



Weekly Report

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*Venezuela: more than ever
dependent on PDVSA's
performance ...
Will PDVSA be able to produce
more this year?*

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In our last Weekly Report, we made a brief analysis of the current international oil scene and its implications for Venezuela. Said analysis produced some optimistic results with regard to the evolution of oil prices in the midterm. But we concluded that the impact the increase in international oil prices would have on the price of the Venezuelan oil basket would not be felt throughout the economy as it has in the past, mainly due to the lack of investment by PDVSA in key areas (exploration, production, refining, etc.) during the boom years; resources which were instead used for fiscal contributions and social development.

We concluded that in the coming years (2011-2015), the Venezuelan economy would grow at a rate that would leave much to be desired (at an average of 1.4%). The only way this outlook could improve is if PDVSA were to make significant strides in increasing its oil production, especially through Orinoco Oil Belt investment projects, and if economic policies were adjusted in order to take advantage of any increases in production, but that's another story. Given the nature of the industry, any increase in



production would not be felt for three to five years down the road. This Report will focus on what the future benefits would be down the road if PDVSA were to be able to increase production this year.

What does PDVSA invest in?

What can be categorized as an investment for an oil company falls into two basic categories: (i) investments made to maintain current production levels, and (ii) investments made to expand the industry and better position the company.

The first category of investment includes investments in maintaining oil well infrastructure, drills, refinery, oil pipelines, storage facilities, tankers, etc. This included paying qualified personnel, in other words, everything that keeps the company operating and maintaining current production. The second category includes investment to certify oil reserves, exploration for new oil deposits, infrastructure for new wells, new technology, etc.

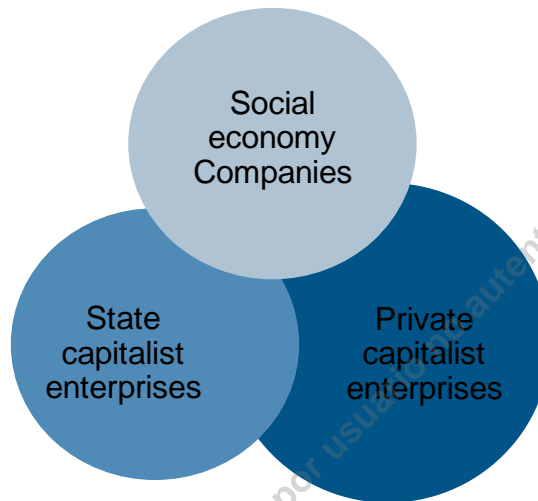
The new PDVSA

After President Chávez was elected to his second term in office (2007-2013), his Administration began to more seriously move forward with the new economic model the “revolution” was implementing. The Administration made it clear that besides the State becoming much more directly involved in the economy of the country (through nationalizations, creating and expanding companies tied to the public sector, and at the same time significantly restricting the private sector), a new entity would control the economic development of the country. This entity would compete with the State and the private sector (including mixed companies) in the supply of goods and services to the people. This entity is defined in the Nation’s 2007-2013 Socialist Plan “*Simón Bolívar*” as a Social Production Company or Social Economy Company, with PDVSA being the main model to follow.





The new economic model



Sources: Ministry of Planning and Finance and Ecoanalítica

What is a social production company?

In general terms, a social economy company is a business model in which the social vocation of the company is defined within the operative and financial structure of the company and not outside it. In other words, its social component is a medullar part of the company.

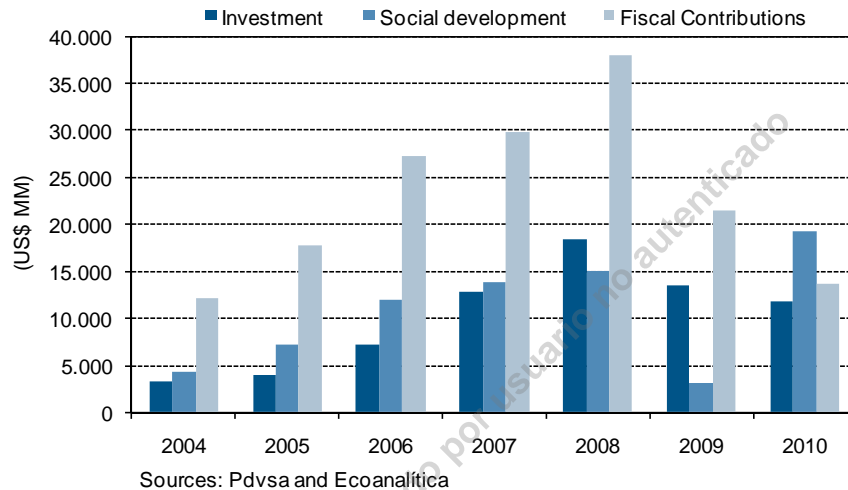
PDVSA is a social economy company: you can't get blood from a stone

So, taking into account what has been previously stated, we can say that PDVSA is a social production company. After the company's new management and administrative structure was implemented after the General Oil Strike (Dec 2002-Jan 2003), another category was added to PDVSA's investment policies: social development contributions. Said contributions are made in two main areas: transfer of resources to FONDEN and to the Missions. Keep in mind that these transfers are on top of PDVSA's normal tax contributions to fiscal coffers.

