



Weekly Report

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WHAT WILL BORROWING BE LIKE IN 2010?

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Last week we analyzed some of the aspects included in the 2010 National Budget Proposal. This week we will look the 2010 Borrowing Law Proposal, highlighting the fact that even though oil prices look to continue to recover during 2010, the Administration plans to continue with its aggressive borrowing policies.

Passing the buck

The first thing we want to point out is, like we said in last week's Report, the Administration hasn't budgeted any resources to service the debt in 2010. So, much of the borrowing in 2010 will be aimed at refinancing the national public debt. It's also important to keep in mind that the 2010 Borrowing Law Proposal on covers the Central Government and does not include PDVSA and other non-finance state run companies.

How much does the Administration plan to borrow?

According to Article 1 and 2 of the Special Law for Yearly Borrowing for the 2010 Fiscal Year, gross borrowing for the coming year is estimated at VEF 55.06 billion (US\$ 25.61 billion). If we take into account that the Government will have to pay VEF 9.62 billion (US\$ 4.47 billion) in debt service in 2010, net borrowing proposed will be around VEF 45.45 billion



(US\$ 21.14 billion). This year, Government gross borrowing is at around VEF 32.10 billion (US\$ 14.93 billion), which means that for next year, just the Government, is planning on increasing its gross borrowing by more than 70%.

At *Ecoanalítica*, we believe that this increase in debt to the Republic is a bit high, and more so if we take into account that this doesn't include PDVSA debt, and debt incurred by other non-finance state-run companies such as CANTV (telephone company) or CVG (steel company), plus we still don't know the exact parameters that cover the debt with China that feeds the China-Venezuela Fund. One would think that the Administration should be thinking about moderating the rhythm of borrowing.

Resources for everything and everyone

The Special Law for Yearly Borrowing for the 2010 Fiscal Year itemizes the resources obtained through borrowing in the following manner:

- **Projects – Public Sector: VEF 4.95 billion (US\$ 2.30 billion).** Most of these projects have something to do with the subway system (37.9%), CORPOELEC (29.6%), Steelworks (17.2%), and HIDROVEN (water) (7.9%), among others. It's important to keep in mind that though the total cost of the projects established in the Special Law for Yearly Borrowing for the 2010 Fiscal Year reaches VEF 15.38 billion (US\$ 7.16 billion), the maximum amount allowed to be acquired through borrowing is VEF 4.95 billion (US\$ 2.30 billion), in other words, 32.2% of the total.
- **Fiscal management: VEF 20.0 billion (US\$ 9.30 billion):** This corresponds to the deficit of the current fiscal management. However, with oil prices looking to continue to recover during 2010, and extraordinary resources beginning to come in again, the Administration should not look to increase borrowing through this venue.
- **Public debt service (domestic and foreign): VEF 10.29 billion (US\$ 4.79 billion):** This should be earmarked for the Government debt service for 2010 which, as we mentioned previously, we expect to reach more than US\$ 4.40 billion.
- **Refinancing and restructuring the public debt: VEF 14.67 billion (US\$6.82 billion):** Article 8 of the Special Law for Yearly Borrowing for the 2010 Fiscal Year is quite ambiguous. However, what the MEF could be contemplating for the coming year is to issue lower cost debt and substituting it for higher cost debt, especially in the domestic market. So, the financial system should be preparing for domestic debt refinancing



negotiations (swap, conversion, buyback or rescue) for the coming year, much like what took place with the current Administration between 2001 and 2003. There is also a possibility the Administration will buyback foreign debt. The resources acquired will be managed by the Treasury Office.

- **Treasury Bills: VEF 5.15 billion (US\$ 2.40 billion):** This figure represents the maximum amount of T-Bills in circulation at the close of 2010. Treasury Bills are short term financing instruments (usually less than a year) which allow the Administration to deal with specific and immediate cash flow problems.

Indebtedness 2010 - Central Government (US\$ million)		
	Current Expending	
Fiscal Management	(9.302)	11,697
	Treasury Letters (2.395)	
	Service	
Public Debt Restructuration	(4.787)	11,611
	Refinancing (6.823)	
	Subways	
Projects	Corpoelec	2,302
	Steel industry	
	Hydro projects	
Total		25,610

