



Weekly Report

Year 5, Number 37
Week I, October 2009

By:
Asdrúbal Oliveros
Maikel Bello

HOW IS THE DEBT GOING IN THE SECOND SEMESTER?

Reproduction or distribution prohibited

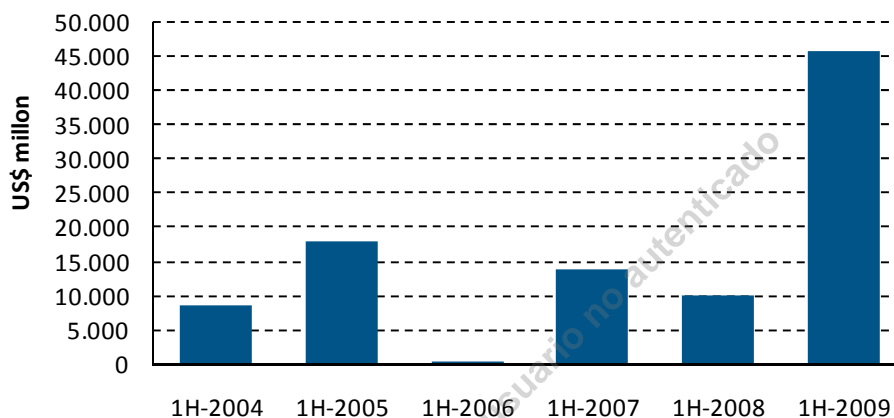
The Administration has just decreed a new issue of sovereign bonds for US\$3.0 billion. During the first semester, gross government borrowing topped US\$ 16.0 billion. What can we expect from now until the end of the year?

The Administration won't stop

According to the Minister of Economy and Finance, at the close of the first semester 2009, the Central Government's public debt total was at US\$50.3 billion, up by 14.3% compared to December 2008, which is the same as a net increasing in government borrowing of US\$6.3 billion. The Government has increased, both the domestic debt (through financial system), and foreign debt (issuing bonds, and bilateral and multilateral loans), leaving no doubt that this is Chávez' Administration's main strategy to face the economic crisis, especially since April of this year.



Gross Public Indebtness (first half each year)



Sources: BCV and Ecoanalitica

The pace could slowdown

Last July we wrote that the State (Restricted Public Sector) would continue to borrow during the second semester in a very aggressive way. At the time, we calculated that second semester 2009 borrow could be at US\$25.40 billion. However, since oil prices seem to have stabilized at around US\$60 per barrel, and the average price for the Venezuelan oil basket is currently 60.2% over what it was in the first quarter 2009, the Administration could be thinking about slowing down the pace of borrowing. This is what we, at *Ecoanalítica*, estimate will happen.

How has it been up until now?

So far, during the second semester 2009, the Government has increased the gross domestic debt by US\$4.2 billion, and we expect the domestic debt to increase during the second semester by around US\$9.0 billion. This is US\$2.0 billion less than what we estimated originally. With respect to the foreign debt, up until now, the only thing that has been announced is CAF loan for US\$600 million, and the announcement of the 2019 and 2024 bonds for US\$3.0 billion.

Less and less foreign debt being issued

With respect to foreign debt, in July, we estimated that total foreign debt issued during the second semester would be at US\$14.40 billion, but now we believe that the Administration's priorities have changed and that foreign borrowing will be less.

The market will receive 29% less

With respect to market issues, Merentes' strategy is to increase the swap-market offer in order to bring its exchange rate down and stabilize it, from



what we have heard, to around VEF 4.5 per US-dollar. In fact the new bond issue points to an implicit exchange rate of between VEF 4.5 and 4.8 per US-dollar; quite attractive and a bond issue that we recommend. So, besides this US\$3.0 billion issue, another US\$2.50 billion is expected to be issued in November by PDVSA once the company releases its first semester 2009 balance figures.

According to statements released by the Ministry of Economy and the BCV, other issues planned by entities and state-run companies such as CORPOELEC and CVG have been cancelled, so our initial estimate of foreign debt to be issued which was at US\$7.70 billion has been lowered to US\$5.50 billion, in other words, lowered by 29%.

An important point to highlight is that by lowering our estimate by US\$2.20 billion does not necessarily mean that the swap-market offer will be less. Why not? Merentes' idea is to combine big bond issues with periodic (every 15 days) sales of paper indexed in US-dollars through the financial system. These papers would be placed in banks and state-run entities, so it would not be considered as more borrowing. These periodic issues would be for US\$1.0 billion from now until the end of the year.

With respect to bilateral loans, we'll see

With respect to bilateral loans, in other words, loans received by Venezuela from other countries, especially from China, Japan, and Brazil, these have been delayed and not executed yet. This doesn't include the US\$2.0 billion loan which is in the works from Russia to buy arms. None of this has been executed yet according to information gathered by **Ecoanalítica**. Not even the third installment from China of the China-Venezuela fund which was announced last week by Minister of Finance, Ali Rodríguez, has been processed. Initially we had estimated bilateral loans reaching US\$6.70 billion, but the way the government is slowing things down and changing its strategy, from now until the end of the year, we estimate that only what's pending from the Chinese bi-national fund (US\$4.0 billion, with Venezuela having to contribute the equivalent of US\$2.0 billion) is what will be executed.

