dropped by 37.3% compared to the same period last year. Liquidations for imports (normal imports plus ALADI agreements) dropped by 38.2% which means that US\$4.40 billion less were liquidated for imports. At **Ecoanalítica**, we expect CADIVI to accelerate liquidations in order to keep the swap-market exchange rate down and also take pressure off rising inflation.

Amount disbursed (US\$MM)			
	IS08*	IS09	Var(%)
Imports	10,734.9	6,337.4	-41.0%
ALADI Convention	5,050.7	3,425.1	-32.2%
Credit Cards	2,572.6	1,962.0	-23.7%
Foreign Investment	1,270.8	389.4	-69.4%
Remittances to family	487.2	355.6	-27.0%
Lin. Air	470.1	388.8	-17.3%
Ext Private Debt	301.5	26.1	-91.3%
Effective for travel	121.1	128.8	6.4%
Students	108.9	102.2	-6.1%
Insurance and Reinsurance	53.0	84.8	60.0%
Special cases	48.0	33.4	-30.4%
Consulates and Embassies	28.3	60.6	113.8%
Telecommunications	23.6	31.7	34.4%
Retirees and Pensioners	20.4	23.0	12.9%
Services	7.0	8.0	14.3%
Total	21,298.0	13,356.9	-37.3%

*Figures at 1st July 2008

Sources: CADIVI and Ecoanalítica

Swap-market US-dollar exchange drops in expectation of PDVSA bond issue. The parallel market exchange rate has been dropping during the past week due to rumors that PDVSA and the Ministry of Finance are about to make a bond issue. Brokers say that buyers have been holding off waiting to hear what the Government's



new economic strategies will be to lower the differential between the official and the swap-market rate.

Will there be a happy ending regarding the exchange market? In a recent interview, the investment manager for Goldman Sach, Richard Penfold, explained that the best thing that could happen is if the exchange control were dismantled, but he doesn't think this is very likely unless oil prices plummet. Another option the Government could explore is to create incentives to purchase and sell PDVSA global bonds and Republic bonds on the Caracas Stock Exchange.

40 new economic decisions will be announced. Chavez said that in the next days the new economic measures with the objective of boost economic activity and get down the parallel market exchange rate will be announced. The most expected measures are the corresponding to an increase in the offer of foreign exchange, both in the official and parallel market.

How was the basic basket during the month of August? According to figures released by CENDA, the basic basket price for the month of August was at VEF3,621.20, up by 4.2% compared to the month of July. During the last consecutive 12 months the price of the basket has increased by 25.7%. The price of items such as text books, clothes, and footwear for grade school, middle school, and high school students went up by 40%. According to CENDA, an average family is only able to cover 48.6% of the basic basket with their income.

VEF 210 million approved in supplemental appropriations. The National Assembly approved supplemental appropriations for VEF 210 million: VEF 37.80 million to the presidential dispatch office, VEF 43 million to the Ministry of Communication, VEF 19.60 million to the Ministry of Defense, and VEF 30 million to the Ministry of Agriculture. The appropriations came from the Treasury, the Miranda V Fund, the Alan Fund, CANTV, and notaries and registries.

FONDEN disbursements reach US\$44.50 billion. FONDEN has reached US\$ 57.80 billion, according to a press release issued by the Ministry of Economy and Finance during the celebration of FONDEN's fourth anniversary. The press release highlights that since its creation in 2005, FONDEN has accumulated US\$ 57.80 billion of which US\$ 44.50 billion it has distributed to more than 600 projects of a productive and/or social nature.

Venezuelan bond risk prime drops. Notwithstanding the slight recovery in oil prices, all other signs point to the economy slowing down. This has led the Global 27, the most representative bond among the Venezuelan papers being traded on the market to trade at 80.2% its value on Thursday, September 17. Just two months ago the same



bond was trading at 66.2%. Up until September 17, the Petrobono was trading at 75.4% its value with a high yield of 18.2%, which means that the Country is incurring high costs from the issues that have already been carried out, not counting the issues that are expected to come this year.