Sources: MEF and Ecoanalítica

They could do with less

As you can see, the Special Law for Yearly Borrowing for the 2010 Fiscal Year has three big items: fiscal management (US\$ 11.70 billion), service and restructuring of the debt (US\$ 11.61 billion) and financing projects (US\$ 2.30 billion). In our opinion, with the Administration being able to put their hands on extraordinary resources which we estimate to be at more than US\$ 25.0 billion, the Special Law for Yearly Borrowing for the 2010 Fiscal Year will probably focus on the last two items and lower the borrowing peak from US\$ 25.61 billion to US\$ 13.91 billion. This can be achieved. Article 15 states that contracting and payments can be reprogrammed with approval from the MEF and the Ministry of Planning and Development. One hopes



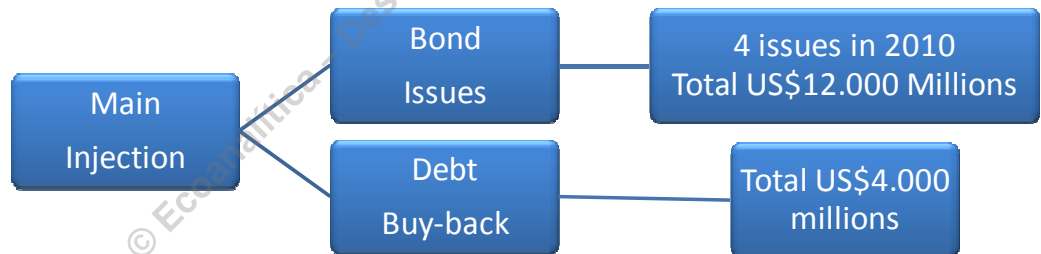
that this Article won't be used to increase the borrowing levels by using the previous reform of the Organic Law for the Financial Administration of the Public Sector.

Who else will issue?

Other than the Government, at **Ecoanalítica** we estimate that PDVSA will be quite active with regard to borrowing next year. There is also information that points to CANTV maybe making an issuance. This year, PDVSA has issued US\$ 6.26 billion so far, and next week, it is expected to announce another issue which could be for around US\$ 3.0 billion. So, PDVSA long term debt could be at US\$ 19,85 billion by the close of 2010.

PDVSA could be issuing around US\$ 6.0 billion in US-dollar indexed papers next year, while the Republic may issue a similar amount (US\$ 6.0 billion) in sovereign bonds or something similar. There is also talk (unofficial) that CANTV make an issuance for between US\$ 1.50 billion and US\$ 2.0 billion. We continue to believe that the Administration has reconsidered and won't be letting entities such as CVG and CORPOELEC issue debt indexed in US-dollars.

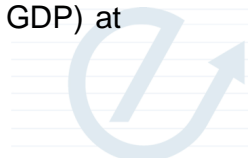
Merentes role



The Administration is looking to inject a supply of US-dollars into the swap-market with these issuances; and now, with the Central Bank of Venezuela (BCV) playing a more active role, with the new BCV Law reform having been approved.

How big is the debt?

At the close of 2009, the Restricted Public Sector debt was at US\$ 96 billion, which represents 29.8% of GDP, up by 48.4% compared to the close of 2008. Next year, debt will reach 44.3 points of GDP. These figures are quite different from the official figures estimated by the MEF, like we said in our Report last week, the GDP calculated at the official exchange rate, generates important distortions in the indicators. According to the official figures released by the MEF, Venezuelan debt (in terms of GDP) at the close of 2009 will be at 24.3%.





US\$ million	2006	2007	2008	2009	2010
Adjusted* GDP	165,060	168,852	237,332	322,247	266,603
GDP MEF	184,251	227,753	313,361	394,993	315,635
External Debt (including PDVSA and others)	30,400	42,300	50,500	70,000	82,000
Internal Debt	16,847	16,740	14,193	25,999	35,999
Total Public Debt	47,247	59,040	64,693	95,999	117,999
Debt/adjusted GDP ratio	28.6%	35.0%	27.3%	29.8%	44.3%
Debt/GDP	25.6%	25.9%	20.6%	24.3%	37.4%

Sources: BCV, MEF and Ecoanalítica

GDP Debt

Though the debt is still at manageable levels, the Administration should be cutting back on borrowing and designing more responsible fiscal policies with regard to public spending and the use of extraordinary funds. It should also be redesigning the exchange control so that the stabilization of the swap-market doesn't solely depend on the issuances of debt indexed in US-dollars into the primary market.

There are other issues which should be addressed, such as the ones mentioned by D.F. Maza Zavala in his article last Sunday in the newspaper *Últimas Noticias*: the need to centralize and coordinate public loan operations, because being spread out in different organisms generates more financial costs for the Republic; and the other problem is just how much debt can the public sector absorb as a whole. This is an indicator that has to be quantified and classified.





