



Weekly Report

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*Exchange market outlook:
ideology leads the way, oil
prices set the pace*

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After the devaluation last December, sold as “foreign exchange unification,” at **Ecoanalítica**, we expected some changes in the foreign exchange policy in 2011, the most important being an adjustment in SITME's upper band exchange rate from VEB/US\$ 5.30 to VEB/US\$ 6.5. In addition, it was expected that this mechanism, fed mainly by PDVSA and the Central Bank, would be more effective in allocating foreign currency. At the close of the first quarter of the year, the foreign exchange outlook is different.

Oil and ideology... two sides of a coin

As happens with everything else in Venezuela, two factors mark the future of the economic policy. The first, our curse, is oil prices, as they establish how the flow of revenues is going to be, not only for the Administration but also for nearly all foreign currency. The second, and more complex, factor is the ideological model, the building of the so-called “21st Century Socialism,” and what this model considers the roles of the foreign exchange policy, imports, the private sector, and the State

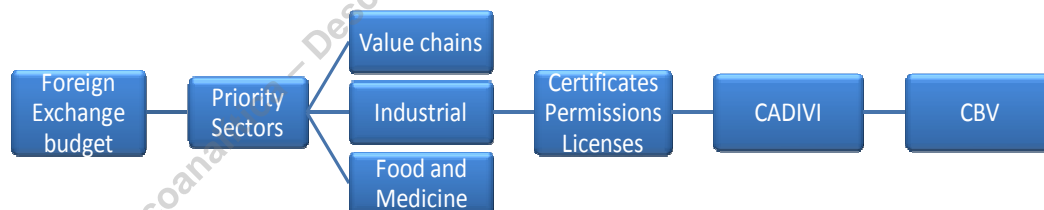


ought to be. Both factors are interconnected and should not be considered separately.

A partial analysis would lead us think that, with the increase in oil prices forecast for the next few months, the Administration, with more foreign currency available, would favor imports in order to generate a kind of “consumerfest,” which would reduce the restriction on foreign currency the private sector is experiencing. This, in our opinion, is only part of the truth, as it does not take account of the ideological aspect.

Endogenous development

From the point of view of its ideology, *Chavismo*, in the context of 21st Century Socialism, seeks endogenous development, which is simply encouraging industrialization and generating value. In short, it seeks to put an end to the port economy. So, what we have seen in recent months is that, apart from food and medicine imports, the Administration has tried to put a brake on the importing of goods and services using this argument.



Source: Ecoanalítica.

The supremacy of the State

The second argument is that 21st Century Socialism contemplates the supremacy of the State. And this advance of the State is clearly reflected in imports: in 2004, public sector import represented 15.0% of the total, whereas in 2010 they accounted for 34.2%. They went from US\$2.608 billion in 2004 to US\$13.201 billion in 2010. We expect that, this year, they will account for nearly 40.0% of the country’s total imports and that they will reach half that total in the medium term.

	Imports by exchange rate							
	2004	2005	2006	2007	2008	2009	2010	2011P
Cadivi	81%	68%	60%	68%	75%	55%	59%	48%
Cadivi 2.6							25%	
Cadivi 4.3							35%	
Public imports	15%	15%	18%	19%	21%	24%	34%	35%
Sitme							5%	16%
Swap/black market	9%	17%	22%	13%	4%	21%	1%	1%

Sources: BCV, Cadivi and Ecoanalítica



And the government continues to take on more responsibility

By the second quarter 2011, the State will become responsible for importing five essential raw materials: powdered milk, raw sugar, wheat, corn, and oils. Its aim is to be in control of the import of most of the essential food items not only because international food prices have become extremely volatile, but also to guarantee the stability of the food supply nationwide.

The State becoming more involved in the import of these items is tied to and reflects the obstacles that private sector industries are facing when they try to access foreign currency to import via CADIVI and/or SITME. And the State's increasing role in imports also indirectly acknowledges that there is no system in place that guarantees foreign currency supply for private sector imports. This added to the increasing delays in the issuing of insufficient production and/or no-production certificates without which a private sector companies can not complete a foreign currency request form for import, while for state-run companies, these certificates are not required.

Prices can go up, but...

So, even though oil prices increase the flow of foreign currency into the country will not necessarily mean an increase in the flow of foreign currency for the private sector. There is an important point that needs mentioning here: this does not necessarily mean that access to foreign currency will get worse. The volume of foreign currency authorized this year should be slightly higher than what was authorized in 2010, albeit not by much.

What does the future hold in store?

At *Ecoanalítica*, with respect to exchange issues, we believe that for the rest of 2011, and up until the end of 2012, the following will happen:

- What the Administration considers to be priority items (food, medicines, and capital goods for certain industries) will continue to be serviced by CADIVI and they will also have priority when it comes to awarding bonds denominated in foreign currency issued by the State.
- The Administration wants the exchange market to be clearly segmented with big companies, including multinational companies, being serviced by CADIVI; and small and medium sized companies being serviced by the SITME





system. We don't expect another system to be created to supply foreign currency to big companies.