Guidelines. The 2010 Operation Plan for the Year will focus on investing of projects related to food sovereignty and the construction of houses, announces the Ministry of Planning. It will also focus on backing programs associated with the Missions and repairing the electric power infrastructure. The guidelines establish that the projects which are assigned resources from the Budget will be included in a project bank which will receive financing from extraordinary resources.

Interest rates: According to the latest information available, the lending rate for the first week of September was 18.9%, which represents a fall of 147 basis points from the fourth week of August. Term deposit and savings account rates remain constants at 14.5% and 12.6%, respectively.

International reserves: The international reserves presented an increase of 8.8% (US\$3,075 million) from the first to the second week of September and rose another 1.7% (US\$398 million) from second to third week of this same month, thanks to the general allocation and the special allocation that the IMF have done to all his member countries. If it's not for the allocations of Special Drawing Rights made by the IMF the international reserves would have fallen 0.5% between the fourth week of August and second week of the present month.

Money supply: According to the latest information from the Central Bank, money supply at the end of the first week of September posted a fall of 1% compared to the last week of August, stating at VEF 223.56 billion. Money supply has increased by 14.1% so far this year and by 36.3% compared to the same period last year.

Oil Tips

Will the sale of Citgo be profitable? According to Rafael Quiroz, an economist specialized in oil, the country will benefit not only from the sale of this refinery, but also from the sale of all 15 international refineries owned by PDVSA. This, based on the discounts (from US\$2/bl to US\$3/bl) granted by PDVSA when selling crude oil to Citgo's refineries, keeping it from receiving approximately US\$657 million "in contrast



to low net earnings which, in the best of cases (2004) were no more than US\$450 million, representing a real loss of US\$207 million.

PDVSA Studies new nationalizations. After the nationalization of 74 companies four months ago, claiming they were “strategic” for crude oil production, PDVSA is now considering taking over another 34 service companies that were “left out.” The company is justifying these actions based on the Law that says that all hydrocarbon-related activities are reserved for the State. Also, sources indicate that there is no major progress in the indemnification of the previously expropriated companies.

Possible crude oil prices to base the 2010 budget on... The Government has started drafting the 2010 budget, ruled by: austerity and prioritizing investments in accordance with the Year’s Operation Plan. Given this context, PDVSA presented possible crude oil prices ranging from US\$40/bl to US\$60/bl, without ruling out possible higher prices due to the market’s recent behavior.

Export of refined products to USA drops. According to the EIA, shipments of refined products dropped by 9.0% in June compared to the same period last year. This information comes at a time when PDVSA is assuming greater commitments in new markets, among which are, shipments to Iran (to which shipments of 20,000 b/d of gasoline has been offered), and PETROCARIBE and ALBA agreements. Compared to June of 2005, shipments to the U.S. have dropped by 61.6%. At **Ecoanalítica**, we attribute the drop of shipments to geo-political strategies, problems in the refinery circuit, along with production cutbacks.

PDVSA invests to guarantee fuel. According to a report by PDVSA, a sum of more than US\$17.00 billion will be liquidated to update their refinery circuit in order to guarantee domestic fuel supply(which has shut down operations a number of times, thereby creating problems with inventories) and foreign markets.

Main projects include: the extension of the fluidized catalytic cracking units in Cardon for US\$650 million (to increase processing by 15% thereby reaching 89,000 b/d); more than US\$ 100 million for the El Palito refinery to increase production from 54,000 to 70,000 b/d, and to increase production at the Amuay refinery from 480,000 to 580,000 b/d. Also included is a project called Conversion Profunda, to be carried out in Puerto la Cruz, aimed at increasing heavy crude oil processing and it expects to increase gasoline and jet fuel production by 63%. This project is expected to be completed by 2013.

