



## Weekly Report

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*The price of gasoline, a senseless subsidy*

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A feature of modern-day Venezuela is that it is highly dependent on its oil revenue, which many of its citizens consider infinite and a generator of wealth. From the time it appeared, this “revenue” has given rise to the expectation that everything associated with oil should be free or very cheap, something that has helped to reinforce resistance to any increase in the prices of oil derivatives and has exacerbated their consumption, creating major distortions in the domestic market and leading to considerable fiscal losses.

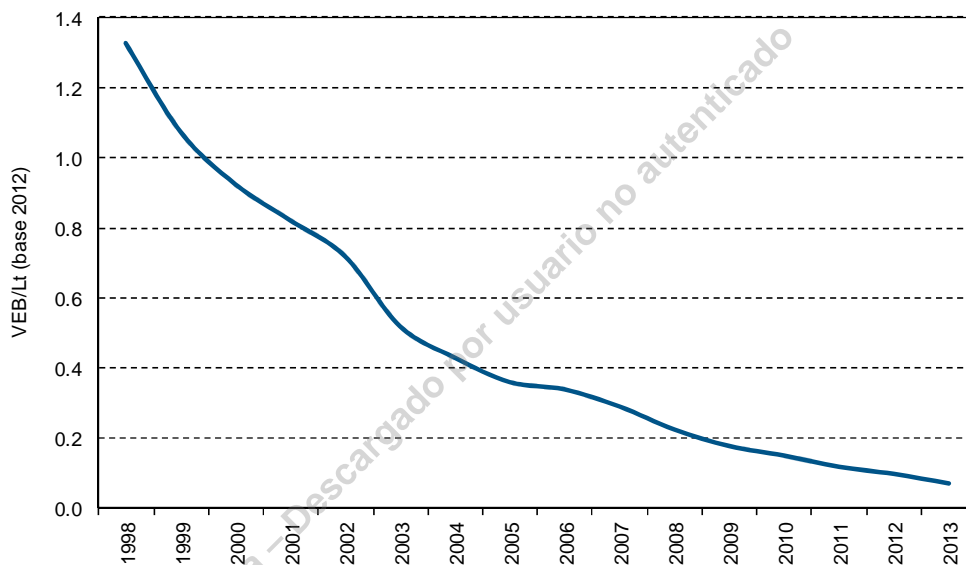
Among those derivatives, one with the highest consumption and, therefore, with a high fiscal impact (generated by the subsidy itself) is gasoline, the price of which seems to be about to be revised by the government, which has said on several occasions that this business of giving it away has to stop and has given signs that it wants to give the oil sector much more breathing room by implementing new foreign exchange mechanisms.



**How much are we talking about?**

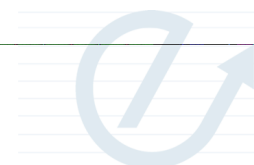
There has been a gasoline subsidy in Venezuela for decades. Its persistence is evident if one considers that the price of 95 octane gasoline –which is consumed the most- has not changed since 2009 and that this price even posted a drop in real terms of 94.7% between 1998 and 2013.

