



Weekly Report

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***Gasoline Subsidy:
A policy that doesn't follow suit
with 21st Century Socialism***

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The issue of gasoline in Venezuela continues to be one of the many headaches facing the country's economy. And, by the recent statement made by the president of Petróleos de Venezuela (PDVSA) before the National Assembly, it seems that there is no plan being developed to solve this problem in the near future. Among other things, the president of PDVSA assured that the Administration was not considering rationing gasoline nor was there any talk of raising the price of gasoline; not even to finance much need investments that the oil company needs to make, because the gasoline subsidy was aimed at helping those people in the lower economic strata (least amount of income) and stopping inflation becoming worse.

But the gasoline issue is becoming more and more critical as the cost to adjust for the gasoline subsidy becomes higher and higher. It's been more than 13 years since there has been an increase in gasoline prices. And now, more than ever, PDVSA is in a situation where it needs to take advantage of every possible source of financing it has in order to make much needed investments and to be able to continue to foot the bill for



President Chávez' social economic system. PDVSA's current situation is even more critical given the drop in oil production that it has been suffering for some time now. In this Report, we will take a closer look at just how important the gasoline subsidy is for the Venezuelan economy.

The calculation of the subsidy

As we have explained in previous Reports, in order to calculate the amount of the gasoline subsidy one has to compare the price at which gasoline is being sold domestically with the price one could have sold the gasoline at if it were put on the international market and exported. The subsidy would equal the difference between the amount PDVSA received from the sale of gasoline domestically and the amount it would have received if it had sold the gasoline on the international market.

The cost is become too much to bear

The following table shows just how much the gasoline subsidy costs the government and how oil production has been dropping. This is very worrying considering how important the oil industry is to the overall performance of the Venezuelan economy.

	GASOLINE SUBSIDY								
	2003	2004	2005	2006	2007	2008	2009	2010E	2011*
Export price (US\$/b)	26,5	37,9	50,2	64,0	74,7	91,9	57,0	72,7	85,0
Each barrel capacity (159 Litros)									
Average exchange rate (VEF/US\$)	1,61	1,88	2,11	2,15	2,15	2,15	2,15	3,26	4,30
Export price (VEF/Lt)	0,27	0,45	0,67	0,87	1,01	1,24	0,77	1,49	2,30
Gasoline export (MMM de Litros)	6,27	5,99	5,06	5,51	4,64	4,00	2,79	2,67	2,50
Domestic gasoline consumption (MMM de litros)	12,16	13,46	14,07	14,91	15,90	16,42	16,83	17,02	17,15
Domestic sale price (Average price VEF)	0,08	0,08	0,08	0,08	0,09	0,09	0,09	0,10	0,10
Subsidy amount per liter (VEF)	0,19	0,37	0,59	0,78	0,92	1,16	0,68	1,39	2,20
Total subsidy (MM VEF)	2.278	4.944	8.272	11.647	14.681	18.972	11.478	23.739	37.760
Total subsidy (MM US\$)	1.414	2.626	3.915	5.417	6.828	8.824	5.339	7.275	8.781
GDP	83.400	110.000	132.900	184.251	227.753	313.361	325.678	233.218	214.392
Total subsidy (%GDP)	1,7%	2,4%	2,9%	2,9%	3,0%	2,8%	1,6%	3,1%	4,1%

Sources: BCV, PDVSA, MENPET and Ecoanalítica

*Projection

If we look at the table we can see that the amount of subsidy per liter of gasoline dropped significantly since 2009 if compared to 2008, but this is due to the drop in international oil prices caused by the worldwide financial crisis. One can see that as prices have recovered the amount being subsidies also begins to increase, and taking into account 2011 international gasoline price estimates, the amount of subsidy per liter expected for this year is at VEB 2.2.

The reasons

The increase is so significant because of three important reasons. First, for the last two years the Administration has decided to begin each year with a



devaluation of the currency, a decision that we don't criticize. Second, domestic consumption of gasoline has continued to increase during the last few years, albeit at a slower rate. And third, international oil prices have begun to increase in a sustained manner.

Increasing international oil prices is the only reason why the Administration can get away with not adjusting domestic gasoline prices. But, in order to get a better idea of just how much the amount being used to subsidize gasoline, compare the increase in oil prices between 2003 and 2011; the increase was of 220.8% per barrel. The amount being used to subsidize gasoline is 10 times greater.

The Administration doesn't see it that way

The problem is that the Administration doesn't calculate the subsidy this way. According to the president of PDVSA, Rafael Ramírez, the subsidy should be calculated based on the production cost of a barrel of oil, which is around US\$7.0/bl, and the price that the company could earn by selling gasoline on the open market should not be taken into consideration. The production cost of a barrel of oil hasn't changed significantly in over a decade.