- The Ministry of Planning and Finance and the Central Bank of Venezuela (BCV) will try to avoid, at all cost, that the unofficial exchange rate becomes the market reference exchange rate. Foreign currency supply via CADIVI, the SITME system, and bond issuances exist specifically in order to avoid this happening.
- The Administration will use exchange policies as a mechanism to control prices, in other words, access to foreign currency at the official rate is another way of moderately adjusting the price of priority goods. The other plan to control inflation is to increase imports by the State.
- With average Venezuelan crude oil basket prices expected to be at around US\$85/barrel, CADIVI should be able to at the very least maintain its current volume of foreign currency liquidation, in fact, a slight increase in liquidation is not out of the question. We expect that private sector imports via CADIVI will increase in 2012.
- The SITME system will finance around US\$8.0 billion in imports, averaging US\$40 million in daily liquidation of foreign currency. We don't expect the volume of foreign currency liquidations to increase for the SITME system, nor any significant changes in the system. And considering current international oil prices and the forecast that prices will remain at current levels or tend to increase in the short term, the Administration will not adjust SITME exchange rates this year, though the possibility of an adjustment in 2012 is not out of the question.
- Debt issuances are not being used as a vehicle for outgoing capital but as a mechanism to cover any foreign currency needs left unattended by CADIVI and the SITME system. We are expecting two issuances of foreign debt: one by PDVSA for US\$3.0 billion (before August) and another from the Republic for US\$3.0 billion (probably during the last quarter). As we have mentioned before, priority sectors will get preferential treatment in these issuances.



What role will the BVPB play?

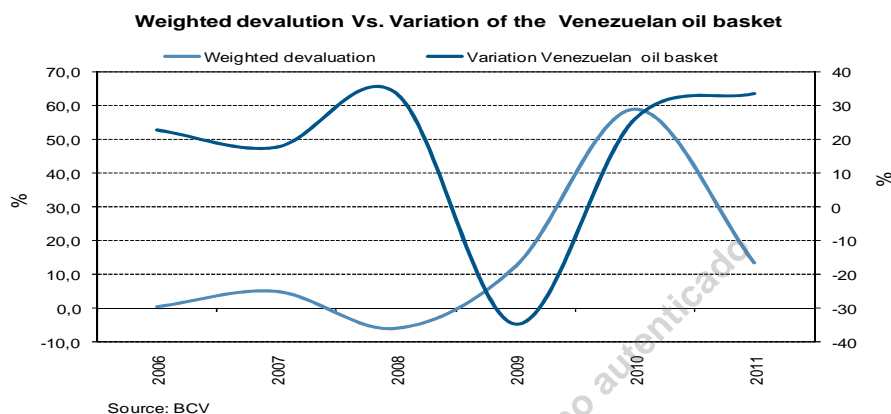
The other link in the foreign exchange policy is the Bicentennial Public Stock Exchange (BVPB). This entity is simply a bid by the Planning and Finance Ministry to take control of the “alternative” foreign exchange market, today controlled by the Central Bank and the financial system (SITME and bond issues). The idea is for both the Republic and PDVSA to place papers via the BVPB and via the secondary market. The possibility exists for FONDEN and other state owned companies (CANTV, for example) to also place papers via this stock exchange.

It is not the Planning and Finance Ministry’s intention to use the BVPB to create a swap market “controlled” by the Administration. In the future, the BVPB will have the same role as the SITME; in fact, Minister Giordani’s intention is for it to eventually replace the SITME. Right now, the main obstacle is that it has neither a technological platform nor an operations base. So, in the short term (i.e., what is left of 2011), the BVPB will not be a relevant agent in the foreign exchange market. In the long term, however, it will replace the SITME, according to Minister Giordani’s proposal.

Is another devaluation on the horizon?

Lastly, talking of foreign exchange policy inevitably means mentioning devaluation. At *Ecoanalítica*, we sustain the thesis that, given the high oil prices expected for this year (in the first quarter, the Venezuelan oil basket averaged US\$90.9/barrel) and the policy of restricting foreign currency explained earlier, the Administration will not make any adjustments to the foreign exchange rate of VEB/US\$ 4.3. Not only that, if this price scenario continues and with presidential elections just around the corner, it is unlikely that this will happen next year either, although we do expect an adjustment in the SITME rate.





The only way to maintain this foreign exchange anchoring policy is to use a mechanism that restricts the private sector's access to foreign currency. The key is in how the government is going to manage the shortages problem, which has serious political implications as it could have a negative impact on President Chávez's popularity. So, the foreign exchange policy will also be determined by the shortages phenomenon.

In addition to what we have said earlier, we would like to play safe and comment on two more points. The first is that, if there is a devaluation, this would be entirely discretionary. The second is that, given the volatility to which Venezuela is usually subject, reflected mainly in its exchange rate, debating whether the devaluation is 30,0% for all of 2012 or whether those responsible for implementing the economic policy decide to leave the exchange rate frozen nominally until 2013 is irrelevant. The only difference between these two scenarios is that, in the second, the distortion caused by the exchange control would become more acute and the need for a future devaluation would be greater.