Economic Tips

Central Bank (BCV) reform approved but with exceptions. Last week, the National Assembly approved the partial reform of the Central Bank Law. It should be noted that omitted in the reform was that FONDEN should not transfer funds to the BCV when the reserves fall below the optimal level; also that the estimate of optimal reserves by the BCV shall be calculated on a semester basis "if the circumstances so warrant." Curiously, the reform eliminated the proposal that the BCV and MEF have a say in fixing the financial terms of PDVSA bonds.

However, Merentes assures that autonomy will not be lost. BCV president Nelson, Merentes stated that the partial reform of the Central Bank Law was enacted with the idea that the BCV act in coordination with the Executive and the financial system, and for that reason the development of productive sectors such as manufacturing and construction was included. He also noted that the transfer of international reserves to FONDEN does not imply that public spending is to be financed with those resources, only that an investment is being made. Merentes also stated that the possibility that the BCV would buy bonds in order to intervene in the primary as well as the secondary markets was being evaluated.

Foreign currency budget will be 40% less. The Executive projects that the 2010 foreign currency budget will be 40% less than authorized in 2009. In this regard, national tax superintendent José David Cabello said that imports for 2009 are estimated at US\$40.0 billion. For his part, Finance Minister Alí Rodríguez stated that imports should be justified in terms of driving industrial development.

Number of employers continues to drop. According to figures from the INE, from September 2008 to September 2009 the number of private sector employers dropped from 477,054 to 418,478, which means that the number of patrons fell 12.2% in the last 12 months, or 58,576 fewer employers than the year previous.

State workforce grows. According to INE statistics, the State payroll increased 12.7% in the last year, as between September 2008 and the same month this year a total of 259,781 workers were added to the public sector. The nationalizations that took place in the last 12 months mean that the State now employs 19.2% of the country's working population as opposed to a year ago when it employed 17.1% of the workforce. For its part, private sector employment decreased 2.3% in the last 12 months; that is, from September 2008 to the same month this year, there are 226,140 fewer private sector workers.



Food basket rises 2% in October. According to information from the Venezuelan Teachers Federation Documentation and Social Analysis Center, the family food basket in October was Bs.F.1,890.8, or 2% higher than in September. Compared to October 2008, the cost of the food basket rose 24.8%.

Interest Rates. The lending interest rate in the fourth week of October was 19.5%, an increase of 56 basis points as compared to the third week of the same month. Time deposit rates and savings rate were 15.0% and 12.6%, respectively, which signifies a decrease of 13 basis points for time deposits, while the savings rate remained the same.

Internationals Reserves. The international reserves increase in a 0.5%, getting from US\$33.2 billion at the fourth week of October, to US\$33.4 millions at the first week of November. If we compare it to the results from the same period in 2008 the reserves have decrease 17.4%.

Monetary Liquidity. Monetary liquidity at the end of the fourth week of October increased 1.6% as compared with the third week of October, when it was at Bs.F.224.62 billion. So far this year, monetary liquidity has increased 15.6%, and 29.6% with respect to the same period in 2008.

Oil Tips

PDVSA: Still in debt. In spite of PDVSA'S bond issuances, it seems as if their resources are still insufficient. According to their executive director of finance, they still have due payments (since May) due to the fact that *"audits and appraisals are not over yet."* But the president of the BCV, Nelson Merentes, said during a press conference about those measures that *"PDVSA already has a payment schedule prepared from now to December to minimize the debts."*

Will the Abreu e Lima Refinery agreement be signed? PDVSA and PETROBRAS estimate they will be signing this week the contracts that will seal the bi-national agreement to build the oil refinery announced 3 years ago, Abreu e Lima, with a projected processing capacity of 230,000 b/d. PETROBRAS began construction on the refinery alone due to failures to reach an agreement with PDVSA. Construction costs have tripled to US\$12.0 billion and the refinery is supposed to be operational in 2011.



What's happening with China and India? According to Reuters, these strategic partners are inexperienced and lack of sufficient funds to invest. Should there be a local need for capital, these partners would prioritize those disbursements and slow down the Orinoco Oil belt's development. China's lack of experience in heavy raw oil could be a delicate issue.

PDVSA says. In an attempt to loosen the contracts' terms, PDVSA has now proposed (besides a reduction in royalties and a deadline extension to finish the development's first stage) that companies that are interested in bidding on the Carabobo oil block to begin production in 2012, in order to make the offer *"more appealing."*

PDVSA is legally in the Dominican Republic. Venezuela and the Dominican Republic closed the sale contract of 49% of Refinería Dominicana de Petróleo's shares (REFIDOMOSA) to PDVSA last Friday, with a current refinement capacity of 34,000 b/d, for a sum of US\$131.5 million. Some aspects of the transaction are still pending, such as the form of payment, and including the Caribbean country's oil bill as a form of payment was not discarded.