On the subject of transparency

It's very worrying and something that stands out, that these loans include negotiations and conditions that have not been made public. So, it is very difficult to say if they will ever be executed or not; unlike when a bond issue is announced, or when a multilateral entity (such as CAF) grants us a loan, the Chinese Venezuelan fund is a good case in point. To date, at **Ecoanalítica**, we don't have any idea where this account is being registered from. Though it is a loan granted to the Republic of Venezuela



(paid by PDVSA through a supply of crude oil and oil by-products), no record of this appears in the Ministry of Finance's books, nor in PDVSA's books either. This is something which could repeat itself with future loans to Venezuela or to PDVSA from China or Brazil, Canada, Japan, even Russia.

How do things stand?

As things stand, gross foreign debt for the second semester could reach US\$10.10 billion, down around US\$4.30 billion from our previous estimates. Adding domestic and foreign debt together we have that the total gross debt for the second semester 2009 could reach US\$19.10 billion, down by US\$6.30 billion from our previous estimates which we published in July.

Prior Debt Forecast - H209	
Internal Debt	
Issuance of bonds and Treasury Bills	11,000
External Debt	
Ministry of Finance	2,000
CORPOELEC	1,500
CVG	1,200
PDVSA	3,000
BNDES Brazil	1,500
China	4,000
Japan	1,200
Gross Debt H2 2009 (US\$ MM)	25,400
Gross Debt at the end of 2009 (US\$ MM)	41,655

Sources: MF, BCV and Ecoanalítica

New Debt - H209	
Internal Debt	
Issuance of bonds and Treasury Bills	9,000
External Debt	
Ministry of Finance	3,000
PDVSA	2,500
CAF	600
China	4,000
Gross Debt H2 2009 (US\$ MM)	19,100
Gross Debt at the end of 2009 (US\$ MM)	35,355

Sources: MF, BCV and Ecoanalítica

Still putting things off until tomorrow

On the surface, the fact that the Government is now planning to borrow less than what was previously estimated is a good thing, since borrowing today implies assuming obligations in the future. But there is no guarantee that the amounts that are being reduced this year won't simply be borrowed next year. The legal change that the Administration is making with regard to the framework which governs Venezuela's borrowing makes it very flexible for it to continue to borrow in order to meet its fiscal needs. In the coming days, the National Assembly will begin to discuss the 2010 National Budget Law project and its corresponding National Debt Law. We have to wait and see what the Administration is planning for 2010.

We expect that government borrowing will continue next year along the same path that it has this year, with domestic borrowing through the financial system, issuing US-dollars to oxygenate the swap-market (a bond issue such as the current one being placed could happen once every quarter), very limited buybacks of foreign debt (this will depend on the price



of oil), and the Administration will continue to pursue bilateral loans with certain countries, especially China and Brazil.

Economic Tips

The combined public offer of sovereignty bonds begins. On Monday, September 28, the Ministry of Economy and Finance announced the placement of an issue of sovereignty bonds in US-dollar denomination maturing in 2019 and 2024. Purchase orders for the bonds will be received until October 2 and then the financial entities will present their order requests to the Central Bank of Venezuela. The price range of the offer announced by the Ministry of Finance is from 135% to 140% of the value of the bond. On October 6, the Ministry will determine the adjudication price and the volume of sovereignty bonds to be offered as well as the placements.

Debt issue had been previously authorized. A presidential decree published in the *Gaceta Oficial* 39.270 dated September 23 established that bonds will be issued up to an amount of VEF 12.10 billion in the domestic market. The decree also established that VEF 10.0 billion in issues will be used to cover public entity current spending and that there will be another issue of VEF 2.15 billion to be used to restructure the public debt. These issues will primarily be earmarked for the exchange market and corporations. The financial conditions published contemplate issues in bolivars (Vebonos and Fixed Interest titles), though the National Assembly allowed for operations in bolivars as well as in foreign currency.

Venezuela to contribute US\$4.0 billion to Banco del Sur. During the South America – Africa Summit, President Chávez announced that Venezuela would contribute US\$4.0 billion to the Banco del Sur as would Brazil and Argentina. He continued to say that the new bank's capital is at US\$20.0 billion, the rest will be contributed by the other member countries (Bolivia, Ecuador, Paraguay and Uruguay). The object of the bank is to fund projects (government, mixed, private or corporate) from any of the member countries. It's important to point out that this isn't the first time that there has been talk of constituting such a bank, and nothing has ever come of it.

President to be allowed to set certain interest rates. A draft of the reform of the Bank Law, specifically Article No. 92, establishes that the President of the Republic may be granted the power to decree interest rates and commissions of a social nature, in order to guarantee the completion of projects focused certain sectors of the



population. The interest rate could never be higher than two thirds the maximum lending rate established by the BCV for the economic sector.

Private investment in a freefall... According to a survey carried out by the Venezuelan-American Chamber of Commerce and Industry (VENAMCHAM), 37% of the companies surveyed don't want to inject resources into their companies to generate new capital. 26% of those interviewed expect to inject capital in the short term, 30% in the medium term, and only 7% expect to make long term investment.

Rates of interest. According to the BCV's last available information, the lending rate of interest for the third week of September it was 19.0 %, which represents an increase of 131 basis points in relation with the second week of the same month. For its part, the term deposit rate and the passive rate placed in 14.6 % and 12.6 % respectively, which means an increase of 13 basis points for the rate of term deposits, whereas the passive rate was kept constant.