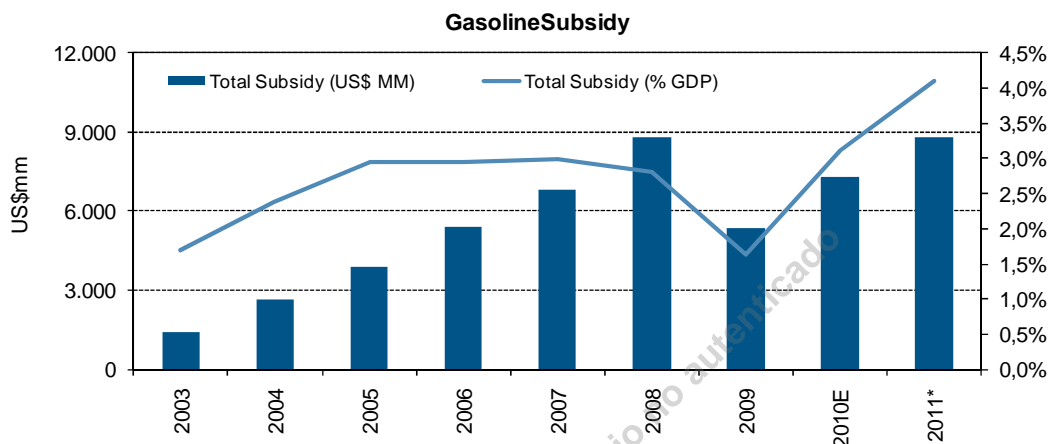
Don't think that domestic gasoline consumption isn't a key factor

If our estimates for 2011 domestic gasoline consumption are correct and international oil prices continue their current trend as is expected, then the gasoline subsidy for 2011 would be at US\$8.78 billion, up by 20.7% compared to the estimate made for 2010. This year's subsidy would almost top the US\$8.82 billion in gasoline subsidy registered in 2008, when oil prices were 7.5% higher, which shows just how important the increase in domestic consumption of gasoline is. The amount of money that PDVSA would collect if the subsidy were to be eliminated could significantly improve the company's current situation, especially with oil production dropping.

No more excuses

Assuming our estimates and predictions regarding this year's gasoline subsidy come to pass, and our estimates are by no means aggressive but rather on the conservative side, then this year's gasoline subsidy would equal 4.1% of GDP. This is a figure which the Administration can't continue to ignore, and it has to recognize that this is another policy that has been mismanaged.





Sources BCV, PDVSA, MENPET and Ecoanalítica.

In past Reports we have pointed out how important the appreciation of the currency is for this indicator. In our 10th Weekly Report in 2009 we stated: *“and if we measure the subsidy in terms of the size of the economy, it went from representing 1.7 points of GDP in 2003 to representing 2.8 points of GDP in 2008. It’s important to point out that this figure, with respect to the size of the economy, is not larger due to the significant real appreciation of our local currency, which “inflates” the medium value of our GDP in US-dollars.”* This means that each time the Administration is in need and orders PDVSA to sell foreign currency at a higher exchange rate or it decides to devalue the currency, without making a price adjustment, the cost for the economy and for PDVSA will be greater each time.

One of the current hot topics is housing, or more precisely, the lack of housing. If we look at how much the Administration has allocated out of the 2011 National Budget for building houses, we’ll find that the amount is US\$402.30 million. Quite a big difference compared to the US\$8.38 billion the Administration pays for the gasoline subsidy, just 22 times more than for housing. If we compare the amount spent on the gasoline subsidy to the amount budgeted for Security and Defense, the difference is not quite so dramatic, the subsidy is only 2.4 times more than what the country spends on this sector. And for Health and Education, two important pillars of 21st Century Socialism, the Administration spends 2.1 times more and 1.3 times more respectively on the subsidy than on these sectors. All in all, what the Administration spends on the gasoline subsidy equals 18.5% of the total amount to be used on the National Budget. In 2009, the gasoline subsidy represented 11.4% of the National Budget.



And we'll say it again; the gasoline subsidy is Not for the poor

Once again, referring to the statements made by the Minister of Energy and Petroleum, and president of Petróleos de Venezuela (PDVSA), Rafael Ramírez, before the National Assembly saying that the gasoline subsidy is for the poor and not the rich; and considering how these indicators show us just how much the subsidy is costing, we would like to believe the Minister and give him the benefit of the doubt. However, when we begin to look into domestic gasoline consumption patterns, focusing on social strata, and using the figures coming from a survey carried out by the National Statistics Institute and the Central Bank of Venezuela for the Caracas Metropolitan area, our findings contradict what Minister Ramírez said in his statement.