Over time, these social development "contribution" have increase, and more so when the international price of oil spikes; so much so as to surpass the amount invested in key areas of the company. There is no doubt that this has led to PDVSA's drop in production, as well as other internal problems such as labor conflicts, problems with suppliers, unscheduled stops in refinery operations and accidents at the refinery, and all this has led to an increase in the company's borrowing policies. None of this is new, and at *Ecoanalítica*, we have made reference to this issue a number of times in past Reports.



Investments, social development and fiscal contributions



As you can see in the graph, PDVSA religiously meets its social development contribution obligations, even with the price of oil drops on the international market. And, after what happened in 2009, with the worldwide financial crisis and the drastic drop in international oil prices, one can see how PDVSA's board of directors reacted and made adjustments in its investment policies, prioritizing investments for key company areas (exploration, production, refining, etc.). This reaction, this adjustment in investments, is an action that hasn't been appreciated by many analysts, and we at **Ecoanalítica** believe that it is a very positive sign.

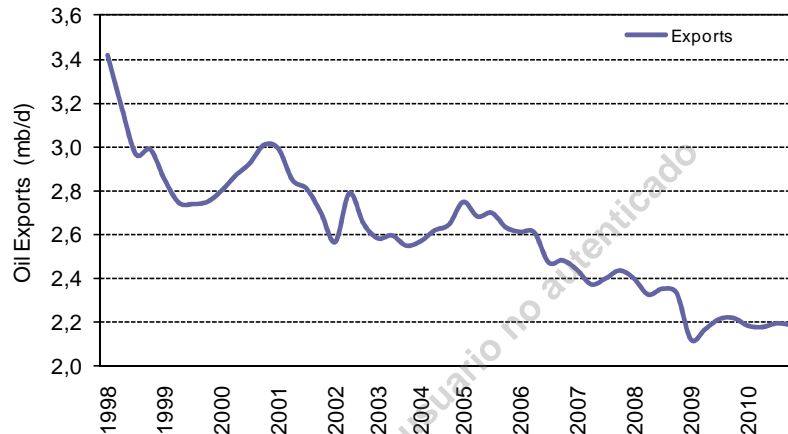
The drop in production is severe, but PDVSA reacts

Despite the fact that in 2009 PDVSA once again focused its investment policies on key areas of the oil industry and that oil prices rebounded in 2010 by 27.5%, the investment horizon didn't look much better in said year. According to preliminary PDVSA figures, crude oil production reached an average of 2.89 mb/d which translates to a drop of 280,000 barrels per day (kb/d) compared to 2009 and a drop of 507 kb/d compared to 2008. And, taking into account the increase in domestic consumption, this has led to oil exports to drop around 0.18 kb/d compared to 2009 and 0.23 kb/d compared to 2008.





PDVSA'S Exports



Sources: OPEC and Ecoanalítica

So, with the oil production situation being in such a deteriorated state, the question is: Can PDVSA increase its oil production this year? At **Ecoanalítica**, we believe the answer is no. We believe that for PDVSA to “recover” this year in terms of oil production will be very complicated, and if oil production figures do improve, it will be by very little. If we want to get some insight as to where PDVSA will focus its efforts in order to stop oil production from continuing to drop, or if possible to improve 2010 production levels, we have to analyze the domestic production network. In order to do so, one begins by dividing the oil production network into its two main oil production regions: the Western and the Eastern region.

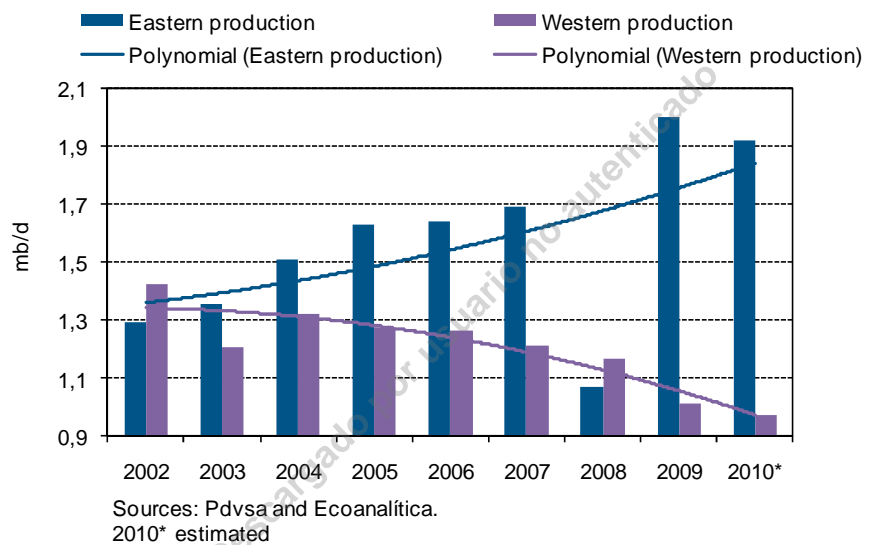
Increasing oil production in the Western region looks to be an uphill battle in the current environment. PDVSA resources are ever more limited due to the demands being placed on the company by the Administration. The increase in international crude oil prices has increased the price of contracting exploration teams and drilling equipment. Plus the shortage of key materials such as cement and spare parts for machinery, among other things, will make it very difficult for PDVSA to backup contracting companies, on top of the fact that PDVSA’s current policy is that “if our contract has expired, we won’t pay unless you lower your prices.”