International reserves. The international reserves showed a decrease of 2.6%, passing from US\$34,305 at the closing of the second week of September to US\$33,410 million in the third week of last month. With regard to the same period for the previous year, the international reserves have diminished 15.4 %.

Monetary Liquidity. In agreement with the BCV's last available information, the monetary liquidity at the end of the third week of September registered an increase of 0.4% with regard to the second week of September, having been located in VEF 220.554. In what the year goes, the liquidity has increased 13.5% and in comparison with the same period of the previous year it increased in 32.6%.

Oil Tips

CITGO in an alarming situation. Moody's cut the rating on CITGO's Senior Secured Term Loan from Baa3 to Ba1, a category known as "junk status." This is a key financial rating for Citgo Petroleum Corp., which will make it more expensive for the already beleaguered company to operate.

The situation with Conoco "is not going well." After Conoco exercised option to buy 50% of PDVSA's stake in the Sweeney Refinery in Texas, US, for non-compliance with the supply contract, PDVSA is considering starting legal proceedings, because *"this is another strategy of the arbitration process initiated by the US oil company for*



the nationalization of the Orinoco's upgrader," stated Rafael Ramírez, PDVSA's President.

Incentives for those building refineries. The Minister of Energy and Petroleum informed that those companies interested in operating in the Orinoco Oil Belt were offered a different tax regime, besides the traditional model (50% tax). This special regime provides for a 34% tax if the companies decide to build a refinery. Ramírez explained that negotiations are being held with companies with a view to building a refinery in the Junín section and in other areas of the Orinoco Oil Belt, besides the Santa Inés and Cabruta refineries.

With 150 active drilling rigs, production reaches 3.01 MBD. PDVSA E&P Vice President, Eulogio Del Pino, stated that there are 150 active drilling rigs, including private and PDVSA's, of which 90 are drilling. Baker Hughes had pointed out that about 48 drilling rigs were active at the end of the first half of 2009. Del Pino claims that the company included only the drilling rigs belonging to private companies and that during that period *"many drilling rigs went being used for processes aimed at increasing recovery rates and well maintenance, because the oil barrel was cheaper. Now, as prices are recovering, we started to incorporate more drilling rigs to drilling activities."* Del Pino added that the production figure is at 3.01 MBD.

A bonus will be applied to participate in the Orinoco Oil Belt. Del Pino also informed that a bonus for a minimum amount of US\$1 billion will be applied for the right to participate in the exploitation areas of the Belt and different bonuses are to be applied, depending on the production area.

Mixed oil companies will allocate 2.2% in royalties to the People's Power Fund. The National Assembly approved modifying the allocation of extraordinary royalties established in the oil joint venture contracts, so as to allocate 2.2% to the People's Power Special Fund (controlled by the Government), and 1.1% to the municipalities where oil activities are developed. This is aimed at allocating more resources to social projects. The previous mechanism was applied inversely; therefore a source of the Energy and Mining Commission pointed out that this change was made because municipalities were receiving "excess resources."

PDVSA is considering doubling gasoline exports. Jesús Luongo, PDVSA's Refining manager and director of the Paraguaná Refining Complex, informed that once the expansion projects of the Cardón and El Palito refineries are completed and *"the two units are active, we are not only going to guarantee, but we are not going to import any gasoline component. On the contrary, we are going to restart exports on a large scale, because exports are now relatively low."* He also informed that during the



shutdown of the catalytic crackers, the state-owned company imported some components to complete load with local inventories.

Royalties increased... The figures of the National Treasury Office reveal that PDVSA has contributed VEF 19.9 billion (including VEF 3.500 in kinds, which are going to be applied to finance China's Development Bank) to the national Treasury until the third week of September. This figure is VEF 2.6 billion over the one included in 2009 budget. A month ago, the figure amounted to VEF 18.1 billion, implying that cash royalties have increased 12.6% in only one month.

Serious situation in oil sector's protests. Protests against the collective contract by PDVSA's workers are already beyond normal. Oil workers in Ciudad Ojeda have resorted to extreme measures, including hunger strikes and sewing lips together, due to which many of them have been taken to health care facilities due to dehydration and infections, and requesting help from the Government of Brazil. However, there has not been an answer from authorities. Unions blame PDVSA's President, Rafael Ramírez, for these facts.

Ramírez, in turn. Minister Ramírez assured that a commission representing PDVSA would visit the area to mediate with the workers on September 26th; however nobody had showed up on Sunday, 27th at 4 in the afternoon. The Minister informed through a press note that 1,400 workers that worked as freelancers for private contractors before nationalizing docks in Lake Maracaibo will be absorbed by PDVSA.

PETROPAR's debt has been cut back. Paraguay's President, Fernando Lugo, informed that Venezuela will cut by US\$3 million the debt (about US\$250 million) that the Paraguayan state-owned oil company owes PDVSA for diesel supply in 2003-2008, and that US\$10 million will be deposited in an industrial trust fund similar to the one held by PDVSA with Uruguay. However, US\$34 million were not included in the agreement, because Paraguayan authorities considered that some contracts had irregularities.

Notwithstanding, gas oil supply agreement has been renewed. Besides the debt cut back, Venezuela's and Paraguay's Presidents signed the agreement at the 2nd Africa-South America (ASA) Summit. The document establishes supplying gas oil to Paraguay until the end of 2009 and in 2010.