PDVSA acquires Soltuca tubes. PDVSA Industrial took over Soldaduras y Tuberias de Oriente C.A., manufacturer of steel spiral-tubes for oil-related activities. This acquisition represents an increase in the State-owned Company's payroll by 460 workers, and PDVSA guaranteed continued operations and stability for all employees and stated that this acquisition would save them money in the purchase of large-diameter tubes destined to transport oil, natural gas and oil by-products.

PDVSA'S problems and the collective worker's agreement. The new collective workers' agreement will cost PDVSA US\$10 billion, mainly due to a 100% increase in the payroll from 45,000 to 90,000 employees, according to the information released by Jose Suarez N. in the national newspaper *Tal Cual*. The previous workers' agreement (2007) contemplated a minimum wage of VEF 1,322 per month (US\$615) in the oil industry. For that reason, by the end of 2008, the Oil-workers' Union proposed an increase to the oil-industry's minimum wage to VEF 3,422 (US\$1591) by the early 2009, and to this date (and despite the recovery of the oil price) that contract has not been discussed, and considering PDVSA'S current "problems," a positive result is not expected. This situation is evidence of the strong negative impact of the Venezuelan currency's exchange appreciation on PDVSA'S financial statements.

What other problems affect PDVSA in negotiating the contract? PDVSA'S higher payroll employees have not received a salary increase in 3 years; retirees (25,000 former workers) have not received the timely liquidation of about US\$2 billion in savings funds, not to mention they are not being taken care of in private hospitals



because PDVSA owes them US\$2 billion, and the unpaid debt to former contractors for US\$4.5 billion.

Ramirez: Production in 2015 will be of 4.25 Mb/d. In a statement given last Tuesday at the World Heavy Oil Congress celebrated in Margarita island, the Venezuelan Minister of Energy and Oil, Rafael Ramirez, said that “*through an investment plan,*” Venezuela should achieve a production capacity of 4.25 Mbd by 2015. He also said that the production capacity should increase to 6.86 Mbd by 2021.

Certified natural gas reserves increased. With the incorporation of 2.51 billion cubic feet of natural gas, the National gas reserves reached 176.4 billion normal cubic feet (NCF). The Ministry of Energy and Oil (MENPET) established in the *Official Gazette* that these total certified gaseous-hydrocarbon reserves will be the foundation to formulate and implement hydrocarbon-sector policies, especially those related to the development, preservation, use, regulation and control of said resources; as well as to guarantee the supply of natural gas for vehicles, the city-gasification project, petrochemical development and the thermoelectric project.

International baskets. The WTI ended on Thursday, the 4th of October in US\$80.4/bl increasing 0.6% with regard to the US\$79.9/bl registered at the closing of last Thursday. For its part, the Brent also rose, but in a slightly major proportion, increasing 1.0% to place in US\$78.8/bl, in relation to the US\$78.0/bl of Thursday, the 29th of October.

Local oil basket price. The Venezuelan oil basket price went down by US\$0.7 last week, to close on Friday, October 30 at US\$72.8/bl, compared to US\$73.5/bl the previous week. Meanwhile, the oil basket’s annual average reached US\$54.1/bl, 35.4% over the budgeted value. By the end of this year, the Administration could receive an additional income of about US\$6 billion, due to the price differential.

Business Sector Tips

CEMEX opens up space. The world’s third cement producing company, the Mexican Cemex, is open to negotiating an exit to the expropriation of its plants by the Venezuelan Government, outside of the legal process already started in international courts. Cemex, Venezuela’s biggest cement company is demanding a payment of US\$1.3 billion in compensation for the assets nationalized by the government last year, which also affected two other foreign companies.



Colombia filed a complaint at the WTO. Colombia filed a complaint at the World Trade Organization (WTO) recently, in response to measures implemented by Venezuela to impede the import of Colombian products. Colombia said the sanitary and phytosanitary measures that impact the import of meat, eggs, poultry, coffee, livestock, fruit and vegetables were not timely notified using the official communication channels, nor were they notified to the WTO. Based on the WTO, Colombia requested Venezuela to immediately lift the measures that limit the export of agricultural products from Colombia, and to issue phytosanitary and zoosanitary certificates for Colombian products.

CADIVI has authorized US\$426 million for family-aid consignments. Manuel Barroso, president of the Foreign Currency Administration Commission, said CADIVI has authorized US\$426 million for family-aid consignments so far this year, and stated the monthly allocation limit will remain at US\$900 next year, distributable in up to US\$300 for each of all three possible recipient family members. Compared to 2008, family-aid consignments have decreased by 33.8%.