Social Strata	Subsidy per inhabitant (VEF thousands)	Subsidy per family (VEF thousands)	Total Subsidy (MM VEF)
I	0,30	1,77	2.697
II	0,84	4,21	6.126
III	1,53	6,12	10.249
IV	2,76	11,05	18.687
Total 2011	1,36	5,79	37.760

Sources: BCV, PDVSA, MENPET and Ecoanalítica

As the table shows, as the strata level increases, keeping in mind that level I represents those people with the least amount of income and level IV those that have the most income, and that each level represents the same number of people, we find that those in level IV consume 9.4 times more gasoline than those in level I. And if we calculate the subsidy by family, the State is giving families with the most income VEB 11,050 in gasoline subsidy per year while those in level I with the least amount of income only receive VEB1.773 per year in gasoline subsidy. This definitely doesn't follow suit with what 21st Century Socialism is preaching.

Keeping these figures in mind we'd like to repeat something that we have mentioned before and that is that *"there is no doubt that every society has the right to decide how it wants to use its resources. At **Ecoanalítica**, we made these calculations in order to help people comprehend the magnitude of what is being spent on gasoline subsidies so that they could better reflect over the issue and be aware of the sectors it is benefiting the most."* Furthermore, we should ask ourselves what the true nature of this gasoline subsidy policy is all about, given PDVSA's current situation with dropping oil



production levels and desperately in need of increasing export levels in order to increase incoming revenue so that it may make investments that are long overdue.

It would be expensive, too expensive...

We would like to conclude by saying that there is no doubt that the gasoline subsidy issue is a key issue which must be resolved. The policy must be adjusted after thirteen years without adjusting the price, especially when you take into consideration that it is not even benefitting those that need it the most as much as it is supposed to be benefitting them. But, it is also true that when the time finally comes to begin to eliminate the gasoline subsidy it must be done gradually and in stages. There is no doubt the gasoline price adjustment will have a significant impact on the economy given the imbalance that exists between current subsidized prices and where they should be at. If the Administration were to eliminate the gasoline subsidy all at once, it would have to increase the price of gasoline by 2,380%, which is why any plan to adjust gasoline prices must be designed to take place over a period of at least five years.

Plus, as the gasoline prices are being adjusted over a period of time, the Administration must be ready with mechanisms designed to compensate the sectors that will be most affected by the price adjustment helping them absorb the inflationary effects that will most certainly exist. Plus, at the same time the Administration is carrying out the price adjustment it must also be informing the people, educating them as to how valuable gasoline is for the Venezuelan economy, creating awareness, so the people understand why prices are being adjusted.