Must have coverage...

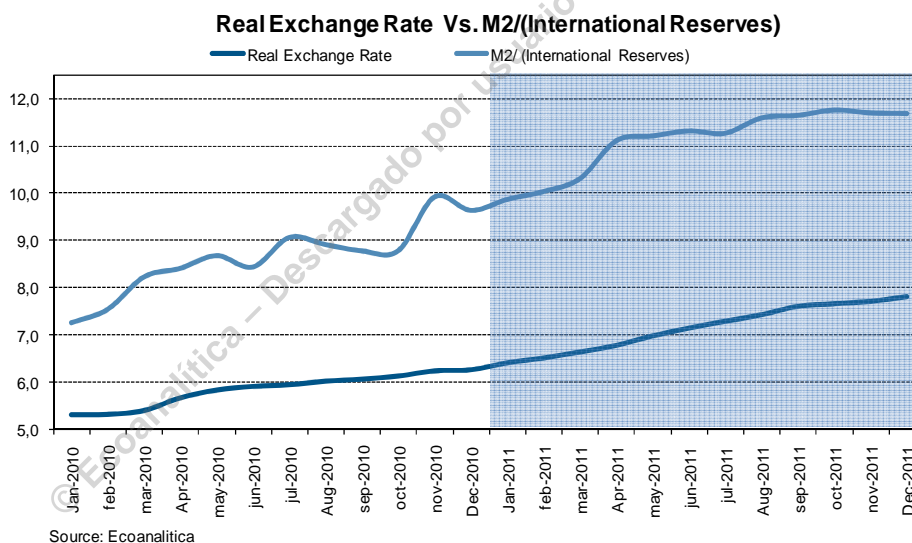
The absence of a devaluation on the official market is not necessarily synonymous with low volatility on the unofficial market. The exchange market reference markers: the Real Exchange Rate and the Implicit Exchange rate (M2/International Reserves), reflect a tendency to increase. Let's not forget that when the swap-market was legal, the Real Exchange Rate was the floor (the lowest level the exchange rate could drop to) and the M2/International Reserves was the ceiling (the highest level) for the exchange rate in the market.

During the month of March, the M2/International Reserves indicator was at VEB/US\$ 11.2, 9.6% higher than what it posted in February 2011, due to



the US\$2.0 billion transferred from the international reserves in January and February this year, plus the US\$829 million withdrawn from the Macroeconomic Stabilization Fund by PDVSA, which the oil company then turned over to the Administration during the beginning of February.

Ecoanalítica's Real Exchange Rate indicator, which measures Venezuela's competitiveness with its five main trade partners (United States, Brazil, China, Colombia, and Mexico) showed that the Real Exchange Rate in February 2011 depreciated by 23.5% compared to February 2010 going from VEB 5.3/US\$ to VEB 6.5/US\$, and depreciated by 2.2% compared to the previous month.



Everything points to the unofficial exchange marketing being under significant pressure during the second semester 2011. Our projections are that the Real Exchange Rate will close out 2011 at VEB/US\$ 7.8 and the Implicit Exchange Rate (M2/International Reserves) will close out the year at VEB/US\$ 11.7. This makes it clear that as things stand, it is very important for our clients to have a coverage strategy in place.





Economic Tips

February unemployment rate. According to the latest report issued by the National Institute of Statistics (INE), Venezuela's unemployment rate reached 8.8% in February, 1.6% less than the numbers reported in January, and only 0.2% more than the rate registered in February of 2010.

Informal businesses grow. According to a monthly report published by the INE, the rate of informal businesses reached 44.1% in February, 0.4% more than in January and 0.9% more than the rate reported in February of 2010.

Informal economy employers grew by 9.4% in one year. According to the INE report, the number of informal business employers increased by 26,154 people since February of 2010, reaching 304,958.

Public debt with banks grew by 20% between January and February of 2011. The Superintendence of Banks reports the public debt with Venezuelan financial institutions, represented by treasury bills and bonds, closed at VEB 61.64 billion in February, a 20,0% increase compared to December of 2010.

Government committed to produce more to pay China. In less than 12 months, the Government has signed loans with Chinese financial institutions for US\$28 billion. In August of 2010, Venezuela received a long-term credit line for US\$20 billion, and within the next few days, they are to receive two more loans for a total of US\$8 billion. According to the Minister of Trade, Edmee Betancourt, all these operations "will be paid in crude oil shipments".

... According to the Minister of Trade, Venezuela will sign a loan with the China Development Bank in April for US\$4 billion, to be used to feed the Chinese Heavy Crude Fund. She added that the Ministries of Energy and Oil and Housing were in negotiations with the Chinese Industry and Trade Bank to sign another loan for US\$4 billion for housing development.