Is PDVSA Mercosur's major fuel supplier? The joint venture Fluvialba is expected to be incorporated within the next six months, with participation of PDVSA and Argentina's Fluviomar. PDVSA is expected to exchange fuel for food in the most profitable way (fluvial transportation), through the Paraguay-Paraná Water Way, an axis that links Uruguay, Argentina, Paraguay, Bolivia and Brazil.



PEQUIVEN will subsidize fertilizers, at all costs. Despite losses reported in 2008 due to a 41% increase in costs and the subsidy of the domestic market (which reached a record high of US\$232 million), the petrochemical industry will continue to subsidize fertilizers. According to statements offered to Reuters, Carlos Infante, manager of Morón Complex, assures that “projection for this year is going to be lower than that of 2008, but above the VEF 400 million level.”

International baskets. The WTI closed on Thursday, the 01st of October in US\$70.7/bl reflecting an increase of 7.2 % with regard to the US\$65.9/bl registered to the closing of last Thursday. For its part, the Brent also showed an increase but in minor proportion, falling 6.5 % to place in US\$69.1/bl in relation to the US\$64.8/bl of Thursday, the 24th of September.

Local basket price dropped last week. The price of the Venezuelan basket lost US\$1.2 in September's fourth week, to close at US\$64.3/bbl. on Friday, from US\$65.5/bbl. a week before. Therefore, the yearly average of the basket reached US\$52.4/bbl; 30.9% over the budgeted value, which generates additional revenues for more than US\$4.8 billion.

Business Sector Tips

New restrictions on travelers' dollar quota. According to different press reports, the US\$2,500 quota will be authorized only for Europe, Asia and some cities in the US. The amount authorized for other destinations will be lower. Representatives from financial institutions informed that it is impossible for them to discriminate the use of credit cards depending on the city, because with their current technology, they only can differentiate among countries.

Boost for the construction sector. Minister Giordani highlighted that a large part of the economic measures will be directed toward the construction sector and added that: “That sector does not need foreign exchange and, therefore, resources have to be increased.” It is inferred that the most part of the fiscal boost will be based on public bank loans and public construction projects, including housing and infrastructure.

The President may also determine loan portfolio. Article 93 of the Law on Banks and other Financial Institutions proposes granting the President the power to decree,





for an undefined term, the percentage of the minimum loan portfolio that has to be earmarked for the development plan.

Prepared for financial contingencies. Another novelty of the draft Law on Banks and other Financial Institutions is that the President will be able to declare financial emergency situation, when 30% of financial assets constituting the banking system have problems related to capital loss, liquidity, and solvency, among others, which may impact the stability of the financial system and the workings of the payment system.

Further productive loans are being requested, but crowding-out still exists. President Chávez insisted that private banks have to grant more credits for the private productive sector, highlighting that financial intermediation is below the desirable level. However, the decrease in financial intermediation is derived from a lower demand resulting from economic contraction, the drop in the private sector's investment due to the permanent attack against private property, and the strong issue of public papers that is very attractive for the banking sector due to its low risk level and because it restricts funds that can be lent to the private sector (crowding-out effect).

Microcredit delinquency increases. The value of loans for micro-businesses (less than 10 employees), which present payment problems, have been restructured, have expired or are under litigation, amounts to VEF 306.6 billion for the end of July 2009, up 20% from the end of 2008. Proportionally, 6.6% of micro-credits have payment problems, as compared to 5.2% in December 2008. Over the same period, demand for micro-credits has decreased by 5.3% from 2008, but banks are still exceeding the 3.0% compulsory credit portfolio for micro-businesses, reaching 3.3% of the total of compulsory loans.

Credit demand is not enough to cover compulsory portfolio. Víctor Vargas, Banco Occidental de Descuento's (BOD) president, proposes reforming the credit system in order to "seek ways to stimulate demand," because complying with loan portfolios of 21% for the agricultural sector or 3% for tourism is increasingly difficult due to the low demand for credits. Vargas noted that "in some sectors, we do not have anybody to grand loans in a secure manner." Credit demand has contracted 8% in real terms in 2009.

BOD wants to merge with Corp Bank. BOD requested before SUDEBAN authorization to merge with Corp Banca, which will become part of Banco Occidental de Descuento adding VEF 460 million to the bank's equity. If the merge takes place, BOD would become the third bank in terms of deposits, the fourth in loan granting and the first in terms of financial intermediation with 64.6%.



Micro-businesses and cooperatives chamber to be created. FEDECÁMARAS is leading a project to create a Chamber of Micro-Businesses and Cooperatives, with the intention to organize more than one million of small businesses existing in the country and incorporate them to the economy's formal sector, so that they have easier access to credit.

Labor conflicts at MMC have not ended. Last week, labor authorities prohibited MMC Automotriz (Mitsubishi, Hyundai and Fuso assembly plant) workers' union (SINGETRAM) from accessing the plant, for promoting violence and anarchy. The union members are demanding to meet the Labor Minister and the company's board.

Franchises are expected to grow 8.5%. According to the president of the Venezuelan Franchise Chamber (PROFRANQUICIAS), the sector will grow 8.5% in 2009 (although not in terms of sales, which fell 25% in the first semester), despite economic deceleration. According to PROFRANQUICIAS, between 400 and 450 new franchised units will enter the market this year, for a total of 8,000 throughout the country. Another 30 new national and international franchises will enter the market this year, in addition to the 300 franchises existing in early 2008.