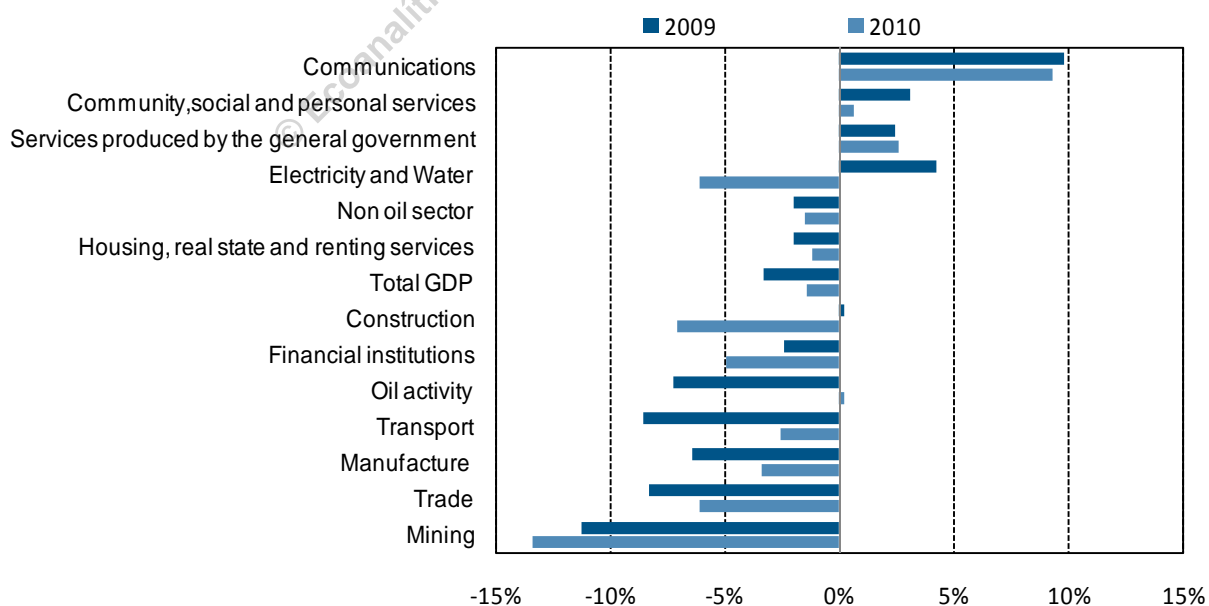


Economic Tips

GDP shrank by 1.4% in 2010. According to the preliminary figures released by the Central Bank of Venezuela (BCV), the Venezuelan economy stopped being in a recession in the fourth quarter 2010 after growing 0.6% compared to the same period in 2009. This growth, added to the 2.1% drop in growth that the economy posted during the previous nine months leads to a drop of 1.4% in economic growth for the year. Oil activity grew by 1.8%, while non-oil activity grew by 0.2%.

GDP for non-oil sectors. The sectors that grew the most were: communication, up 12.3%; public sector services, up 3.7%; financial and insurance institutions, up 3.3%; and transportation and storage services, up 2.6%. Meanwhile, during the same period, the following sectors shrank: manufacturing, down 0.4%; commerce, down 2.9%; electric power and water, down 5.2%; construction, down 8.6%; and mining, down 17.5%.

Growth by economic activity



Sources: BCV and Ecoanalítica



Balance of Payments for the fourth quarter 2010. According to the preliminary figures released by the Central Bank of Venezuela (BCV) for the fourth quarter 2010, the Balance of Payments reflected a US\$712 million deficit; with the Current Account posting a positive balance of US\$3.55 billion, the Capital and Financing Account posting a deficit of US\$3.59 billion, as did the Errors and Omissions Account posting a deficit of US\$675 million.

10 funds structure parallel spending. When the oil boom began in 2004 and extraordinary revenue began to flow into the country, the Administration created a series of special funds to manage parallel spending (out-of-budget). In six years, the Administration has created a structure made up of 10 mechanisms in charge of financing projects and to cover any case of insufficient resources which may occur between offices. Of these mechanisms, the most important ones (manage most resources) are FONDEN and the China Fund.

In two months the BCV has transferred US\$2.0 billion to FONDEN. The Central Bank of Venezuela carried out another transfer to the National Development Fund (FONDEN) last Friday for US\$1.0 billion. Since 2005, the total amount transferred to FONDEN now reaches US\$ 40.0 billion.

The Administration has a discrete amount of resources available for social plans. With the US\$ 2.0 billion in resources recently transferred to FONDEN during the last two month of 2011, and the US\$800 million withdrawn from the Macroeconomic Stabilization Fund (FEM) and transferred to FONDEN this past February 2nd, the Administration has US\$2.80 billion available to use for development plans.

Public debt spikes. According to the figures released by the Ministry of Planning and Finance, at the close of the third quarter 2010, public debt spiked considerably in nominal terms within the last ten years, going from VEB 7.24 billion registered in 2000 to VEB83.05 billion registered in 2010.

Basic basket (Cenda) up by 25% in a year. In January 2011, Venezuelans had to use VEB 5,051 in order to cover the costs of food, clothing and foot ware, education, housing, public services, and personal hygiene, according to the Center for Documentation and Analysis for Workers (Cenda). According to this latest report by Cenda, it takes four minimum wage salaries to cover the basic needs of an average family.

...Meanwhile the INE food basket increased by 29.2% in a year. At the close of last month the basic food basket was up by 3.9% compared to the previous month settling at VEB1,424 according to the figures released by the National Statistics Institute (INE).



Furthermore, if one excludes the impact that MERCAL has on the food basket (it sells goods at subsidized prices), the price of the food basket would then be at VEB 1,470.

January 2011 tax collection figures. According to the monthly figures released by the SENIAT, net tax collection figures for the month of January were at VEB 9,163.5, which represents 5.6% of the total estimated amount of tax to be collected for the year.

Interest rate. The lending rate for the second week in February was at 18.2%, up by 0.8 perceptual points compared to the previous week. Time deposits and savings rates were steady at 14.9% and 12.6%, respectively.

International reserves. International reserves decreased 5.3% going from US\$29.22 billion during the second week in February to US\$27.65 billion during the third week of February. Compared to the same period last year, international reserves have dropped by 11.4%.

Monetary liquidity. Monetary liquidity for the second week in February was up 0.4%, compared to the previous week settling at VEF 297.0 billion. The M2 has increased 26.3% year-on-year.

Sitme figures. To date, US\$6,10 billion have been negotiated through the Integrated System for Foreign Currency Transactions (Sitme), averaging US\$32.0 million a day, with an implicit exchange rate of VEF 5.3/US\$. Last week the traded amount reached US\$151 million, US\$20.2 million more than last week when braided US\$171.0 million.