Seniat in the first quarter. According to the National Tax and Customs Superintendent, Jose David Cabello, the global tax collection in the first quarter of 2011 reached VEB 27 billion, more than the VEB 22.9 billion goal established by the Ministry of the People's Power for Planning and Finance for that period.



Three new supplementary appropriations authorized. The National Assembly's Finance Commission authorized three supplementary appropriations for VEB 864.1 million, taken from the National Treasury Department.

Where will these supplementary appropriations go? One for VEB 134.6 million was granted to the Ministry of Transportation and Communications to rehabilitate the Caracas-La Guaira old road, while the other two were granted to the Ministry of Health, for VEB 703.1 million, to rehabilitate the Barrio Adentro medical assistance facilities, and the other one was granted to the Ministry of Agriculture and Lands, to be used in the CVAL in order to meet the agreement with Argentina.

Interest rate. The lending rate for the third week in March was at 17.7%, falling by 0.42 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 1.2% going from US\$26.973 billion during the third week in March to US\$26.656 billion during the fourth week of March. Compared to the same period last year, international reserves have dropped by 9.0%.

Monetary liquidity. Monetary liquidity for the third week in March increased 0.3% compared to the previous week settling at VEF 304.359 billion. The M2 has increased 27.0% year-on-year.

Sitme figures. To date, US\$6.83 billion have been negotiated through the Integrated System for Foreign Currency Transactions (Sitme), averaging US\$33.8 million a day, with an implicit exchange rate of 5.3VEF/US\$. Last week the traded amount reached US\$159.6 million, US\$13.0 million more than last week when braided US\$146.6 million.

Oil Tips

Inspectorate will no longer certify Pdvsa's production. In an official statement, Menpet informed it would no longer hire the services of the London-based independent oil production inspection firm, Inspectorate. This decision might increase the skepticism about Pdvsa's production numbers. Menpet also announced



Venezuelan crude oil exports had decreased by 16.0% in February, compared to January, reaching 2.17 mb/d.

Still falling. Venezuelan oil sales to the United States, its main client, keep decreasing. According to the US Energy Information Agency (EIA), last month's average daily exports reached 749,000 barrels (kb/d), a fall by 218 kb/d compared to the average of 967 kb/d registered in 2010. It is worth mentioning that 2010's average was the lowest in 21 years.

Pdvsas restructured. In a need to achieve better business results, Pdvsas's Board of Directors modified the State Company's managerial structure, maintaining Eulogio del Pino as Vice President of Exploration and Production, leading three executive divisions: East and West (already existing), and the Orinoco Oil Belt division, which will substitute the South-Central division. The Venezuelan Oil Corporation (CVP), created to *"control and administer businesses carried out with other oil companies of national or foreign capital,"* which used to act as a Pdvsas affiliated company, will now be merged with the Vice Presidency of Exploration and Production.

Pdvsas to take measures. Pdvsas is preparing a lawsuit in the United States against Francisco Illarramendi, director of the investment fund MK Capital Management, in an attempt to recover the resources of Pdvsas workers' retirement fund, frozen after the aforementioned company was charged with fraud. The Venezuelan Minister of Energy and Oil, and president of Pdvsas, Rafael Ramirez, said the State Company had sent international lawyers to back the lawsuit and indicated that, "when the money in the retirement fund is recovered, Pdvsas will open a review process for that plan's working mechanisms." Pdvsas's retirement fund manages nearly US\$2.5 billion.

Accidents and malpractice continue. As it is now typical in the Venezuelan oil industry, malpractice accidents have continued to occur, translating into millionaire losses, especially when the oil price is over US\$100/bl. A spill of 40,000 barrels of oil occurred Between Sunday, March 27 in the afternoon and March 28 in the Junin block of the Orinoco Oil Belt, which would have been used to produce 22" API Zuata Sweet upgraded crude oil. According to oil industry sources, the spill occurred because the automated systems that detect the tank's filling limits are inoperative, and the manual operation of this equipment is ineffective. Workers claim they are working under pressure so that production never stops, and are being asked to "extract oil at any cost."

Not to mention the labor problems. Pdvsas's labor conflicts have also been increasing for a while. Workers are unhappy "with the managing directors," according to Raul Parica, executive secretary of the Petroleos de Venezuela Workers Union



(Fuptv). The situation is in response to the company's incompliance with the collective labor agreement.

Normalized. The El Palito refinery, specifically the Catalytic Cracking Unit, was reactivated after safe startup labors were carried out at the fuel mixture supply producer. The information was provided by Jesus Sanchez, General Manager of the El Palito Refinery, who stated that, after the electric malfunction of last Monday, March 21, Pdvsa's staff in the refining complex located in Carabobo followed all safety operation procedures to reinstate the Distillation and Medium Conversion Units, as well as the Industrial Services.