Bottom trawling is to be replaced with deep water fishing. The Socialist Fishing and Aquiculture Institute (INSOPESCA) has plans to replace bottom trawling (banned seven months ago) with deep water fishing. INSOPESCA has approved 62 projects for the reconversion of boats previously used for bottom trawling, but none has been implemented. Since bottom trawling was banned, there were plans to grant credits to help fishermen with the reconversion, but only two loans of VEF 400 each have been granted so far.

More trips. Local and foreign tourists' flow has increased by 15% and 20%, respectively, this year, the president of the Association of Venezuelan Airlines (ALAV), Humberto Figueras. A particularity that has been observed this year, according to Figueras, is that foreign tourism has increased toward South American destinations, displacing destinations in North America and Europe, which have been traditionally preferred by Venezuelan tourists. The most preferred destinations by Venezuelan tourists include Argentina, Ecuador (Galapagos Island), Colombia, Chile and Peru.





World Crisis Tips

G20 Results. In its final press release, G20 adopted a so called “*framework for a strong, sustainable and balanced growth*” to be implemented by the end of November, including common political objectives and a midterm action framework, where the IMF will provide assistance to G20 Finance Ministers and Central Bank Governors. The intensification of the international financial regulation was also supported, including (1) the agreement to develop rules to improve the quantity and quality of banks’ capital and discourage the excess leverage with the implementation of a leverage ratio by the end of 2010, and the commitment to implement Basilea II by 2011; (2) the reform of check clearance systems in the financial sector; (3) the order to negotiate and liquidate all standardized OTC derivatives through chambers or electronic platforms by the end of 2012; (4) the implementation of contingency and resolution plans for systematically important institutions by the end of 2010. Changes to the international financial architecture are also proposed, giving a bigger role to multilateral agencies and more weight to “dynamic emerging countries” in the decision-making process.

United States keeps rising from the crisis. The Chicago FED’s National Activity Index (CFNAI) showed its best readings in the last 3-Month Moving Average (-1.09), indicating the economy is still below its growth trend but is recovering fast. The index also shows there will be low inflationary pressures next year. A CFNAI level below 0 indicates the American economy is growing slower than its historical trend rate (3%), above 0 implies it is growing faster than the trend, below -0.7 indicates recession and above 0.7 indicates strong inflationary pressures.

Home prices in United States go up more than expected. The Case & Shiller Home Price Index increased by 1.2% in July compared to the previous month (Seasonally Adjusted Annual Rate), this is the most significant price average increase since late-2005. Prices are still almost a third lower than the peak of May 2006, but the drop in y/y terms is much lower than expected (13.3% vs. 14.2% expected by the market).

And home sales increased. Sales of single-family homes increased during August for the fifth consecutive month, but less than expected, going from a seasonally adjusted annual sales rate of 426,000 units in July to 429,000 in August, while the expectations were of 440,000 units. The average sale-price in August was US\$195,200.





Consumer confidence drops slightly. The Conference Board's American Consumer Confidence Index dropped slightly in September going from 54.5 points in August to 53.1 in September, mainly due to the Present Situation sentiment showing 22.7 points in September, down from 25.4 in August; on the other hand, the Expectations Index is still at one of the highest levels since late 2007. 47% of respondents think jobs are hard to get.

UK economy shrinks by 5.5% during the second quarter. Britain's economy shrank by 5.5% y/y during the second quarter of 2009, less than expected by the market, after having shrunk by 5% during the first quarter. In q/q terms, the economy shrunk by 0.6% during the second quarter, after a 0.7% decline in the first three months of the year. A positive growth during this semester is highly anticipated.

Japan in a deflationary spiral. Japan's Consumer Price Index showed a y/y drop of 2.4% in August; wages are down for the 14th consecutive month; unemployment is near 6% (record for Japan). Consumers postpone their purchases hoping to get lower prices in the future. This inflationary spiral could represent a serious problem for the growth of the world's second largest economy, if it continues for the long-term, as predicted by some Japanese economists.

Fear of Intervention. After the Yen having appreciated by over eleven figures versus the US-dollar since April and following increase-related pressures, the new Government is starting to show signs of discomfort with this trend. The Minister of Finance, Hirohisa Fujii said recently "*if the currency market moves abnormally, we may take necessary steps in the national interests.*" After several statements in the last two weeks since he became Minister indicating he does not support a weak-US-dollar policy and he is opposed to Government intervention in the foreign currency market, today's statement is the first sign that there is a risk of the authorities trying to actively prevent an increase in the appreciation of the Yen, as is happening with the Swiss Franc.

Lithuania is still in bad shape, but it's starting to improve. Lithuania's GDP shrunk by 13.4% y/y during the first quarter of 2009, and 20.2% during the second quarter. This is partially due to the fact that it had set its exchange rate to the Euro and, not being able to devaluate, it became much less competitive with the rest of Europe, just like Latvia and Estonia. However, data released this week show an improvement in sales in August: in the previous months, sales were over 21% below the level of 12 months before and in August they are 19.6% below a year ago.





Political Tips

It doesn't smell like sulfur any more. In the recent UN General Assembly, president Chávez said in his speech that the UN "doesn't smell like sulfur anymore," but like hope, referring to President Obama, whom he considers intelligent. He also warned that he hoped that the US President didn't have the same fate as John F. Kennedy. How long will this love last?

What was the result of the 2nd Africa-South America Summit? At the 2nd Africa-South America (ASA) Summit, held in Margarita Island under the motto "Filling gaps, providing opportunities," Chávez proposed to prepare a document to transform the working groups created a year ago into ministerial commissions, and that a meeting of the ministerial commission is held in 2010 to review progress of the proposals made.