Oil Tips

Administration forcing PDVSA to lower investments and cutback on production.

The figures released by the Minister of Energy and Petroleum and president of PDVSA, Rafael Ramírez, show that the company investments in 2009 were at US\$13.50 billion while in 2010 investments dropped to US\$11.80 billion. Meanwhile, social financing paid by PDVSA was at US\$20.0 billion and taxes paid to the government were at US\$458.90 billion.

The consequences are beginning to show. The Administration's nationalization and expropriation policy of the service sector for the oil industry has increased the legal risks the PDVSA has to face. There are three new law suits being submitted against



the oil company, introduced for international arbitration. The first case has been submitted by Simco requesting arbitration regarding PDVSA's breach of contract for water treatment and injection in offshore oil wells located on Lake Maracaibo. The company is claiming damages for US\$62.20 million.

Another source joins the chorus. According to the Organization of Petroleum Exporting Countries (OPEC) in its monthly bulletin for January 2011, it put Venezuela's oil production at 2.26 million barrels of oil daily. This figure represents a 4.5% drop compared to the same period in 2010 when production was reported at 2.36 million barrels a day. These figures almost match what Venezuela registered during the last quarter 2010 when it posted 2.25 million barrels a day and below the 2010 daily average of 2.28 million barrels a day. These figures do not include oil coming from the Orinoco Oil Belt Upgraders.

The situation doesn't improve even with higher prices. According to the figures released by the Ministry of Finance, PDVSA's tax contributions including Income Tax, royalties, tariffs, and dividends only increased by 14% in nominal terms, which equals a 13.8% drop in real terms to settle at VEB 60.80 billion in 2010.

Tax contribution will not drop. The president of PDVSA, Rafael Ramirez, in his address to the National Assembly assured that the oil company would not cut back on its tax contributions in order to be able to sustain its investment plan. Furthermore, the Minister continued to say that the oil company contributed US\$20.0 billion in 2010 to the Ribas Mission, food, Barrio Adentro I, II and III, Sucre, housing, and the energy revolution; as well as housing development projects. Total social contributions reached VEB 56.20 billion.

Other contributions. The president of PDVSA, Rafael Ramirez, also pointed out that contributions included US\$1.33 billion for FONDEN and that it participated in water distribution network projects in Delta Amacuro state, electric power projects in Apure state, further developing and making improvements on the Moron Petrochemical plant, building another bridge across the Orinoco river, the Macagua hydroelectric plant, steel rail production plant, agriculture projects, and construction projects. President Chávez has also recently ordered that the company contribute US\$3.20 billion for agriculture and housing plans.

Only 70.0% of what was expected. According to the latest management report released by PDVSA, investment resources for 2010, fixed at US\$16.40 billion, were not fully executed. Only 70.0% of what was fixed for investment was carried out, in other words, investment for the period totaled US\$11.50 billion.





International oil baskets. At the close of the New York market last Thursday, February 24, the WTI was at US\$98.13/bl, showing a 15.2% increase compared to the US\$85.20/bl of the previous Friday. The Brent increased by 11.0% to reach US\$113.8/bl, compared to US\$102.50/bl of the previous Thursday.

Local oil basket price. The Venezuelan oil basket price decreased last week, to close at US\$85.0/bl on Friday, February 18, down by 0.7% from the US\$85.6/bl registered the previous week. Meanwhile, the basket's annual average is at US\$85.7/bl.

Business Sector Tips

Commerce drops. Consecomercio reports that sales during the fourth quarter 2010 dropped by 28% compared to the same period in 2009. Fernando Morgado, president of the association, pointed out that these figures come as a result of a survey carried out during the last four months of 2010. However, it's important to note that the sector had a positive bounce of 2% during the third quarter 2010. Among the sectors which dropped in sales during the last 90 days of 2010 were: customs services, restaurants, hardware, machinery, equipment, machine shops, transportation, spare parts, automotive, paper, clothing, electrical appliances, and the list goes on.

Prices went up. With respect to prices, Morgado informed that prices went up by 12.8% during the fourth quarter 2010 compared to the previous month, and the y/y price increase between fourth quarter 2009 and 2010 was at 38%.

Venezuela up to 18 against it filed by foreign investors. The steady loss of legal guarantees and property rights in Venezuela, in the opinion of lawyer, José Muci Borjas, has led to 18 law suits being files against the Venezuela before the International Centre for Settlement of Investment Disputes (ICSID).

Electric power figures presented before the national Assembly questioned. Analysts from the electric power industry question the way the Administration is misrepresenting electric power figures, and do not agree with it blaming other Administrations for the current state of the national electric power grid. In their opinion, the current Administration has had plenty of time and resources available to have completed improvements and made investments to enhance the system and completed the necessary projects to improve the sector.