Action zones defined. The Ministry of the People's Power for Energy and Oil appointed a 465.8 km² geographic area of Project Rafael Urdaneta, called Cardon Block IV, sub-block east, located in the Gulf of Venezuela, to the company Pdvsa Petroleo. The resolution was published in *Official Gazette N° 39,642*, dated Friday, March 25 of 2011, and it states Pdvsa Petroleo will hold the rights to explore and exploit non-oil-related Natural Gas deposits. The delimitation of this area to Pdvsa Petroleo will contribute to the Gasification Plan in eastern Venezuela.

International oil baskets. At New York's market closing time this Thursday, March 31, the WTI remained at US\$106.3/bl, the same registered the previous week. 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 increased last week, to close at US\$100.2/bl on Friday, March 25, up by 2.6% from the US\$90.6/bl registered the previous week. Meanwhile, the basket's annual average is at US\$90.4/bl.

Business Sector Tips

Venezuela's withdrawal from CAN considered irrational. Venezuela has almost consumed the period established by the Andean Community (CAN) to complete its withdrawal from that sub-regional group, after having led and promoted its integration over the last forty-one years. In this countdown that finishes on April 21, Venezuela has had five years –according to article 135 of the Cartagena Agreement- to think and reconsider its decision to separate or not from the Community.



Venezuela's withdrawal from CAN to decrease product supply. The final withdrawal of Venezuela from the Andean Community of Nations (CAN) will decrease the product supply in the local market, said Eduardo Quintana, president of Fedecamaras in the Vargas State. With this withdrawal, the Venezuelan market will be weakened, and except for the bilateral agreements with each one of the member countries, products from Colombia, Bolivia, Ecuador and Peru will now be more expensive for Venezuelans.

Chavez to sign a commercial agreement. President Hugo Chavez will sign an agreement to purchase over 600,000 tons of food during his visit to Argentina next Tuesday, according to an official statement issued by the Venezuelan Chancellor's office. President Chavez will also sign an agreement to import several thousands of vehicles and farming machines.

Chavez urges Banco de Venezuela to be socialist. President Hugo Chavez urged Humberto Ortega Diaz, president of Banco de Venezuela, to relax the institution's requirements to grant loans for community development plans. Chavez said to Ortega Diaz: *"Banco de Venezuela has to be socialist, it can not follow capitalist patterns, we have talked about that a hundred times, and you know it."*

Creation of Higher Housing Entity formalized. The creation of the Higher Entity of the National Housing and Habitat System was formalized by *Decree N° 8,120*, published in *Official Gazette N° 39,643* of March 29. The entity will be run by President Chavez himself, and will boost *"the great Housing Mission Venezuela within the Framework of the Law of Emergency for Housing and Urban Development Lands."*

Housing sector laws encourage social property. Last Sunday, President Hugo Chavez announced he was preparing new legal provisions for the housing sector, one of which would regulate the property of housing solutions.

Official housing plans move slow. President Hugo Chavez has assured the government will build 150,000 homes this year to take care of the demand and specially refugees from last December's rains. However, this first quarter has seen little advance in the construction process of housing solutions.

The Administration insists in regulating the revenues of private entities. According to the minister of Trade, Edmee Betancourt, the National Government is studying the possibility to create new regulations such as: a Law of Prices, a Law of Maximum Profit and a new Law of Commerce, as a measure to fight speculation and expand the State's participation in the commercial activity.



The goal is to find a balance. The National Government's intention is not to “put aside” or “take spaces” from private companies. According to the Minister of Trade, Edmee Betancourt, the goal is to find a “balance” between the current models: capitalism, state and socialism, and making the productive units in these three areas equally important for the national economy.

The priorities. Betancourt said the development of that social economy model was based on the new socialist productive units, which could be mixed: either with the state or with the private sector. She said that in a first stage, the consolidation process would occur with companies in the agricultural/food sector, amongst which she mentioned Café Venezuela, CVA Lacteos, CVA Azucar, Empresa Mixta Socialista de Legumbres del Alba, Venearroz and Pescalba, *“as well as many others we are working on.”*

National Administration authorized funds for agricultural projects. According to the Minister of Agriculture and Lands (MAT), Juan Carlos Loyo, President Chavez appointed VEB506 million for the construction of the agricultural city, another US\$79 million for the development of five projects with the Brazilian company, 23 million to create 10 social agricultural production units with the Argentine company Venar, and VEB 24.8 million for the operation of a cocoa company.

According to Cavidea, sales will decrease over the next six months. The food industry has complicated outlook for the next 6 months, and it becomes evident with the numbers revealed by Cavidea's survey of basic product companies. Industrials believe the sales of 9 basic products will fall between March and August of 2011, out of a total of 19 food products analyzed by the Venezuelan Chamber of the Food Industry (Cavidea).

6 construction companies occupied by the government to accelerate labors south of the Maracaibo Lake. The Government issued a temporary occupation measure to six private companies holding construction machinery, in order to speed up the recovery labors being carried out South of the Maracaibo Lake, including part of the states of Zulia, Mérida, Táchira and Trujillo.