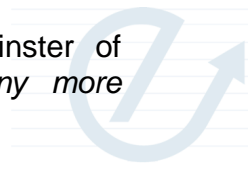
CADIVI will have to be notified before users travel abroad. Starting November 9, people will have to notify CADIVI about their travel destination, date of departure and return, in order to activate their credit card to use the foreign currency allocation during December, 2009 and the first days of January, 2010, and the amount spent will be deducted from their 2010 currency allocation. CADIVI also said the online process should not take more than three to four minutes. CADIVI will be implementing a new currency allocation system in which the designated amount will be determined by the travel destination and duration.

Banorte to buy Banco Federal for VEF 1.5 billion. Nelson Mezerhane negotiated the sale of 100% of Banco Federal's shares for VEF 1.5 billion with Jose Zambrano, Banorte's main shareholder, who was negotiating to buy Banco Confederado a few weeks ago, but didn't close the deal.

SUDEBAN approved cards with chips. Starting the second semester of 2010, financial institutions will begin to incorporate a security chip on their credit and debit cards, and the respective chip reader in ATMs and POS, to avoid banking fraud.

Chrysler optimistic. Although national vehicle production dropped by 17.7% in 2009, according to CAVENEZ, Chrysler is optimistic about 2010, and their goal is to produce 10% more than this year, estimating a production of 14,500 to 15,000 units.

The Government is against hydroelectric plants. Ali Rodriguez, Minister of Economy and Finance, said *"there is no space in Venezuela for any more*





hydroelectric plants,” indicating that due to ecologic reasons, the Administration is against the construction of new hydroelectric projects once the Tocoma and La Vueltoosa complexes, both delayed, are completed. La Vueltoosa, with a capacity of 720Mw was estimated to begin operations in 2003 when the project started, then its completion was postponed for 2006 and then for 2011; the Tocoma project, with a capacity of 2,300Mw, should have opened this year, but is barely advanced by 25%, and is estimated to be operative by 2014. According to experts such as David Paravicini, former president of the Senate’s Energy and Mine Commission, the Venezuelan electric problem is not the production capacity, but the electric-power transmission capacity.

Inflation has reached Mercal. The prices of first-need-foods offered by Mercal, financed by the State, have been progressively adjusted since May 2009, being the most significant changes those in the price of chicken (164.7%), pasta (78.2%), precooked flour (39.3%), prime-cut meat (61.7%) and powdered milk (67.9%). However, after these increases, Mercal prices are still 40% below the regulations established to these items.

Electronic tax statements are now mandatory. The Official Gazette of October 30, 2009 says all legal entities and organizations shall complete their Income Tax statements (ISLR) through the Seniat website for the financial year that started on January 1, 2009. Also, natural persons who, due to their annual income, are not required to pay taxes, shall also submit their statements online, while those who are required to pay will be allowed to submit their statements the traditional way or electronically. Once the statement has been processed, users will be able to pay online or print the form and take it the submission offices.

Also for the VAT statement. Since the period starting on October 31, 2009, value added tax (VAT) statements shall be submitted online via the Seniat website, just like the ISLR.

The number of internet users keeps growing. In spite of the recession, connections to fixed broadband services grew by 12.4% during the first quarter of 2009, compared to the same period of 2008, according to a study carried out by Cisco, for a total 1,127,953 connections. Mobile broadband services grew by 30% during the same period, reaching 481,100 subscriptions.

Anti-monopoly law is coming. Eduardo Saman, Ministry of the People’s Power for Commerce said the creation of an anti-monopoly law will be requested, in order to forbid companies’ stock capital accumulation, considering it a measure of “bourgeois capitalism” in way to imperialism, which goes against the Administration’s socialist



ideals. This law would be complemented with a reform to the PRO-COMPETITION law, which must be adapted to the Venezuelan socialist reality and to fight the country's existing monopolies and oligopolies.

World Crisis Tips

Latin America recovers. According to the International Monetary Fund, Latin America is recovering from the world crisis. Representatives of the IMF say Latin America had a much better performance than expected compared to previous crises, but they should not take their fiscal policies for granted, in order to ensure a full recovery of the economies, expecting a regional 2.9% GIP growth by 2010. Latin America will depend on the growth of Asian countries' demand for commodities, especially China's.

Investors are uncertain. Signs of a recovering economy are starting to show, letting us think the crisis is over, but since last week, investors do not seem so confident about a full recovery. Wall Street, which has been dropping progressively since last Thursday, is a proof of that, eliciting concerns about whether the monetary policy stimuli were pulled off too early. Also, the failure of CIT Group, although expected, increases investment pessimism.