Presidential Strategic Group. President Chávez also proposed creating a Presidential Strategic Group entrusted with the design of an Africa-South America strategic plan, route or agenda for 2010-2020, to be signed within a few months.

ASA Secretariat and creation of NATO of the South. Some of the proposals approved at the Summit include the creation and organization of the ASA Secretariat to shape the institution's structure. The President of Libya, Muammar al-Gaddafi, proposed the creation of a NATO of the South (OSAN). Venezuela proposed creating the Bank of ASA (BANCASA) and a multi-state mining corporation comprised of ASA member countries. Seven South American countries (Brazil, Uruguay, Paraguay, Argentina, Ecuador, Bolivia and Venezuela) endorsed the creation of the Bank of the South, which will merge the Bank of the South with African financial institutions. Furthermore, Libya will be the seat of the ASA Summit in September 2011.

Renewal of CNE Board. The National Assembly appointed the Preliminary Committee for Electoral Nominations, in order to renew the CNE Board, because terms of Board members Germán Yépez and Janeth Hernández have expired. The entity includes deputies Saúl Ortega, Edgar Lucena, Laura Vals, Darío Vivas, Mario Isea, Ricardo Sanguino, Juan José Mendoza, Tulio Jiménez, and Marelis Pérez, among others. Other sectors have proposed 10 additional names, whereas AN also selected 4 representatives from the civil society that will join the Nomination Evaluation Committee to choose the National Ombudsperson.





No one to escape watching network broadcasts. Soon to be published in the *Gaceta Oficial* will be the regulations governing domestic television stations broadcast on cable television. Mario Seijas, president of the Venezuelan Chamber for Cable Television, explained that the CONATEL considers that if 70% or more of the material that a channel is broadcasting are images of Venezuela or material produced in/or of Venezuela then it has authority over that channel. These laws will affect channels like RCTV Internacional.

More control over the airwaves. According to the recently published regulations decreed by the Ministry of Communication and Information Technology in the *Gaceta Oficial* N° 371.740 dated September 22, programs produced with resources from the Social Responsibility Fund, a government entity part of the CONATEL, must be given priority. Stations must broadcast five hours of local broadcasting, four of these hours during the Todo Usuario (prime time) time slot. Community radio stations and non-profit radio stations are exempt from new regulation.

PSUV calls for a parliamentary gathering in November. Jaqueline Faría announced that by petition of the PSUV, that Venezuela should host in November a gathering of parliamentary members of the nations participating in the of South America-Africa 2nd Summit. The meeting would serve to ratify and follow-up the agreements signed during this past summit. Willian Lara, Governor of Guárico state, pointed out that the initiative would serve to create a permanent structure of representatives from these nations in order to back the Executive Office.

Youth Law approved during second discussion. The National Assembly in plenary session approved during the second discussion the Partial Reform law of the National Youth Law and it was sent to the Family, Woman, and Youth Commission for the final draft to be written up. Among the Articles approved, No. 37, which established that companies must try to find ways to introduce young people to fill vacant jobs available within their organization.

Tell me what you demand and I'll tell you what you don't have... The ombudsman, Gabriela Ramírez, urged the Government of Honduras to respect the people's human rights and that international mechanisms have been activated to deal with human rights issues in Honduras, and she urged, Ramón Custodio, Honduras' ombudsman, to defend the country's citizens who are being repressed for backing Zelaya. Ramírez didn't rule out the idea of creating a Latin American defense commission to travel to Honduras to analyze the situation.

They raised hunger strike. Opposition students in hunger strike, in view of which the Inter-American Commission of Human rights invited a commission of students in order that they visits its sedate in Washington to expose the cases of the political prisoners



and the pursuits that the opponents' students are fastened. The strike began last Friday with the aim to achieve that the CIDH sends observers to Caracas and for their companion Julio Rivas, detained by its supposed participation in acts of street violence, to be judged at liberty.

The Government rejects the idea that the Inter-American Commission on Human Rights intervene in this affair stating that one can't avoid responsibility for breaking an ordinary law by pleading political persecution.