Another important point to keep in mind regarding the Western oil region is that it has been exploited for almost a century now and the natural drop in production that affects all oil wells is an important factor. This region’s oil production has been dropping for six consecutive years, a



fact that was made worse by the Administration's expropriation of 74 oil contracting companies in May 2009.

Eastern and Western oil production



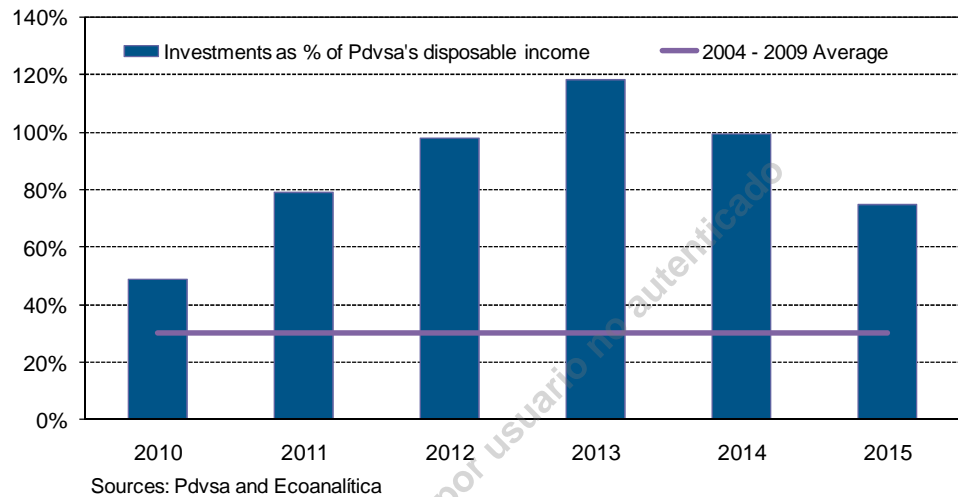
Increasing oil production in the Eastern region is whole other story. For 20 years now. The strategy has always been to make-up for the Western region's fall in production by exploiting the Eastern region, namely the Orinoco Oil Belt, which in fact has been slowly increasing as can be seen in the previous graph.

In previous Reports we have mentioned that PDVSA is not able to absorb the investment requirements that will be needed to develop the Orinoco Oil Belts project by itself, an investment that will be around US\$17.000 billion a year (which represent 40.0% of PDVSA's available resources). This is why in 2010, a new strategy was implemented and the Orinoco Oil Belt fields were opened up to foreign investors. Investors that wanted to participate would have to create a mixed company, a partnership with the government, with PDVSA being the majority share holder. These mixed companies are much more protectionist than previous editions, meaning that PDVSA has to use more resources to cover its part.





Pdvsa's stimated investments



In this context, where a company subordinated by the designs of the Administration in power (President Chávez), has to make enormous efforts in order to contribute to the development of its main activity (oil), the Minister of Energy and Petroleum, urged its partners in the mixed companies that they should present “a remediation plan to execute the investment and production plan as quickly as possible,” stating that in the original business plan, predicted investment and production goals were not in-tune with each other. So the outlook is positive, especially when high oil prices make it more urgent to extract the oil as soon as possible.

What's the earliest one could expect results?

Of the total number of oil field blocks granted from the Orinoco Oil Belt, the Junín 2 block (assigned to a Vietnamese company) with an estimated production of 200 kb/d, the Junin 5 block (assigned to an Italian company, ENI) with an estimated production of 240 kb/d, and the Junín 10 block (assigned 100% to PDVSA), are the ones that could begin oil production this year. This without taking into account the fact that the Refidomsa refinery (Dominican Republic and Venezuela) that has a refining capacity of 30.000 kb/d is supposed to begin operations this year and the Puerto La Cruz refinery that has an estimated refining capacity of 200.000 kb/d is supposed to be finished with expansions being made.