The recession in the manufacturing sector seems to be over. According to the National Association of Purchasing Management, the American manufacturing sector's crisis seems to be over, since October's ISM composite index reached 55.7 points (each point over 50 indicates growth) and this level had not been achieved since April, 2006. It also indicates that factory payrolls have increased for the first time since 2008 and orders have been growing as well. The index's growing behavior suggests the recovery is confirmed, compared to other crises.

Homes' demand increases fast. Homes demand is increasing faster than expected. The National Association of Realtors reported that pending home sales grew by 6.1% in September, similar to August and much higher than July (3.2%). This growth was boosted by the US\$8000 first-time home buyer's tax credit, which the Congress is now thinking about extending until next April.

Home prices increase. For the first time since 2006, home prices in United States are increasing, although there is a known excess supply. This first sign of price recovery, still 10.1% below the same month in 2008, and down 28.1% since 2006, is observed in the Loan Performance House Price Index, which monitors house sale price increases



and decreases for the same houses through time. Home prices also increased by 1.2% in England, with a growth in the demand for the fourth consecutive month.

British manufacturing sector expands. The British manufacturing sector expanded last month at the fastest rate in the last two years, due to the fact that a weak Pound Sterling makes exports more competitive and imports more expensive, so new orders have been piling up and production has been increasing after the drop in inventories, showing the first signs that England is recovering from the recession. Economists also expect the Bank of England to increase the money offer as a relief plan. Besides Great Britain, the European manufacturing sector showed signs of recovery for the first time in 17 months, reported an index that evaluates each Union country separately, showing that five out of nine countries are recovering.

Living expenditure survey in Japan. The latest living expenditure survey in Japan has decreased to 95 points (base 2005=100), when in July it was at 97 points. However, due to the strong deflation suffered by the Japanese economy, a quarter to quarter comparison with 2008 shows a real increase of 0.4%.

Chinese exports face a long and tortuous road to recovery. There are important uncertainties regarding the performance of China's exports surplus, after the record US\$295.5 billion in 2008. The surplus is expected to be between US\$180 and US\$190 billion, since during the first nine months, the accumulated surplus rises to US\$136.4 billion and the economy's recovery relies on the governmental expense to boost domestic demand. Imports have had a higher growth than exports, which dropped by 15.2% in September compared to the same month of 2008, breaking the expectations of a 21% fall.

Industrial production in Chile keeps falling. Chile's industrial production reported a 6.4% y/y fall, the smallest drop since October, 2008. However, according to the Manufacture Foment Association, Chile accumulates an 11.1% retraction so far this year.

Peru might be envied in 2010. Nicolas Eyzaguirre, director of the International Monetary Fund's West Hemisphere Department, said Peru will grow by about 6% next year, while this year's growth will be between 1% and 2%, so it will be one of Latin America's leaders in recovering from the crisis. Nicolas is based on Peru's mid-term growth strategy, by which they pay debts and maintain a sufficient contingency capacity to face the crisis.





Political Tips

Federal development regions to be defined. The National Assembly discussed the Federal Council Law Draft proposed by the Chavez Administration last Tuesday, November 3. The draft says *“the federal government council shall exercise its faculties to satisfy the needs of federal development regions, of which denomination, organization, function and formal structure shall be established by the President of the Republic in a Council of Ministers.”* The draft establishes that the Vice-President of the republic will be in charge of the Federal Council.

The allocation has been set. The National Assembly’s Finance Commission approved a constitutional allocation of VEF 1.3 billion for State governments and Mayors’ offices, including the Capital District.

IACHR began its public sessions’ period on Monday, November 2. From October 2 until October 6, the Inter-American Commission on Human Rights will be reviewing the cases presented in private hearings celebrated this year with Venezuelans who reported violations to the right of freedom of speech criminalization of the right to protest. However, German Saltron, Venezuela’s representative in this organization says the reports are biased and are looking to discredit both the Government and the Country. The Coordinator of Provea, Marino Alvarado, said the Venezuelan State admitted before the IACHR that judicial processes were initiated on 2,240 people for publicly protesting for their rights.

Colombia-Venezuela Border Bridge closed. Access through the Simon Bolivar y Francisco de Paula Santander Border Bridge has remained closed since last Monday. The area is completely surrounded by National Guard and Venezuelan Army officers. At least 85% of the bi-national trade activities are shut down.