Investment environment getting worse in Venezuela. The business environment in Latin America remained stable during the last three months, according to a quarterly report released by Fundación Getulio Vargas (FGV) and the University of Munich (Germany). The business environment improved in Chile, Ecuador, Mexico, Paraguay, Peru and Uruguay, and got worse in Argentina, Bolivia, Brazil, Colombia and Venezuela.

US\$1.60 billion owed to PDVSA. PDVSA's financial statement for the third quarter 2010 shows that other state-run companies, namely Pequiven, Cadafe and Corpoelec, owe the oil company around US\$ 1.64 billion.

Administration to request financing from private banking system for AgroVenezuela Mission. President Hugo Chávez, recently announced that he would request a total of VEB 24.0 billion for financing agriculture projects from the private banking system. He also said that he would be drafting a Law-Decree via Special Power Law outlining the AgroVenezuela Mission.

EFE Ice Cream's workers and producers sign agreement. The union representative for this industry, Braulio Acosta, informed that the workers achieved their initial objective of obtaining a 45% wage increase.

Seniat sanctions a number of businesses around the country. The Superintendent of the SENIAT, José David Cabello Rondón, informed that 169 restaurants were closed down and another 262 were fined during an operation that checked to see if businesses had their tax papers in order.

Pirelli plant working at 80% capacity. After two months of being almost completely shutdown, the Pirelli de Venezuela plant is almost a full capacity, which means producing 3,800 tires a day.

New entity created to regulate housing sector. In the *Official Gazette N° 39.619*, dated February 18, 2011, the Ombudsman has created a new Housing and Habitat agency to regulate the sector and it will be directly tied to the Executive Office.

Trade between Colombia and Venezuela continues to drop. According to figures released by the National Administrative Department for Statistics (Dane), in 2010 Colombia exported US\$39.82 billion in merchandise of which only US\$1.42 billion was exported to Venezuela. This figure represents a 64.8% drop in the value of merchandise coming from Colombia to Venezuela.

Trade agreement with Colombia to be ready in March. Foreign Affairs Minister, Nicolas Maduro, informed that the governments of Venezuela and Colombia expect to



have finalized a Trade Agreement by March and that it would be in effect as soon as Venezuela official is no longer a part of the Andean Union (CAN) in April 2011.

Renting Law gets in the way of evictions. The draft of the Law to regulate and Control the Renting of Real Estate points out that there are legal decisions which are in favor of property owners but if the renter to be evicted hasn't found another place to live then the eviction can not proceed.

6,670 Sidor shareholders separate from company. After more than two years of not receiving any payment of dividends which are owed them as 20% shareholders of the company, these co-owner of Siderúrgica del Orinoco "Alfredo Maneiro" (Sidor) have decided to break-away from the company.

Diaper and sanitary napkin shortages getting worse. Shops that used to sell five different brands with numerous different presentations have their shelves empty. Industry spokespersons say that the situation is getting better but the people are feeling this.

World Economy Tips

Repression in Libya. Despite week-long protest demonstrations against his government and dozens of deaths, Libya's leader, Muammar al-Gaddafi, in a speech on state TV, claimed that he will not resign and that he rather die fighting. *"I will die here as a martyr,"* Gaddafi claimed, adding that he will not leave his post *"like others"* because *"I'm not president to step down... Muammar is leader of the revolution."* Human rights groups assure that about 300 people have died in the protests. The economic repercussions are already being felt, because Libya, as an OPEC's member country, has ceased to place 100,000 b/d on the market, with the subsequent increase in oil prices on the week.

US consumption improves. The Conference Board's US consumer confidence index for February increased by 8.6% with respect to January, to 70.4 points in February. This figure is the highest level since February, 2008. Over the past ten years, the correlation between this indicator and the y/y variation of real private consumption has been 77%. US consumers appear to be encouraged by low inflation, low interest rates and improvements in the labor market.



Housing prices in the US go back. The index of seasonally-adjusted housing prices (Case-Shiller) in December for the largest 20 cities in the US dropped 0.4%, after a 0.6% drop in November. This drop was the sixth monthly drop in a row in the non-seasonally adjusted series and the fifth when seasonal adjustment is not made. For the entire year, a recovery of 1.3% is observed, resulting from moderate increases that took place in early year.

Increase in commodities is perceived. Prices of energy product in the US increased by 2.1% in January on a month-to-month (m/m) basis and 7.5% on a year-to-year (y/y) basis. The heating fuel prices led the increase with a 5.4% y/y jump, whereas gasoline price gained 3.5% (m/m) and 13.4% (y/y). Natural gas and electricity prices dropped 0.6% on a month-to-month basis and 0.6% on a y/y basis. Food and beverage prices, for their part, increased 0.5%, the largest increase since September, 2008. In this regard, fruits and vegetables gained 2.3% on a y/y basis and beef, poultry, fish and eggs recorded a y/y increase of 6.2%.