However, infrastructure and distribution problems to get the crude oil to the storage warehouse and Jose port (that is responsible for actually creating oil revenue, in other words, the entity that sends the oil and bills) is bogged down in litigation with respect to the building of oil pipelines,



and this will probably have the greatest mitigating effect with respect to increasing oil production this year.

Looking at the situation facing both regions, at **Ecoanalítica**, we estimate that in the best case scenario, the Western region will be able to stabilize its oil production, in other words, it won't continue to drop this year. And the Eastern region, given the distribution problems and the magnitude of the Orinoco Oil Belt project, we estimate that production will only increase by 50 kb/d this year. However, increasing oil prices may create enough incentive so that production may increase by up to 100 kb/d.

**Limited increase
in oil production
will only
oxygenate the
model**

It's clear that with an improvement in oil production, in the best case scenario, of 100 kb/d this year, it is not enough to compensate for the accumulated drop in oil production during the last two years of 507 kb/d, and consequently it will not stimulate the economy to grow at a greater rate than what we have already estimated, 1.7% of GDP for 2011. However, if efforts continue to produce results in the medium term, and if oil prices continue their tendency to increase, we might begin to get closer to PDVSA's oil production goal of increasing production by 4.5 mb/d by 2015. Unfortunately, this goal, due to the new responsibilities that the company has to assume, the fiscal pressure from the Administration, and a series of operational and financial problems that surround the industry, still seems impossible to reach and we estimate that at best oil production will only reach 3.5 mb/d.

**Better than
nothing**

In the end, the horizon looks a lot better than the last two years have been. With higher oil prices and with at least the same amount of oil being exported this year as did last (and with the possibility of increasing oil production, albeit by just a little bit), the end result will be extremely positive: more foreign currency for the country. This will without a doubt have a positive effect on different sectors that make up the domestic economy. It's too bad that the ideology will continue to prevail.





Economic Tips

Tax revenue increased 13.0% in two months. SENIAT figures indicate that between January and February 2011, the collection of tax revenue was at VEB 18,160, up by 45.7% in nominal terms and 12.6% in real terms compared to the same period in 2010 .

Plan for Public Stock Exchange to take over SITME duties moves forward. Sources within the Ministry of Finance say that plans for the Public Stock Exchange to take control over SITME system functions are moving forward. Currently, people and business purchase US-dollars by acquiring foreign currency denominated bonds from the Central Bank of Venezuela.

China has become Venezuela's first creditor. "I'm in love with China and the Chinese revolution," said President Hugo Chávez during the signing of memorandums of understanding with the International Investment Corporation known as Citic Group and the Industrial Development Bank. The agreements signed translate into an increase in financing and projects for that country which in four years has become Venezuela's main creditor.

How much will debt payments be at for 2011 and 2012? The decision for the Administration to continue borrowing in order to cover the gap left by incoming revenue appears in the fiscal accounts which show that the service for the public debt expected for 2011 and 2012 will reach US\$19.4 billion.

Increase in liquidity points to higher inflation. The increase in oil prices on the international market point to an increase in incoming revenue for the government which in turn allows the Administration to increase spending, which in turn may ignite consumption. The price to pay will be higher inflation in the medium term.

As oil prices increase, international reserves drop significantly. Despite the fact that the increase in oil prices means that more petro-dollars are coming into the country, Venezuelan international reserves have dropped by 11.0% so far this year due to transfers made by the BCV to FONDEN, an account managed without oversight by the Administration, and the fact that PDVSA has only turned over a little over half of the foreign currency it has taken in from oil exports.





INE food basket increased 29.4% in a year. According to the figures released by the National Statistics Institute (INE) the value of the food basket for the month of February was at VEB 1,446.00; up by 1.5% compared to the previous month which means that Venezuelans had to spend VEB 329.00 more to buy the very same basket as the previous month.

IMF warns emergent economies of risk of inflation. Sub-director of the International Monetary Fund (IMF), John Lipsky, in a statement given in Beijing on Monday warned that emergent economies must adjust their fiscal and monetary policies in the short term in order to face increasing inflationary pressures. He also underlined that fiscal sustainability is not an immediate problem for these countries.

Profit ceilings to be fixed. Last January, President Chávez announced the creation of the Superintendency of Costs and Prices in order to better control companies and regulate profits, because in his opinion, "everything has its limit." The legal framework for this new entity is being designed via the Special Powers Law, thereby forcing private sector companies to make greater social contributions. The proposal being drafted by the Administration is looking to set maximum profit limits by sectors (food, construction, and others), this will allow more resources to be directed towards social needs.

Income Tax Law could be reformed. Official sources explain that in order to make these adjustments Income tax deductions are being reviewed in order to limit the amount of deductions.