Sugar supply for sodas and juices to depend on the Government. Sugar supply for sodas and juices to depend on the Government. The supply of sugar will now depend on what the Government sells to sugar plants and what they are allowed to destine for the industry, amongst which is the beverages industry. By ministerial resolution, only 40% of the sugar refined by processing plants can be sold to the manufacturing sector. The industry of non-alcoholic beverages and sodas requires 400,000 tons of sugar per year to guarantee production.



National Government evaluates adjusting basic food product prices. According to information provided by the Minister of Nutrition, Carlos Osorio, the National Government is currently evaluating the possibility to adjust the price of basic food products such as: edible oil, beef, rice, precooked corn flour, sugar, chicken, cheese, powdered and pasteurized milk.

Online commerce grows. Venezuela is a relatively small online commerce market, with 2.9 million users, and yet it was the country with the largest growth in 2010 with 27,0%, according to a study carried out by the digital measurement firm "comScore." Venezuela was followed by Colombia with 24,0% and 12.5 million users, and Brazil and Mexico, reporting growths by 20,0% and 21,0%, respectively.

World Economy Tips

US Q4 2010 growth was better than the third. The US real GDP grew by 3.1% (SAAR) in the last quarter of 2010, revised up from 2.8% last month. The revision mostly reflected a lessened subtraction from inventory investment, an improved capital spending. The number was close to consensus expectations of 3.0%. Quarterly growth remained strong since Q1 2010 and, for the full year, real GDP grew by 2.9%, thus reversing the 2.6% lost during 2009.

Personal spending improves... US Personal spending grew by 0.7% last month, after having reported a 0.5% increase in February. Spending on goods rose by 1.5% (7.4% y/y). Within this field, the main booster was a 6.2% increase (16.0% y/y) in gasoline expenditures. Spending on apparel rose 1.0% (3.8% y/y), after two months of moderate decline. Spending on furniture and other household equipment grew by 0.2% (2.3% y/y), while spending on motor vehicles rose 3.7% (23.6% y/y). Spending on services grew by 0.2% (2.5% y/y). Year-to-year growth was led by healthcare (4.4%), transportation (4.2%) and restaurants and lodging (4.2%).

Gasoline starts to raise concerns. The price of regular gasoline increased by four cents last week in the US, to reach US\$ 3.60 per gallon, the highest level since September of 2008 and more than double the December, 2008 low of US\$1.61 per gallon.





Italy's recovery to be weak. Italy is more significantly linked to Libya than any other European country, as Libyan oil has been very important for Italy's growth. Now that its closeness to Libya will probably prevent Italy from trying to maintain a strong economy (besides the fact that Berlusconi is fighting for his own political life), there is no optimism in Italy's outlook. It might continue to recover, along with the rest of Europe, but it will probably fall behind instead of taking the lead.

Standard & Poor's lowers debt ratings for Portugal and Greece. Last Tuesday, Standard and Poor's lowered the sovereign debt ratings of Portugal and Greece. In Portugal's case, the rating was lowered to "BBB-/A-3" from "BBB/A-2." S&P justified the adjustment for considering the nation's potential need to subordinate its debt to ask the European Union for financial rescue. As to Greece, S&P lowered the debt rating to "BB-" from "BB+," deepening its trash status, concerned about the possibility of Greece having to ask for more money from the euro zone emergency plan, and waned it might lower the rating even more, by one or two points, if the nation's fiscal position got any worse.

Japan focused on the reconstruction. Last Tuesday, the Japanese parliament approved a budget for US\$1.1 billion for the fiscal year starting April 1, but the government has had problems to obtain spending authorizations, thus hampering the emergency funds for the earthquake reconstruction. Tokyo estimates aim to material losses for up to US\$300 billion, caused by the 9.0 earthquake of March 11, 2011 that generated a deadly tsunami on Japan's northeast coast, making it the world's most costly natural disaster.

Mexico and Brazil: reference in Latin America. Latin America's steady economic growth has two speeds within the region and different postures on phenomena such as the massive investment. So was highlighted by experts in the IADB annual meeting. Brazil, an emerging-country-oriented commodity exporter, and Mexico, dependent on industrialized countries, are the two current models of regional growth, according to the Inter-American Development Bank.

Who's following the leaders? IADB experts put Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela and Trinidad & Tobago in the same group as Brazil. Central American and Caribbean countries are in the Mexican group, except for Haiti.

Group one. The group led by Brazil is well positioned in a world in which emerging economies are the growth engine, said the bank's report. Commodity prices are high, and capital flows are coming towards this group to take advantage of the best opportunities and the most brilliant outlooks. Both groups have different growth outlooks for 2011, with an estimated 4.4% for Brazil and its followers.



Group two. According to the text, the other face of the coin is represented by the group led by Mexico, of which members share much stronger commercial links, in both goods and services, with industrial countries. This group's 2011 growth outlook aims to 2.7%.