Brazil: Important step for Venezuela in the Mercosur. After the Metropolitan Mayor, Antonio Ledezma, held a meeting with the Brazilian Senate’s Foreign Affairs’ Commission asking to include Venezuela in the Mercosur, since he considered it to be favorable to guarantee democratic liberties, the commission approved Venezuela’s inclusion. However, a senate plenary voting is still pending, and was scheduled for Wednesday, November 4. The approval can not be brought ahead because there are critics to President Chavez in the Brazilian Congress, such as Jose Sarney.

Paraguay: Venezuela’s inclusion to the Mercosur put on hold. Paraguayan congressmen consider the political conditions for this subject to be a priority in the



Congress' agenda are not given, so the discussion is not expected to be resumed before the end of this year. The Paraguayan congress will be adjourned from December 20 until March of 2010.

Proof that Colombians killed were paramilitary. The Vice-president of Venezuela, Ramon Carrizales assured today on the TV show *Jose Vicente Hoy* that the Colombians killed on Venezuelan soil were paramilitary and were part of a Colombian-American plan to infiltrate Venezuela.

Coordinator of "Safe Caracas Plan" murdered. National Guard Major and Coordinator of the "Safe Caracas Plan," Delio Amado Hernandez Da Costa, was murdered on Saturday, October 31 in La Pastora, Caracas. Victor Hugo Barreto, chief of the Scientific, Penal and Criminal Investigations Corps (CICPC) is leading the investigations.

Primary elections as a legitimizing and renewing system. Former Chacao Mayor, Leopoldo Lopez, said the opposition can not propose a restoring project and is suggesting the primary election mechanism as a method to legitimize and renew the leadership of municipality and electoral-circuit political leaders, creating an organized strength driven by a hope for transformation.

Not doing so well. Venezuela's opposition parties still have low acceptance percentages, according to a survey carried out in the Aragua State by Felix Seijas' Venezuelan Data Analysis Institute (IVAD) from September 29 to October 6 of 2009, said Jose Vicente Rangel in his Sunday TV-show. Rangel said the survey about constituency and party sympathy shows that Partido Socialista Unido de Venezuela has 39.3% of acceptance, followed by Primero Justicia, with 5.3%. He also mentioned Accion Democratica (AD) had 3.6% of support, Podemos 3.3%, Proyecto Venezuela 2.3%, Patria Para Todos (PPT) 1.9%, Un Nuevo Tiempo 1.3%, others 2.7% and independents 38.6%.

Evidence of DAS presence in Venezuela. The Venezuelan Government has evidence that Colombia's Safety Administration Department (DAS) has been carrying out espionage activities in Venezuela, such as the arrest of Julio Enrique Parra, an alleged Colombian secret agent, in the Zulia State for providing a fake ID. The National Assembly Representative Mario Isea says the DAS is representing the CIA, directed by the Colombian President, Alvaro Uribe.

The CNP escalated its complaint to Washington. The National Journalists' Association (CNP) filed a complaint at the Inter-American Commission on Human Rights (IACHR) regarding the assault by President Chavez's supporters to 12 journalists of Cadena Capriles over two months ago.



Students in Washington. A commission of 14 students, representing the young people who went on a hunger strike at the OAS headquarters in Venezuela, traveled to Washington led by Julio Rivas to hold a meeting with Santiago Canton, Executive Secretary of the IACHR, and Jose Miguel Insulza, Secretary General of the OAS. In said meetings they accused the Venezuelan Government of violating human rights.