Trade deficit drops in the Eurozone. Exports in the European Monetary Unity (EMU) are dropping faster than imports, thus maintaining trade deficit in negative numbers. For December, imports dropped a little more than exports, but not enough to take deficit the positive side of the line. However, a certain recovery could be expected, since the deficit is increasingly lower and the economies are recovering, especially Germany's and France's.

Boomerang effect? Central banks of Latin America would speed up rises in their key interest rates over upcoming months in order to curb the increased inflationary pressures that could jeopardize inflationary goals. Even though this measure could have a boomerang effect, since an increase in interest rates would attract more capitals to a region which investors are interested in due to their high growth rates, this could encourage a more marked appreciation of local currencies.

Direct Foreign Investment (DFI) in Mexico grew 55% in 2010. Mexico, the Latin American country that was hit the hardest with the 2008-2009 crisis, received US\$17.72 billion of Direct Foreign Investment (DFI), up about 55.3% from US\$11.41 billion in 2009. This would back up Mexico's recovery. The Ministry of the Economy informed that this amount comes from 3,930 businesses that had capital movements, mainly in the manufacture, commerce and financial service sectors. Holland was the main foreign investor with US\$8.65 billion, equivalent to 48.8% of the total, followed by the US with 27.6%; Spain with 7.4% and Canada with 4.3%.





Political Tips

Appointed new representatives to the OPEC Fund for International Development. Decree No. 8,044 published on the *Official Gazette No. 39,619* dated February 18, 2011, appointed Gustavo Hernández, Vice Minister for Planning and Finance, as replacement of the current governor, Alí Rodríguez Araque.

Opposition absence is a political mistake. Both the National Assembly president, Fernando Soto Rojas and its first Vice President, Aristóbulo Istúriz, both members of the PSUV party, said that the 65 opposition lawmakers should have attended the special AN session recently held in Ciudad Bolívar. Istúriz pointed out that the decision made by the opposition representatives not to participate in the session is a mistake, one more of the many they have made.

Justices already adjusted their salaries. From past Monday, the Supreme Court of Justice (TSJ) justices adjusted their salaries downward up to 60%, to enforce the Organic Law on Emoluments, Pensions and Retirements of Senior Officials of the Public Power.

Request to repeal the Political Sovereignty Law. Gustavo Briceño, president of the Venezuelan chapter of the Iberoamerican Institute of the Ombudsman, submitted to the TSJ a request to repeal the Law on Political Sovereignty and National Self-Determination, which bans political parties and non-governmental organizations to receive financing from abroad, because he considers that the legal instrument is unconstitutional and violates international treaties.

Government tried to use Interpol against adversaries. The decision of the International Criminal Police Organization (Interpol) to deactivate a significant number of arrest warrants that the Government has issued against many bankers, claiming that they are of "political" nature, was justified by the expert in Human Rights and International Criminal Law from the Universidad Central de Venezuela, Adalberto Urbina, who charged the Administration of trying to use Interpol to prosecute adversaries.

NGO urges Brazil president to intercede with Chávez. A group of members of the NGO Forum for Human Rights and Democracy presented the Embassy of Brazil in Caracas with a letter addressed to the Brazilian president, Dilma Rousseff, expressing



their concern about the 83 students in hunger strike that are demanding the visit of the OAS Secretary General in Venezuela and the release of political prisoners.

Decision against Leopoldo López is being analyzed. Representatives to the Latin American Parliament received last Tuesday the national coordinator of Voluntad Popular, Leopoldo López, to hear the details concerning the decision banning him from running for public office, which will be analyzed by the Inter American Court of Human Rights next week.

Should Hugo Chávez be reelected in 2012? According to a study conducted by the Venezuelan Institute for Data Analysis (IVAD) between January 23-30, 2011, 45.5% of Venezuelans agrees with Chávez' reelection, whereas 46.5% do not agree and 8.0% does not have any opinion.

35% of the population follows Chávez. According to studies performed by the Venezuelan Institute for Data Analysis (IVAD) a little more than one third of the population describes themselves as *chavistas*, one third is against Chávez, whereas a little more than one fourth claims they are not identified with any of those parties.

PPT believes that the Administration is manipulating oil revenue data. Patria Para Todos party believes that the economic crisis in Venezuela is a consequence of President Hugo Chávez' "authoritarian twist." *"Over the first seven years, except for the 2002-2003 period which was characterized by political instability, there was economic growth with moderate inflation and a significant advance in social policies. Those were times of a government that upheld and promoted the Constitution,"* Simón Calzadilla, PPT's leader, assured recently.