Half of incoming petro-dollars managed by parallel accounts. Barclays Capital latest report on Venezuela analyzed the way the Administration manages petro-dollars and it has determined that more than half is deposited in quasi-fiscal accounts, funds such as FONDEN, where the funds are not subject to National Assembly oversight or authorization, and Administration spending is totally at its discretion.

...According to the Barclays Capital report. Last year, PDVSA turned over US\$33.20 billion to the Administration and official figures show that US\$ 14.10 billion went to the Central Government, resources which are subject to Budget directives, "and less than half of what PDVSA reported as fiscal contribution."

Interest rate. The lending rate for the second week in March was at 18.5%, up by 1.1 perceptual points compared to the previous week. Time deposits and savings rates were steady at 14.5% and 12.6%, respectively.





International reserves. International reserves decreased 0.7% going from US\$27.15 billion during the second week in March to US\$26.97 billion during the third week of March. Compared to the same period last year, international reserves have dropped by -7.6%.

Monetary liquidity. Monetary liquidity for the second week in March was down 2.7%, compared to the previous week settling at VEF 301.436 billion. The M2 has increased 25.6% year-on-year.

Sitme figures. To date, US\$6.57 billion have been negotiated through the Integrated System for Foreign Currency Transactions (Sitme), averaging US\$33.9 million a day, with an implicit exchange rate of 5.3VEF/US\$. Last week the traded amount reached US\$146.6 million, US\$61.9 million more than last week when braided US\$84.7 million.

Oil Tips

Shut-downs persist. PDVSA announced that the El Palito refinery was temporarily shut down due to an electric power failure in the southern part of the industrial complex (water reservoir and water cooling system). The Curacao refinery shut down its catalytic cracker due to a lack of steam supply. Just last week this facility had begun operations again after fixing another set of system failures.

According to official figures... PDVSA exports dropped in 2010, according to preliminary figures presented before the National Assembly in the 2010 Year End Balance. The report shows that exports were at an average of 2.41 mb/d, down by 11.6% compared to 2009, when exports were at 2.73 mb/d.

No need for emergency meeting. According to the president of PDVSA, Rafael Ramírez, the OPEC is considering calling an emergency meeting in order to adjust oil production due to the crisis in Libya. "No, it doesn't make sense, and the Arab League already established its position, and we in that sense to see the need for any of that." He continued to say that the situation generates "greater tensions in said region," as well as in the world oil market.

Ready to fight. PDVSA has decided who its lawyers will be who will be charged with recovering the funds in the Oil Industry Pension fund that banker Francisco



Illarramendi managed in a fraudulent manner in the United States in order to make exchange profits. The fund is estimated to have around US\$540 million.

China, our great partner. Among the latest agreements signed by China and Venezuela is that China's state run oil company, China National Petroleum Corporation (CNPC) and PDVSA will jointly exploit Junín 4 block of the Orinoco Oil Belt. CNPC's investment will reach around US\$16.0 billion. The Ministry of Energy and Petroleum, Rafael Ramírez, also indicated that Sinopec (Chinese chemical company) will also be involved in exploiting two other blocks in the Orinoco Oil Belt. Of the blocks that China is developing, total oil production will be at around 800,000 barrels a day, according to PDVSA.

Returns to the Gulf. According to the U.S. Dept. of Interior, Shell Oil Company was given the go ahead to explore for oil in the Gulf of Mexico. This will be the first permit issued, with a complete environmental study, since the BP oil spill in the Gulf. The Department has implemented much stricter environmental and security requirements for exploration proposals leading to drilling.

And also given the green light... The Brazilian state-run oil company, Petrobras, also announced that it had received permits to go ahead with drilling for crude oil and natural gas in very deep waters in the Gulf of Mexico. The permits allow Petrobras to have access to the Cascade and Chinook areas.

Will be a competitor. United States President, Barack Obama's tour of Latin America will give Brazil its first big chance to become an important supplier of oil to the U.S. Obama affirmed that the United States would be very interested in becoming an important client of Brazil.

International oil baskets. At New York's market closing time this Thursday, March 24, the WTI was at US\$106.3/bl, showing a 5.4% increase compared to the US\$100.9/bl of the previous Thursday. The Brent increased by 1.2% to reach US\$115.5/bl, compared to US\$114.1/bl of the previous Thursday.

Local oil basket price. The Venezuelan oil basket price decreased last week, to close at US\$97.6/bl on Friday, March 18, down by 3.7% from the US\$101.3/bl registered the previous week. Meanwhile, the basket's annual average is at US\$89.5/bl.





Business Sector Tips

Venezuelan nuclear program suspended. President Chávez announced on radio and television that due to what has happened in Japan regarding their nuclear reactors, Venezuela's nuclear program will be suspended.

Exporters anxious about what will happen once Venezuela separates from the CAN. With just a few weeks before the separation of Venezuelan from the Andean Commonwealth is official, the Association of Exporters (Avex) say that the future doesn't look good for Venezuelan exporters once the split becomes official, and the preferential tariff agreements no longer apply.