Other Tips

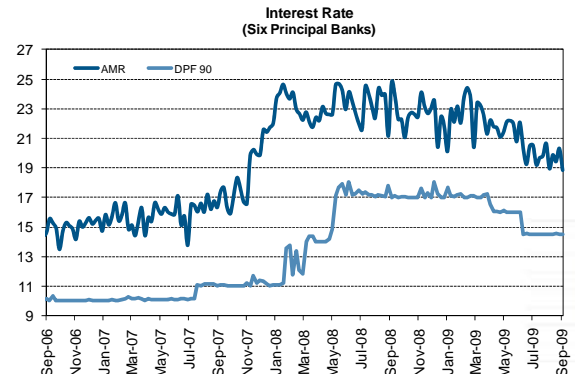
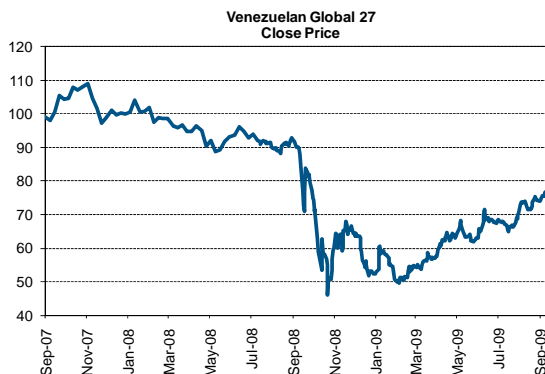
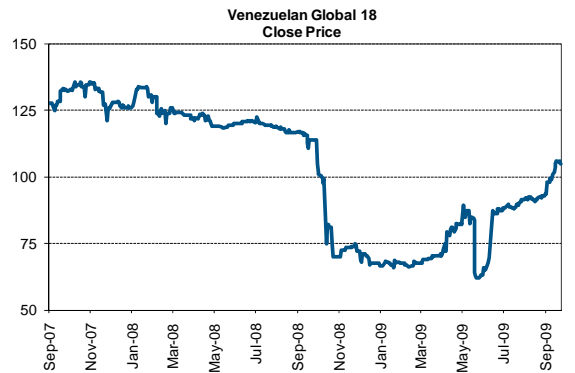
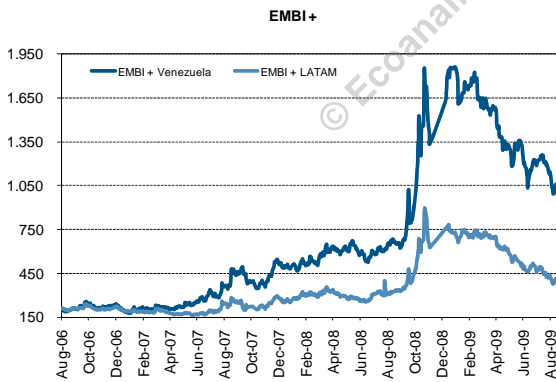
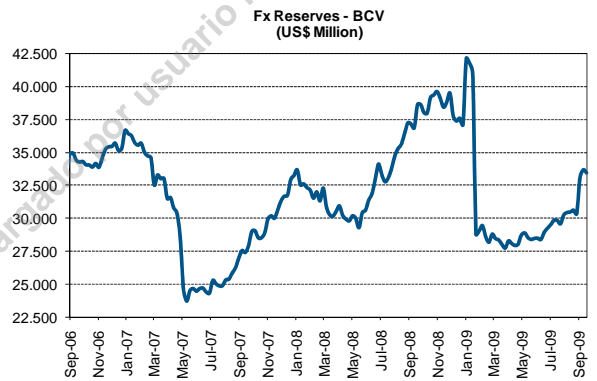
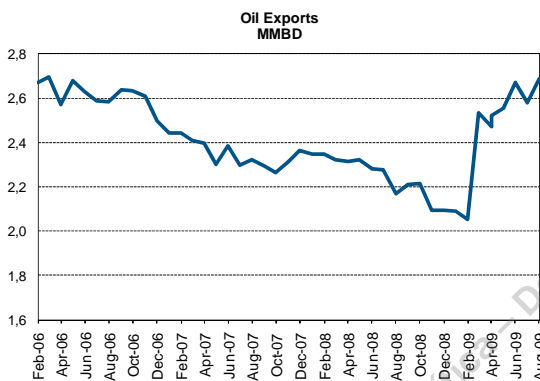
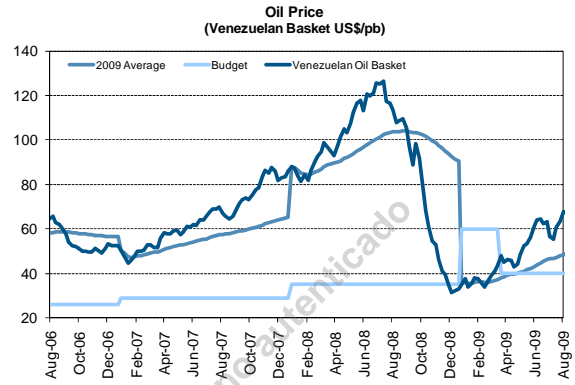
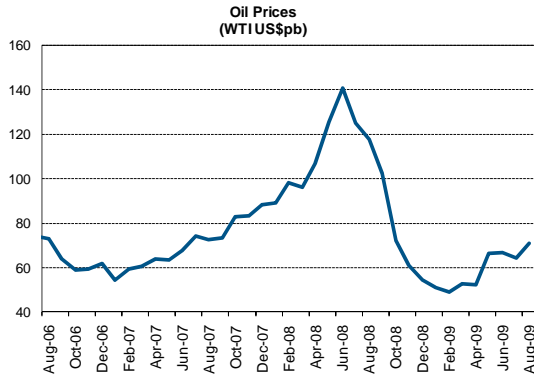
Venezuela and Paraguay among the most corrupt in Latin America. According to a study carried out by a Mexican NGO, Transparencia Internacional (International Transparency), Venezuela and Paraguay registered the worst levels of corruption in the private sector in Latin America between 2007 and 2008. In the "2009 global Report on Corruption: Corruption in the Private Sector," seven countries from Latin America and the Caribbean stand out, with Venezuela ranked lowest with 158, followed by Paraguay with 138, Nicaragua with 134, and Argentina with 109.

Not yet. Venezuela still doesn't have a plan to explore and exploit its probable uranium reserves yet, despite the fact that it is preparing a nuclear program with Russian help for the areas of food and medicines, said Minister of Energy Rafael Ramírez. This statement contradicts statements made by the Minister of Basic industry and Mining, Rodolfo Sanz, who said that Iran has helped Venezuela discover reserves in two areas of the country and that they could be certified in three years. When asked about the help that Tehran would be providing in discovering the mineral, Ramírez, whose Ministry is in charge of developing the nuclear plan which was recently announced by President Hugo Chávez, said that there was no such plan.