JAVU's strikers demand pardon for 28 prisoners. Julio César Rivas, president of Juventud Activa Venezuela Unida (JAVU), in an interview with the newspaper *Correo del Orinoco*, stated that strikers are demanding pardon for 28 prisoners and their immediate release. Rivas added that "at least" two of them can be released immediately.

Protests are intensified due to the Administration's ineffectiveness. Herbert Koeneke, expert in Mass Communication, PhD in Political Sciences and professor at the Universidad Simón Bolívar (USB), believes that protests and hunger strikes occurred over recent month in Venezuela are due to the "ineffectiveness" of Hugo Chávez' Administration to solve the country's main problems.

The National Assembly is urged to review the Municipal Power Law. A document rejecting the reform of the Municipal Power Law was approved by the Metropolitan Town Council in Caracas, at an open meeting of the Council that was attended by



municipal councilmen of the Metropolitan Area and members of the parish boards, who are upholding the Constitution and democracy.

Jaua expresses his intention to work with opposition governors in matters related to personal security. Vice President Elías Jaua stated personal security is “a joint responsibility of all governments;” therefore the Federal Council scheduled for next February 26th will look for a coordinated action between national and regional authorities.

Legislative Tips

The Project is ready. The draft project prepared by the Partido Socialista Unido de Venezuela (PSUV) to reform the Real Estate Renting Law, which provides for more and stricter restrictions for tenant eviction, has been published. The text was posted on the PSUV’s website under the name of Law for Regulation and Control of Real Estate Renting and points out that even though there are legal rulings in favor of owners, as long as tenants do not find another home, they cannot be evicted. The law provides for a maximum of 180 days to complete the transaction.

Guarantees are being demanded. A group of journalists who are authorized to cover the parliamentary source reiterated their demand that minimum guarantees are reinstated for the normal development of their journalistic activities at the seat of the Legislative Power. They presented their demands in a written document addressed to the first vice president of the AN, representative Aristóbulo Istúriz.

Requests have been clarified. Demands presented in the document submitted by the group of journalists include the modification of the regulations that ban press workers, TV teams and graphic reporters from entering the guest box in the meeting hall; journalists also exhort the AN TV channel, ANTV, to improve video and audio, to respect the floor, and to allow microwave equipment to be placed in the AN seat for live broadcastings.

Ojeda defends journalists. Representative William Ojeda, on behalf of the MUD presented the Presidency of the National Assembly with a written communication requesting that the issue of allowing their access to the meeting hall be discussed. However, Darío Vivas, representative of the People’s Power and Mass Media Commission didn’t recognize the existence of the document and said that the issue will



be discussed within the Commission when the document is forwarded by the Secretariat.

The new way. The Superintendent's Office for Insurance Activity published in the Official Gazette No. 39,617, the revised norms that will rule the activities of prepaid medicine firms like Rescarven, Sanitas and others. The revised norms provide for direct oversight and control of these firms by the Superintendent's Office. Furthermore, they must demonstrate the origin of their resources and submit amounts of the affiliation fees they charge their users.

Agreement was reached. Representative Cilia Flores, chairwoman of the Commission of the Interiors of the AN, presented the agenda of the Commission during the current period of sessions. The agenda includes 10 legal instruments, like a new Criminal Code, the Disarmaments and Ammunition Control Law, the Law regulating the operation of Bingos and Casinos, Law against Organized Crime, the Law for Punishment of Crimes and Disappearances occurred in the '60s, '70s and '80s, and the Organic Law for Constitutional Jurisdiction.

Discussed finally. At the last meeting of the Commission of the Interiors of the AN at which journalists could be present, the case of the raid made at the home of Representative Eduardo Gómez Sigala was discussed. It was concluded that Gómez Sigala's parliamentary immunity was not violated because the police didn't entered the home and went there to look for Gómez Sigala's son-in-law, Jorge Azpúrua, who would be linked to the construction company Eiffel, one of the companies listed in the so-called real estate fraud case.

Will they be constructed this time? The Permanent Commission of Finance and Economic Development of the National Assembly authorized two supplementary appropriations earmarked for the construction of homes and the payment of food for people that are living in shelters. The first supplementary appropriation was requested by the Ministry of the Communes for VEB. 3.0 billion and will be transferred to the Autonomous Service National Fund of Communal Councils (Safonac). These resources will be distributed among 1,366 communal councils.

New office and more bureaucracy. The creation of the new Office for Prevention and Control of Money Laundering of SENIAT (customs authority) was published in the Official Gazette No. 39,618 dated February 17, 2011.





ECONOMIC OVERVIEW