Additionally, the creation of two more projects is scheduled. The first, a naphtha hydro-treating plant in Amuay, with an investment of over US\$313 million (with a capacity of 35,000 b/d) which will increase the placement of reformulated gasoline,



estimated to begin to be used by the first semester of 2011. The second, another expansion project, is scheduled in El Palito, and it will improve the transformation of heavy crude oil into products of high commercial value. The project is still in the definition stage, with an estimated investment of US\$6.05 billion and should be operational by the second semester of 2014.

A large Gas deposit was found at the north of Falcon. According to a press release by PDVSA, preliminary figures indicate that the Venezuelan State, through licenses granted to the companies ENI and REPSOL, found an important natural-gas reservoir (around 10 trillion cubic feet) on the gas Project Rafael Urdaneta, located on the north of Falcon. According to President Chavez's statements, it is estimated that around 1.5 to 2 trillion cubic feet of gas may be extracted from the block, placing Venezuela among the world's 5 largest natural gas producers and REPSOL place it as the largest natural gas country in Latin-America.

Therefore, REPSOL and ENI propose a mixed company. The creation of a mixed company in which PDVSA would have a 35%-participation while the Spanish company and the Italian company ENI would keep 32.5% each, is scheduled during the gas-project's development stage. Venezuela owns 30% of Latin-American reserves (180 trillion cubic feet), more than Bolivia's 27 trillion and much less than Iran's 1.03 quadrillion or Russia's 1.70 quadrillion.

Oil workers continue to fight over a contract. 300 workers marched to the Jose Cryogenic Complex (Anzoátegui state) to demand for the internal FUTPV elections to take place on October 1, as scheduled, and for the process, which once celebrated, will make negotiations of the sector workers' collective contract possible, not to be extended any further.

PEQUIVEN guarantees fertilizers. Starting this week, the petrochemical corporation will liquidate the fertilizer-distribution plan for farmers in order to guarantee an early and timely delivery of manures for the 2009-2010 northern/summer sowing season which starts in October.

Good earnings for Russia. Thanks to its increased presence in the heavy crude oil and natural gas areas, the agreement for the creation of a mixed company between PDVSA (60%) and a Russian consortium (40%) -integrated by several of its oil companies- was brought forward, in order to develop the Junin 6 block of the Orinoco Oil Belt over a period of 25 years. Analysts believe that, even though Russia is very familiar with the energy sector, they are not experts in the production of extra heavy crude oil, as opposed to Canada, USA and Venezuela. A production level ranging from 400,000 to 500,000 b/d is estimated with this project.



Crude oil basket price holds steady. With the oil pumping levels holding steady, OPEC will favor oil price stability. At least for the next few months, maintaining production quotas will help price levels remain at between US\$65/bl to US\$70/bl, a value that, according to the cartel, is enough to continue with investments and for the economy of producing countries.

Major pressure. It is estimated that, should OPEC decide to cut production, the trend indicates that the level of incompletion of member countries would be higher. According to the former chief of OPEC's data department, with the current quota there is an incompletion level of 4.8% in the organization, including Venezuela (with its quota of 2.01 Mbd) and its polemic production figures (between 3.1 and 2.2 Mbd).

PDVSA vs. PETROPAR. Within the framework of the negotiations of the Paraguayan company's debt with the Venezuelan company, PDVSA offered PETROPAR the acquisition of a fleet of ships, so that the latter can have its own vessels. Additionally, there are plans to trade food for oil. Both companies agreed to a trust of US\$10 million to promote oil. PDVSA informed that they continue to supply Gasoil to Paraguay.

Stability in international oil markets. WTI closed on Thursday 17th at US\$72.5/bl, recovering 0.7% with respect to the US\$71.9/bl registered a week ago. London Brent, in turn, presents a slight recovery until US\$70.7/bbl in relation to the US\$70.3/bl of last Thursday.