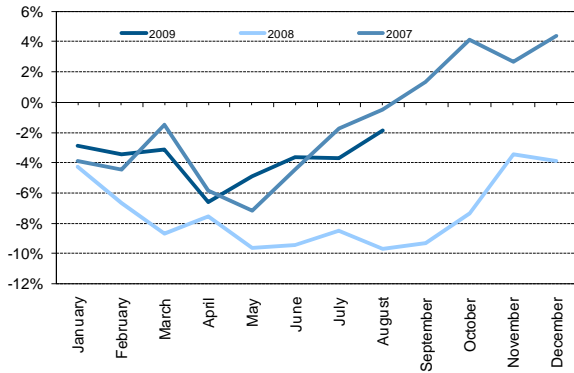


ECONOMIC OVERVIEW

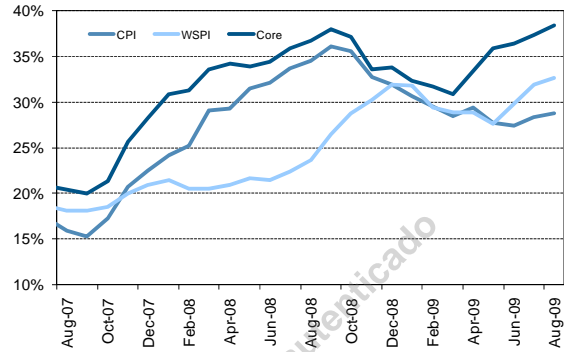




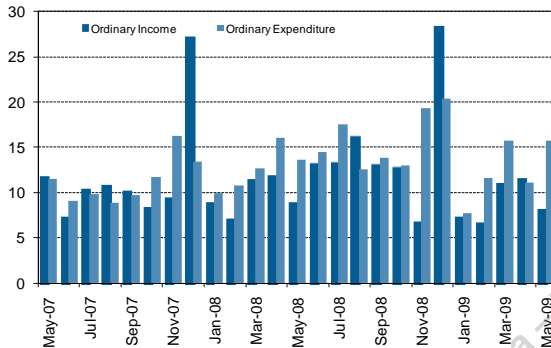
Real Expansion (M2)



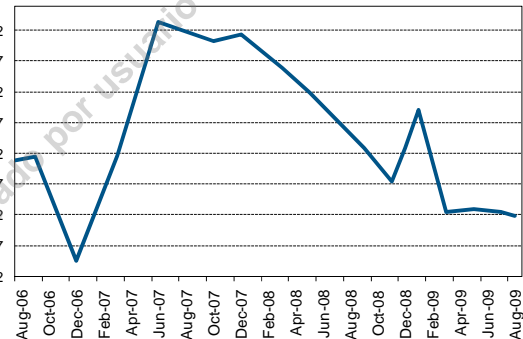
Inflation (Last 12 Months)



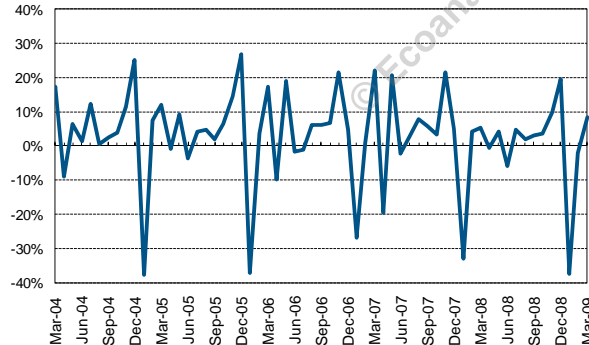
Central Government (VEB Billion)



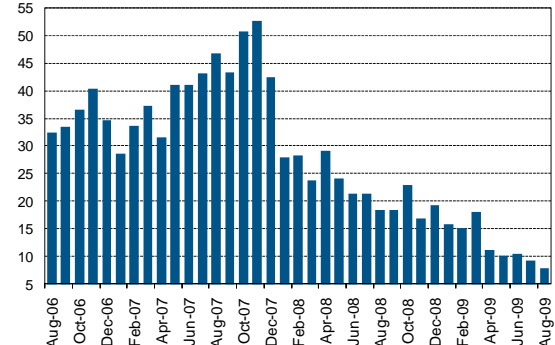
Resources of the State (US \$ MM)



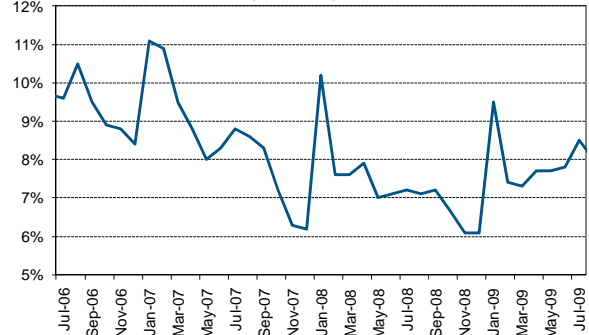
Volume of Sales (% Variation)



Sale of Vehicles (Thousands of Sold Units)



Rate of unemployment (% Variation)



Disbursement (US\$ Million)