Debt owed Colombian exporters reaches US\$864 million. According to statements made by the Venezuelan/Colombian Chamber of Commerce during a recent forum held by Conapri, the debt owed to Colombian exporter is at around US\$864 million.

... **according to Cavecol** of the amount owed to Colombia, around US\$709 million has been paid by the Administration through CADIVI, and the pending US\$100 million are bogged down for a number of reasons, and another US\$55 million are waiting for documents which verify the amounts owed.

Cavecol states that trade between Venezuela and Colombia increased by 6.0% in a year. According to Cavecol figures this 6.0% increase in trade is mainly due to exports from Venezuela to the Colombian market. In January last year, Venezuelan sales were at US\$32 million, and this year they have reached US\$59 million, looking to increase by 85%. Imports from Colombia on the other hand have dropped by 20.0%.

With Venezuela leaving the CAN, imported food costs will increase by 18.3%. A report released by the Venezuelan Chamber of the Food Industry states that it is very worrying that Venezuela is about to lose all the preferential tariff agreements it has with all of the CAN member countries when the separation from the union becomes official in April. Once out of the CAN, all food imports will increase in price by 18.3% and import permits will have to be paid.

State to be responsible for import of five raw materials. Among the essential raw material that the State will import via trade agreements with Argentina, Brazil, and



China are: powdered milk, raw sugar, wheat, corn, and oil. This will stabilize the supply of said items in Venezuela, in the face of higher international food prices.

Banking system distributed 45.2% of its loans to productive sector in February.

The Venezuelan banking system distributed 45.2% of the total amount of loans granted to productive activity, according to SUDEBAN figures.

Banks forced to increase agriculture loans granted by 30%. Determined to increase agriculture production, the Administration has issued a decree that forces banks to increase the number of agriculture loans granted to natural persons.

Government to open 29 plants in cooperation with Iran, Argentina, Belarus, and China. President Hugo Chávez, announced on Sunday that in the near future 11 plants will be inaugurated which are the product of joint ventures with Iran. Another 15 plants are in the works with Argentina, 2 with Belarus, and 1 with China.

SUDEBAN issues new regulations to protect clients. According to the *Gaceta Oficial N° 39.635*, dated March 16, 2011, all withdrawals will be notified by text message, phone calls on weekends as well as notifications sent to family members.

Government approves price increase for bread and pasta. According to the *Gaceta Oficial N° 39.638*, dated March 22, 2011, the regulated price of bread which was at VEB 4.5 is now VEB 5.5 the kilo, up by 24.0%; while the kilo of pasta which was regulated at VEB 3.3 is now being sold at VEB 4.3; up by 33%.

CAF approved for Venezuela US\$1.64 billion in 2010. A recent report released by the CAF shows that Venezuela received a total of US\$1.64 billion in financing last year, three times more than what it received in 2009.

Paid only in bolivars. Econoinvest pointed out that only exchange bonds issued by the Central Bank of Venezuela will be recognized in foreign currency, all other investment in foreign currency will be paid in bolivars at the VEB 4.30/US\$ rate. A decision from the Superintendency of Securities is pending so that an announcement may be issued in the newspapers with all the information regarding how classification, credits and payments will be managed.





World Economy Tips

US industrial output sheds 0.1% in February. Following an inter-annual hike at 0.3% in January, the industrial activity sank by 0.1% in February versus the same term last year, as a result of low temperatures. The event adversely affected public utilities to such an extent that they plunged at an inter-annual rate of 4.5%. This made quite an impact on the general industrial output.

US gasoline demand up by 1.4% in one year. According to Haver Analytics, fuel demand has improved by 1.4% compared with 2010. Last year demand of residual fuel, used for heating, recovered by 8.8%; distillates demand heightened by 3.8%. Inventories of crude oil and byproducts remained unchanged over the past 12 months.

Japan bans distribution of foodstuffs for fear of potential radioactive contamination. Japan prohibited on Wednesday the distribution of some foodstuffs from Fukushima and three adjoining provinces. The step was taken after finding contamination as a result of the radiation from a nuclear power station damaged by an earthquake which wrought havoc last March 11.

Dread in Japan for fuming reactors. Two out of the reactors at the Japanese nuclear power station of Fukushima, damaged by an earthquake and tsunami 11 days ago, were the cause of renewed concern for the fumes arising from the facilities. Also, in four local prefectures the sale of food was banned out of radioactive contamination.

Countries make provision with their nuclear reactors. The Japanese nuclear stalemate has had its aftereffects elsewhere. China promised to stop the approval of new nuclear power stations and French lawmakers queried the CEOs of nuclear power stations into the safety of their reactors.

UN claims that the operation in Libya is up to Gaddafi. The international military campaign to implement the no-fly zone in Libya will continue until leader Muammar Gaddafi stops his attacks on his own people, UN Secretary-General Ban-Ki moon said on Wednesday.