The local basket also drops. The price of the Venezuelan basket lost US\$0.20 during the second week of September, closing at US\$65.20/bl., vs. US\$65.40/bl a week before. However, the basket annual average was at US\$51.70/bl, 29.2% over the budget value, thereby generating additional revenues for more than US\$4.6 billion.

Business Sector Tips

Exports from Colombia to Venezuela keep decreasing. According to data published by Colombia's National Statistics Administrative Department (DANE), exports in July were 28.8% less than the same month in 2008, going from US\$483.6 million to US\$344.8 million; likewise, between January and July of the current year, exports from Colombia to Venezuela were 4.5% less than the same period of last year.

SIDOR executives do not expect steel prices to recover soon. The executive president of the iron and steel company stated that they are undergoing serious



financial and labor problems since early this year due to the negative impact the economic crisis has had on demand and prices of steel as well as other commodities. He pointed out that they expect a progressive recovery of prices. From the peak in July 2008 to the minimum reached in June of this year, steel prices dropped 64%, and since then, they have recovered by 25%.

Expected to increase. As for production in SIDOR, they are expecting to reach 3.61 million tons for this year, slightly better than the 3.58 million tons of last year, but much below the maximum of 4.30 million tons of 2007. The executive president indicated that production was affected by the strike that took place before the nationalization and due to continuous electrical failures. As for prices, at **Ecoanalítica** we hope that they continue to recover as they have been since June, but it is unlikely that they will reach the levels of July 2008 in the midterm.

Mercal sales drop 11% between January and August. According to figures released by the Ministry of Nutrition (MINAL), between January and August of this year, Mercal sold 10.8% less food, measured in tons (872,019 between January and August of 2009 vs. 977,958 between January and August of 2008). Even the average monthly sales are below the goal of 130,000 tons. Average daily sales so far this year are at 11.5% less than last year's and the decrease of sales is accelerating: in August, sales were at 16% less than in July of this year.

Also, fewer people are shopping in Mercal. According to MINAL figures, the number of Mercal shoppers has dropped from 13,198,470 people in 2008 to 10,275,605, representing a total reduction of 22%. A reduction that has to do with the shortages on Mercal's shelves. Plus, the number of establishments is not growing: In the last five years, the number of establishments of the Mercal network has grown by only 0.47%, according to numbers by Mercal's Statistics Unit.

Electric power demand grows faster than its supply. "The demand has exploded. In 2004, it represented 12,000 megawatts, and in 2009 it has reached 17,243 megawatts, an increase of 25% in four years", said Hipolito Izquierdo, president of CORPOELEC; even though from 12,000 MW to 17,243 MW there is actually a 43.6% increase, the important part of his statement was that he continued to say that in order for Supply to cover demand, it will be necessary to add 1,500 MW of capacity this year. Last year, electric power generation grew only by 1,300 MW, and this year's projections put electric power generation increase at 1,200 MW.

Bank costs increase by 34.5%. According to official figures released by the Bank Superintendence's Office (SUDEBAN) expenses due to technological and infrastructure adaptations, new systems, acquisition of new equipment and other banking system operating expenses, have increased by 34.5% between July 2008



and July 2009; even though in real terms this only represents a 4.8% increase. The increase of bank costs is mainly due to adaptations and the purchase of new equipment to comply with SUDEBAN's new regulations.

2,000 are already unemployed in Táchira. According to the president of Fedecamaras Táchira, José Rozo, the bilateral conflict between the presidents of Venezuela and Colombia, which has reduced the commercial activity between both countries by approximately 80%, has driven this border region into a depression, leaving over 2,000 people unemployed. The spokesperson indicates that between transportation and customs services companies there are over 20,000 jobs on the line since the conflict arose.