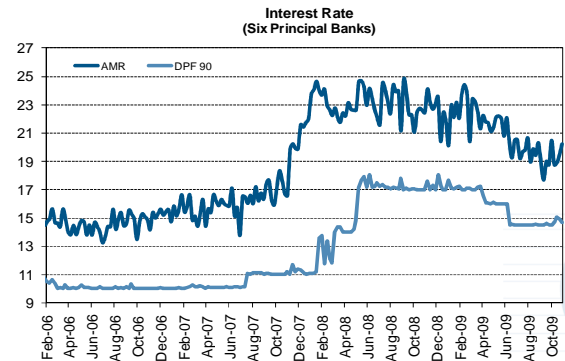
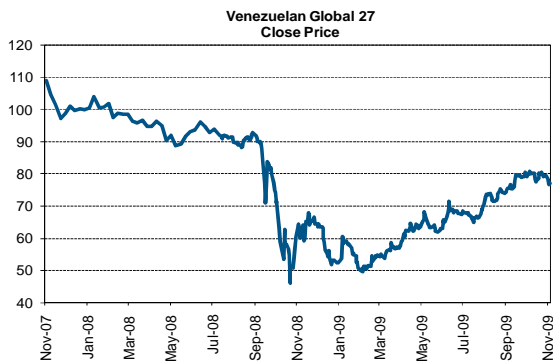
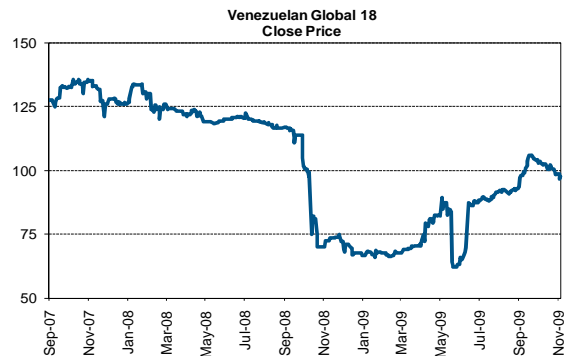
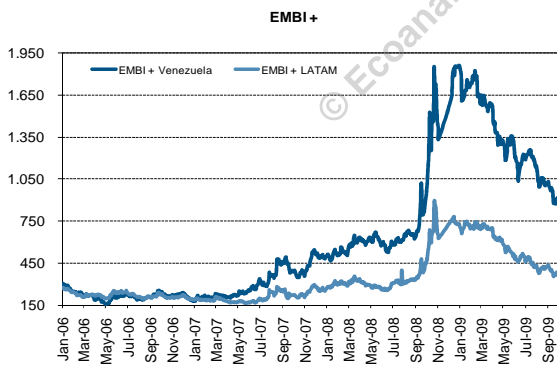
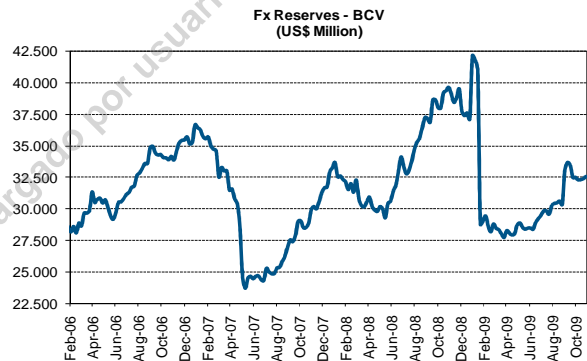
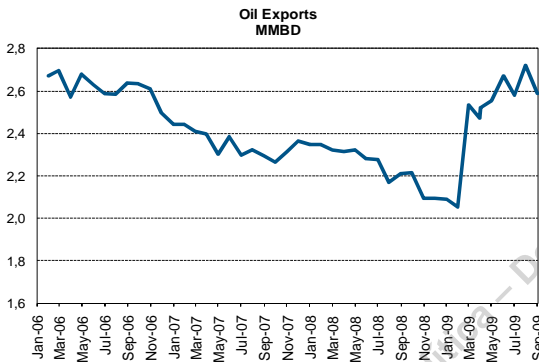
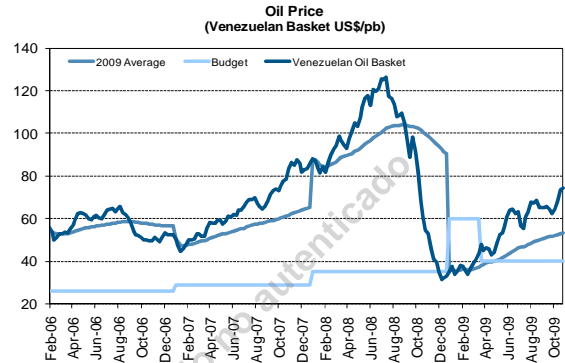
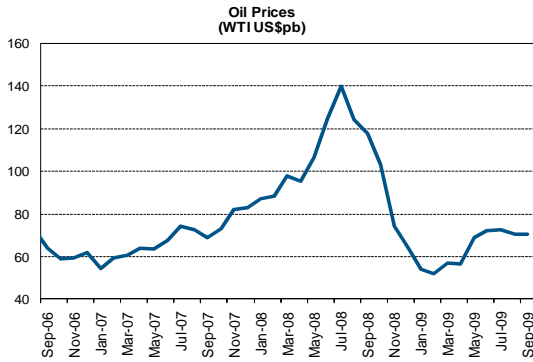
Nixon Moreno obtains refugee condition. The Peruvian Government granted the condition of political asylum to Nixon Moreno, making him the 12th Venezuelan-Government-fugitive with that status in a foreign country. Students of different universities nationwide, such as the UCV group 100% Unidos, celebrated the decision and expressed their support to the former Andean student leader.

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