Libyan army fires back with anti-aircraft weaponry. Anti-aircraft artillery of the armed forces loyal to Muammar Gaddafi started to shoot at the air of Tripoli where



aircraft of the Western alliance is flying over, reported Qatari TV news network Al Jazeera.

Yemen government gets feebler after resignation of military chiefs. High-ranking officers of the Yemenite army reported that they were joining the uprising against President Ali Abdullah Saleh, who is certain that the Yemeni people stand by him despite repeated appeals for his resignation.

Argentina's primary surplus leaps 19.5% in one year. Argentina's primary budget surplus totaled in February 1.44 billion pesos (US\$ 347 million), 19.5% higher in the inter-annual comparison. Funds collected from the value-added tax (VAT); social security contributions; earnings and bank credit and debit taxes are the reason for the surge.

Argentina's industrial output advances 9.0% over the past 12 months. Argentina's industrial production expanded by 9.0% in February over the same month in 2010, President Cristina Fernández reported on Tuesday. The number was slightly below the market expectation.

ECLAC: USA ought to increase cooperation with Latin America. In the opinion of this organization, the United States should enhance its economic assistance to Latin America through the Free Trade Agreement after having neglected the region lately. Based on the information supplied by ECLAC, the United States has lacked a strategy since it pulled out of the Free Trade Agreement of the Americas (FTAA). At the same time, bilateral agreements with Colombia and Panama are yet to be ratified.

Political Tips

Scheming again. Venezuela's President Hugo Chávez is positive that opposition sectors and the US Government are framing "*a plot to spark violence*" ahead of the election for president in Venezuela scheduled for 2012. "*Don't you dare to come for the Venezuelan oil; otherwise, millions of Guaicaipuros will emerge from the earth!*" the president admonished.

Hemming and hawing. Henrique Capriles Radonski promised that, at the time being, he is neither a pre-candidate nor a candidate for president. However, he would



rather have a challenger of President Hugo Chávez elected this same year. “*The country is not taking a vacation,*” he said.

No arrangement. Main political parties which are members of the opposition Unified Democratic Panel (MUD) keep on working hard to come to terms and approve the regulations for the primaries. Both full and bilateral meetings have been held. The issue of primary election of a presidential candidate together with primary election of state governors and mayors has not been ascertained yet and no significant strides have been made. However, they moved forward in shortening the term for the elections. November 27 and December 4, 2011 and January 22, 2011 were pondered.

The UNT proposal. Opposition political Un Nuevo Tiempo party (A New Time) recommends electing the single opposition candidate for president after the primary election of nominees for state governors and mayors. This is regarded as a “third way,” an alternative to holding the primary election for president and the primary election for state governors and mayors together or separately. That is, they are lobbying for separate elections only where state governors run for presidential candidates.

And the AD suggestion. In the words of Henry Ramos Allup, the Secretary-General of opposition political Acción Democrática party (Democratic Action), his party bet on January 22 to ensure “*high turnout.*” To his mind, AD is “not longing” to advance nominees, as their priority is working on a “*sound, determined, tight unity*” in order to win the election in 2012. Ramos Allup welcomed the election for all public offices – president, state governors and mayors- once only. He said that according to estimates, primaries amount to VEB 20 million. In view of that, any proposal to hold two separate elections can hardly be supported.

Copei also makes a proposal. Roberto Enríquez, the president of Social Christian Copei party, favored the inclusion of exiles as candidates for primaries.

At stake. The Electoral Court of the Supreme Tribunal of Justice (TSJ) granted an injunction sought by Williams Duque and others identified as voters, citizens engaged in audit of state institutions and residents of San Francisco municipality last November against the decision of the National Electoral Council (CNE) to declare opposition leader Julio Montoya as the winner in the parliament election held last September 26.

Shutdown of radio station. The National Telecommunications Commission (Conatel) ordered provisional shutdown of radio station Carabobo Stereo 102.3 FM for presumed underground operations.



Outbreak of AH1N1 virus in Venezuela. Health Minister Eugenia Sader confirmed that 3 people have died from AH1N1 virus thus far this year. At the same time, she rebutted any outbreak in central Miranda state but conceded one in Andean Mérida state. Sader said that a total of 179 events have been recorded.

Obama –Not much to say. On visit in Chile, US President Barack Obama said in a speech before his Chilean counterpart Sebastián Piñera that Latin America is crucial for his country's prosperity and security, and he vowed to strive to expand trade and investment in the region. *"Relations between the USA and Latin America sometimes have been extremely difficult,"* President Obama conceded. However, he advocates joining efforts towards a new era of partnership.

A new path. Obama claimed to seek an *"alliance of equals"* with the peoples of Latin America. However, *"relations on an equal footing, in exchange, require shared responsibility."* The US President also referred himself to the overall state of affairs in the Western Hemisphere. *"Latin America is more prepared than ever to leave behind the underdevelopment that has accompanied us along 200 years of independent life,"* he said.