World Crisis Tips

Back to gold. Gold price went up significantly again during the past few weeks, passing the US\$ 1,000 per ounce mark for the first time since last February. This increase in the price of gold is perfectly aligned with increasing fears regarding the future weakening of the US-dollar and inflation increasing. With the role of the US-dollar as international reserve currency beginning to be questioned, any circumstantial factor could catalyze a quick devaluation. And the emergency monetary measures applied in the last few months aggravate the mid-term inflation projections beyond the mere immediate base effect related to the price of oil and other commodities. All of the above has returned gold to its role as an inflation coverage mechanism, a role it will not have to cease for the time being.

A year after the downfall of Lehman Brothers, Obama talks about reforms. President Obama was insistent in his speech about the fact that big enterprises, investors and, above all, the financial system must learn from the crisis instead of ignoring what has happened.

What did he propose? President Obama promised to establish a new consumer protection agency to end uncontrolled loans and mortgages; expand the role of the Federal Reserve in monitoring large Banks and insurance companies; larger capital requirements for financial institutions; and a resolution to protect consumers when big enterprises go bankrupted (even at the expense of shareholders if it is necessary).





Is it really over? New data continues to support the view that the recession is over in the U.S. Retail sales increased 2.7% in August versus July (when sales dropped 0.2% versus June). This is the highest intermonth increase since January of 2006.

“Cash for clunkers” played its role. The sales of vehicles and auto-parts represented an important boost for retail sales: without vehicles, consumption would have only increased 1.1%, since sales in the automotive industry went up 10.6% in August versus July, largely because of the “cash for clunkers” program, in which the Government paid cash to consumers who replaced their old vehicles for a newer, more fuel-efficient one.

Expectations in the manufacturing sector improve significantly as well. The Empire State Index, one of the most important regarding manufacturing in the United States, reached 18.9 points in a September poll, the highest score since late 2007 when the recession officially started. This improvement represents a 56% improvement versus August, when the index was 12.1 points.

The indexes of the Institute for Supply Management (ISM) improved as well. The non-manufacturing index reached 48.4 points in August from 46.4 in July (let's remember that in this case, a number over 50 represents growth in the non-manufacturing sector); the business activity index was at 51.3 up from 46.1 in July; the employment rate went up from 41.5 to 43.5; the price expectation rate improved from 41.3 in July to 63.1 in August and new orders went from 48.1 to 49.9.

European Commission predicts Europe's recovery will be faster than expected. Both the European Commission and the National Institute of Economic and Social Research (NIESR), agree that Europe's economic recovery will be faster than expected within the next six months, but the increasing unemployment and public finance issues makes them wonder about the sustainability of said recovery in 2010; the quick recovery in consumption observed in the past months is due to the short-term fiscal stimulus, specially the car scrappage scheme (similar to the “cash for clunkers” program).

Inflation in England is below the inflationary goal. 12-month accumulated inflation until August, was of 1.6%, below the 2% goal established by the England Central Bank, whereas in the previous month, the 12-month accumulated inflation had been of 1.8%. If the 12-month accumulated inflation falls below 1%, the Central Bank will be forced to establish measures to maintain price stability, since institutionally they have an established range of +/-1% over the inflationary goal.

There are no reasons to doubt China's growth. The Chinese Government maintains an economic growth goal for 2009 above 8%; not only the first and second



quarter support this vision (6.1% and 7.9%, respectively), but the economic activity indicators for the month of August support these projections as well: compared to August of 2008, passenger-car sales increased 90%, real estate sales increased 41.6%, construction materials increased 36.6%, cosmetics 22%, industrial production increased 12.3%, investment in fixed assets grew by 33.3% (especially real estate).

Foreign investment augmented as well. Joining other indicators that document internal demand recuperation (such as the improvement in the electric production, which was growing 8.9% on an inter-annual basis in August) is now the increased direct foreign investment in China. In August, it went up 7% on an inter-annual basis, the first increase in eleven months, up to US\$ 7.5 billion, which probably reflects a bigger appetite for risk in a global scale, as the effects of the financial crisis continue to fade. Direct foreign investment grew in the manufacturing sector, but continued to decrease in the services and real estate sectors.