Political Tips

Syria joins the change in the Middle East. The whole Syrian cabinet resigned last Tuesday, so was informed in national Syrian television, in the most recent concession to the mass protests claiming political freedom, and in the midst of the worst riots presented in the country in the last few decades. President Bashar Assad accepted the Ministers' resignation after their usual weekly meeting. Assad, whose family has been ruling Syria for the last 40 years, relentlessly repressing dissention, is trying to calm the increasing fury with a number of concessions.

Hunger strike over. The Student Movement's speaker, Gaby Arellano, thanked the nation for supporting her 52 fellow students during their hunger strike lasting 31 days. She stated they would continue fighting "whenever they try to step on our rights." She warned that if the Government didn't follow through with its commitment, students would hit the streets again. She insisted that the document signed by the Government was a guarantee that all their demands would be met.

A concession. "Soon, in a few weeks, my Government will homologate all scholarships to 400 bolívares, and we will increase the number of scholarships as well." So was stated by President Hugo Chavez during the graduation act of Hydrocarbon Technical Specialists at Universidad Bolivariana de Venezuela (UBV).

586 cases of AH1N1. The minister of Health, Eugenia Sader, reported that the official numbers handled by the National Government indicated the existence of 586 confirmed cases of AH1N1 influenza nationwide.

Impunity grows. According to Primero Justicia, impunity in Venezuela has increased by 91.0%. Jose Manuel Hernandez, coordinator of the political party condemned the fact that during 2010 there were more than 17,000 murders reported in Venezuela.



Asking for primary elections at the end of the year. The platform Venezuela Libre, integrated by 19 civil society organizations, requested the Democratic Unity Table to celebrate the primary elections for the opposition's single presidential candidate during the last quarter of 2011.

MUD responded. The coordinator of the Democratic Unity Table, Ramon Jose Medina, said that if the organization had learned anything from previous elections was that all parties were essential, and that no single organization was more important than the rest. He stated the primary election to choose the single opposition presidential candidate 2012 would be celebrated between November of 2011 and February of 2012, as per an agreement already reached among the participating parties.

Little military. The National Armed Force's new Military Education Integral Plan published in Official Gazette N° 39,641 of last Thursday, "imposes Integral Defense Education as part of the National Educative System." The text of the Ministry of Defense points out the need for the "military education model" to transcend "military spaces," so to incorporate the people "in the nation's defense."

Electoral system to be reviewed by the UN. Ever since the moment the CNE started installing it in 2004, the automated voting system has raised doubts and suspicions as to its impartiality, transparency and reliability in different sectors of the nation. These concerns were expressed by the organization Esdata to the United Nations High Commissioner for Human Rights, South African Navi Pillay, as well as to the organization's Human Rights Council, and this year, both instances will evaluate the degree of compliance of fundamental warranties in Venezuela.

Great Housing Mission Venezuela for April 12. The details of the Great Housing Mission Venezuela are still being refined, so it will be launched next Tuesday April 12, said President Hugo Chavez Frias. According to the President's promises, some of the guidelines of the mission were expected to be known last Saturday, March 26, however, the launching was postponed to take care of some legal and financial details. The Head of State said last week "the launching of the Great Housing Mission Venezuela will start a scientific and statistic record to be used as a 'print reader' to unify through this census everyone needing a home in Venezuela". He mentioned that 74 Venezuelan construction companies had already held meetings with the National Government to establish their participation in the initiative. They also expect to count on the participation of the private banking system which, according to Chavez, is willing to collaborate with the construction plans.

Presidential Tour. President Hugo Chavez informed last night that during his visit to Argentina he would sign a new agreement to purchase over 600,000 tons of food,



plus “thousands of tractors, seeders and harvesters, already in construction.” So he informed as he arrived to Buenos Aires, the first stop in his Latin American Tour that will also take him to Uruguay, Bolivia and Colombia.

PSUV and PCV back to the Patriotic Pole. Both the Communist Party and the United Socialist Party of Venezuela celebrated a meeting to create the Patriotic Pole. Carlos Aquino, member of the PCV political office, branded the link between the national directions of these two parties as positive, as it allowed them to talk about all aspects of the new Patriotic Pole.

TSJ obeys. The maximum salary of Supreme Court of Justice (TSJ) magistrates established at twelve minimum wages was made official last week. According to the Official Gazette, the amount of VEB 14,686.68 was established as the total monthly salary. This resolution also set the maximum salary of the executive director of the Magistracy at ten minimum wages, that is VEB 12,238.90.

First steps for the campaign. President Chavez called his followers to boost, strengthen and enforce the Constitution, as well as the socialist project Simon Bolivar 2007-2013, a task in which the PSUV and the organized people must be the main actors, aiming to the construction of the democratic and pacifist socialism. *“those who voted for Chavez voted for the democratic and pacifist socialism, so they need to know the path they’re walking and make sure the laws are complied with,”* he said.