Escalation of protest. Two students joined the protest for fair university budget. William Gil, the university counsel to the Central University of Venezuela (UCV), reported that 24 hunger strikers, including students, professors and workers, have been deployed in front of the local chapter of the UNDP in Caracas. The rest of demonstrators include 10 in the state of Zulia, 5 in Aragua, 5 in Lara state and 4 in Mérida. Student leader for Movimiento 13 Gaby Arellano said that should the national government not answer a group of students will sew their mouths in order to escalate the protest.

Further disqualification. The Comptroller General's Office has barred Deputy Hernán Alemán (UNT) from public office for one year. In the same Official Gazette, two more resolutions were released on similar steps against additional four people, including two ex-mayors. Former Maturín mayor, pro-government Numa Romas, was suspended for one year, together with his partner and ex-president of the Bolivarian Women's House Odilia Fernández. The two others were Carlos Miranda, the former mayor of San Sebastián de los Reyes, Aragua state, and his wife and ex-president of a local foundation, Liz Jaramillo.

Fewer embassies. The upcoming shutdown of the Embassy of Finland in Caracas totals six countries that have closed their diplomatic missions in Venezuela in the last two years. Out of the group of nations that opted to close their embassies, Morocco,



Israel and Honduras did it for political reasons, whereas Finland joined the Czech Republic and Hungary, after arguing economic reasons.

Legislative Tips

Vote at long last. A National Assembly (AN) plenary session will prioritize the bills and legal instruments to be included in the 2011 agenda. Last Thursday, at the Consultative Committee, representatives of the 15 AN Standing Committees submitted a total number of 70 draft laws which, as agreed by the 165 deputies, need to be tackled this year. They include the new Tenancy Law; the Law against Real Estate Fraud and Scheduled Purchases; the Organic Labor Law; the Law on Public Banking and the reform of the new Commercial Code.

Seeking high profile. Julio Borges, AN Deputy and national coordinator of opposition political Primero Justicia party (Justice First), has proposed a Law on National Production, which, in his view, will foster job creation. The opposition leader said that Venezuela presently imports 70.0% of the food consumed by the people and he recalled that the country used to export rice, sugar and coffee, among other items.

The priority. Aristóbulo Istúriz, the AN second vice-president, said that the legislative agenda would focus on the issue of insecurity. *“There are certain criteria to set a priority. For instance, insecurity is a big issue. Therefore, there is the need to ascertain which laws are required to address it,”* he said.

Due diligence to be continued. Nancy Ascencio, a deputy for the United Socialist Party of Venezuela (PSUV) and a member of the Comptrollership Committee, reported that Minister of Agriculture and Lands Juan Carlos Loyo has been “invited” to elaborate on the decision to incinerate milk in western Zulia state.

Stubbornness. Opposition deputies Francisco Soteldo and Alejandro Romero submitted a letter to the AN Secretariat in order to request the board the immediate discussion, of parliament urgency, of the First Employment Law. *“In past days, Primero Justicia submitted at the people’s initiative and together with over 20,000 signatures the First Employment Law and we have noted that the AN board gives priority to other regulations such as the Rental Law, which was submitted one day after we did, and this delays the discussion on this law which will directly benefit more*



than 400,000 young people,” Soteldo said. “In the first year of enforcement of this law, 100,000 new jobs could be created in Venezuela,” he added.

Better conditions for housework. The draft Special Law for Houseworkers is aimed at dignifying housework; ensuring fair and equitable labor conditions; acknowledging porters as residents of the local community and encouraging the porters’ movement with the support of the National Undergraduate Program of Law Studies at the Bolivarian University of Venezuela (UBV).

More about the real estate issue. Now it is the turn of AN deputy for PSUV Diosdado Cabello, who has pointed to the need of a bill related to real estate irregularities. According to Cabello, such situation is due to the way of building houses and licensing at mayoralties. He reported on the establishment of modules in each state, where the Committee will hear the people adversely affected by property developers, “involving public servants.”

Enabling Law on the probe. The Inter-American Commission on Human Rights (IACHR) will hold two private hearings on the situation of human rights advocates and freedom of expression, as well as public hearings on the status of Venezuelan prisons; alleged political prisoners and the Enabling Law which vests special powers in President Hugo Chávez.

Published reform. Under official decree, the Decree in Full Force and Effect of the Organic Law of Reform of the Organic Law of the National Bolivarian Armed Forces was published in the Official Gazette 39,638 of March 21, 2011. The reform pursues to “attain the highest political effectiveness and revolutionary quality in building socialism, recreating the Venezuelan nation, premised on humanist principles, relying on moral and ethical conditions aimed at progress of the homeland and the collective.”





ECONOMIC OVERVIEW