Almost all countries in the OECD show signs of recovery. According to the last report of the Organization for Economic Co-operation and Development, the economy of almost all nations integrating said organization (30 in total) shows significant signs of improvement, including all G7 countries. Especially France and Italy are showing much better improvements than expected in the economic activity.

Political Tips

Differentiated working day. According to members of the commission in charge of writing this law, the reform to the Organic Labor Law (LOT) will include the reduction of the working day, although the 6-hour working day and 36-hour week will not be for all workers. Public service companies, continuous production companies, security companies and public administration employees will be ruled by other mechanisms. Regarding worker councils, Representative Oswaldo Vera expressed that they will be created within a framework that guarantees that said councils are not above worker unions.

Nuclear Energy = Pacifism? President Chavez announced recently that Venezuela will be developing nuclear energy for peaceful purposes, like Brazil and Argentina. He stated that an atomic energy commission has been created along with Russia. The head of state also mentioned that Venezuela received a loan for US\$2.20 billion dollars to purchase weapons from Russia.



What missiles will be bought? Among the defense equipment to be purchased by Venezuela are: Antey 2500, Buk M2 and Pechora anti-air missile complexes, Smerch S-300 ground-air missiles, as well as T72 tanks.

Cabinet reshuffle and more... President Chavez announced a restructuring of the Council of Ministers, to make it more political than administrative. That is why we appointed six vice-presidents, as well as a permanent secretary who will work in Miraflores. However, did not release any names.

Complaints about Venezuela's intromission. The Colombian Government issued an official release expressing that Venezuela has intruded in their country's domestic affairs, based on statements by the Venezuelan Minister of Internal Affairs and Justice, Tarek El Aissami. The Minister declared that the Security Administration Department and the DEA, the United States Drug Enforcement Administration, have become important drug trafficking cartels, he also stated that the Colombian authorities do not make an effort to contain drug exports to Venezuela.

"Who travels without spending?" President Chavez declared that the expenses incurred during the diplomatic tour of Libya, Syria, Iran, Algeria, Spain, Italy, Russia and Belarus is justified in the budget allocated by the Ministry of Finance for foreign political activities. Also, in response to criticisms for the luxuries enjoyed by the President and his entourage in the city of Venice, Chavez indicated that diplomatic tours are not whims to travel around the world, and that the Government is always trying to save money, but, "who travels without spending?" Nonetheless, the foreign currency quota given to people who are going to travel abroad was cut in half at the beginning of this year, not to mention that CADIVI significantly delays authorizing foreign currency for travel quotas.

Education for liberation. President Chavez recently manifested that the fear of democracy is what drives the Opposition sectors to protest against the Organic Education Law (LOE). In that line of thoughts, he indicated that the capitalist education model excludes majorities and instills submission to underprivileged children, whereas socialism seeks for children to develop their potential; therefore, he is pleased with the approval of the LOE, for it will pave the way for an "education for liberation".

Venezuela is the region's second country with the most political prisoners. So far, since July of 2008, Venezuela holds 47 political prisoners due to the repression against those who oppose President Hugo Chavez' Administration policies and laws. Venezuela Awareness Foundation (VAF) warned that this turns Venezuela into the Latin-American nation with the most political prisoners, after Cuba. VAF affirmed that during Chavez' Administration's first ten years, political prosecutions were emblematic, and the Executive Office's participation was obvious. However, since early 2009, a



common citizen could become a political prisoner, as has been evidenced by the latest cases.

Reports reach MERCOSUR. On September 17, Metropolitan Area Councilor, Freddy Guevara, will be attending the MERCOSUR Parliament's Human Rights Commission, in Argentina, in order to present a report on the deterioration of citizen liberties in Venezuela, particularly on the limitations of freedom of speech and the criminalization of protests.

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ECONOMIC OVERVIEW