And in the organization. Aristobulo Isturiz stated that the revolutionary party’s board of directors had discussed the 3R2: revision, rectification and re-boosting, as well as re-polarization, re-politicization and re-unification, discussing the strategic guidelines proposed by the Chief of party, Hugo Chavez. On April 13, the party will start creating patrols that shall establish alliances with communal councils and health committees, among others, to achieve the consolidation of the fighting circles for people’s welfare, expected to be deployed nationwide by December of 2011.

Legislatives Tips

Finally back to work. After almost three months installed, the National Assembly authorized the 2011 legislative agenda, to include 28 laws. However, this proposal did not convince opposing congressmen who condemned a “parliamentary cut,” as



they left out over 30 laws that had been pre-agreed in the commissions. Amongst the laws that weren't included was the Law of Retirement Pensions.

Social interest is the priority. The new legislative agenda shows the busiest Commission will be the Social Development Permanent Commission, with six projects: The reform to the Organic Labor Law, the Organic Law of Health, the Law of the First job, the Law of College Education, the Organic Law of Physical Education and Sports and the reform to the Organic Law of the Social Security System.

Eight commissions will have only one project. Likewise, eight of the commissions will only have one project to work on in 2011, the Culture Commission will be working on the Organic Law of Culture, the Commission of Cults and the Penitentiary Regime will be working on the Organic Penitentiary Code, the Comptrollership Commission will be working on the Law against Corruption, the Energy and Oil Commission will be working on the Law for Energy Saving, the Environmental Commission will be working on the Penal Environment Law, the Indigenous Peoples Commission will be working on the Law against Racial Discrimination, the Media Commission will be working on the Law of Alternative Media, and the Foreign Policy Commission will be working on the Foreign Service Law.

And the rest. The Domestic Policy Commission will be working on the reform to the Penal Code, the Law of Disarmament, the reform to the Organic Law of Peace Justice and the Law for the punishment of Crimes, Torture and Disappearances in the 60s, 70s and 80s, while the Defense Commission will be working on the Law of Borders, and the Law of Disarmament, along with the Domestic Policy Commission. The Family Commission will be in charge of writing the reform to the Organic Law for the Protection of Children and Adolescents and the Adoption Law, the Administration Commission will be drafting the Law against Real Estate Fraud, the Law of Tenancy and the Law against Fraud in the Programmed Purchase of Vehicles, and the Finance Commission will be working on the Law of Promotion of popular Tourism, the Antitrust Law and the Budget and Indebtedness Laws.

And there's no turning back. *Official Gazette N° 39,640* of March 28, 2011 established the amount of Bs. 14,686.68 as the total monthly salary of TSJ magistrates. However, despite the Organic Law of Salaries, Pensions and Retirement Funds of Public Administration High Executives includes these public clerks, professionals of the higher court suffered a salary reduction since February 1 of 2011, established by the Board of Directors of the TSJ. This resolution also set the salary of the executive director of the Magistracy at ten minimum wages, or VEB 12,239.





It will be prioritized, after all. According to the president of the National Assembly's Integral Social Development Commission, Oswaldo Vera, the AN will actually expedite the discussion and approval of the Organic Labor Law (LOT). "We want to ratify it: this National Assembly is open to the people, to students, to workers, and we are committed to meeting the demands we received last Thursday from a group of college workers." So far, the commission has introduced 12,283 proposals.

In sight. The Domestic Policy Commission started working, and expediting, the revision of the Law of Disarmament and Control of weapons and Ammunition and the Penal Code. This draft was deferred in the second discussion last September 16 of 2010 for presenting inconsistencies, and only 2 articles were approved in said discussion. The drafting of the Law of Disarmament and Control of weapons and Ammunition will be in the hands of the Domestic policy Commission along with the Defense and Safety Commission.

Both sides will intervene. Representative Freddy Bernal, member of the commission, indicated that the plenary session should be established within 90 days to discuss the Law of Disarmament and Control of Weapons and Ammunition. The draft under discussion is the same one containing 69 articles. However, they are still waiting for the proposals of the opposition wing and the Ministry of Internal Affairs and Justice within the commission, in order to incorporate new elements to the draft.

Getting the signatures. The first vice president of the National Assembly, Aristobulo Isturiz, along with the tenant networks, appeared at the CNE last Wednesday to submit the 413,498 signatures collected to support the Law for the Regularization and Control of Real Estate Tenancy. Meanwhile, the National Assembly appointed a special commission to be in charge of reviewing the proposal, integrated by representatives Andres Eloy Mendez, Juan Carlos Aleman, Marcos Figueroa, Jose Gregorio Graterol, Dinora Figurea, Jose Avila, Morel Rodriguez, Rosa Leon, Gladys Requena and Marlene Contreras.

And the pressure will continue until the law is passed. According to the first vice president of the National Assembly, Aristobulo Isturiz, the board of directors will urge representatives to approve the statutory urgency of the Law for the Regularization and Control of Real Estate Tenancy. He said that this proposal represented a precedent to drive and approve a draft presented by the people's initiative.





ECONOMIC OVERVIEW