**Today We Paid Less for the Gas**



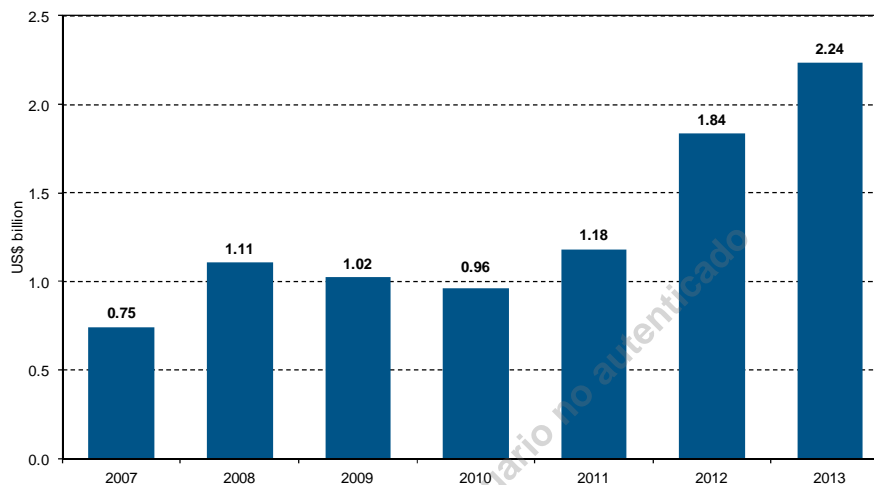
Sources: Pdvsa, BCV and Ecoanalítica

At the moment, 95 octane gasoline is sold at VEB 0.097/lit and its production cost is nearly VEB 0.8/lit, which gives a loss of VEB 0.7/lit. If we take estimated domestic gasoline consumption in 2013 of 305.7 kb/d, at the moment the accounting cost of the subsidy comes to nearly VEB 13.71 billion (US\$2.24 billion).





The Production Cost of the Subsidized Gas



Sources: Pdvsa and Ecoanalítica

Even more serious is the fact that factors such as “ridiculously” cheap fuel prices, sustained growth of both the population and income, increased use of thermoelectric generation, and the lack of success in implementing policies that would encourage the consumption of alternative fuels –the “Autogas Project” being a case in point- have meant that the subsidy has grown over time. The demand for gasoline has grown to such an extent (57.4% between 1998 and 2013) that the accounting cost of the subsidy has grown more than 200.0% over the same period.

At **Ecoanalítica** we estimate that this trend of growth in gasoline consumption will push demand for this derivative up to 370.0 kb/d by 2018, which would be equivalent to 11.2% of domestic oil production (it was of 5.5% in 1998). This is worrying as it means there will be less oil available for -and less revenue from- exports.

**There is more than one cost**

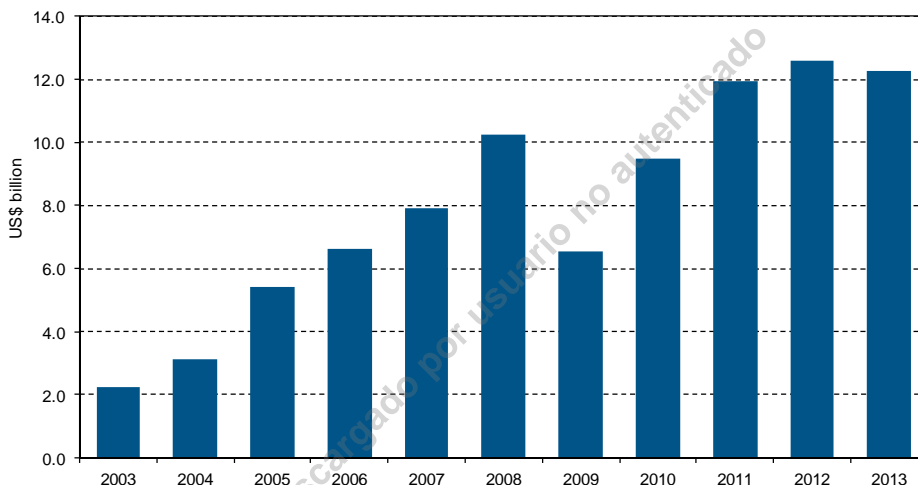
What we have explained above only takes account of the production cost. However, by maintaining the subsidy, the government also incurs a high opportunity cost, since what is consumed in the domestic market could be sold in the foreign market at a much higher price, thus generating more revenue from exports and bigger payments in royalties and taxes by the oil sector.

Taking the FOB price of gasoline sent to the United States (which does not take transport costs and taxes into account) as a marker, at **Ecoanalítica** we estimate that in 2013 Venezuela forfeited earnings of VEB 75.34 billion, equivalent to US\$12.28 billion at the official exchange rate.



Between 2003 and 2013, Petroleos de Venezuela (PDVSA) forfeited earnings of US\$8.04 billion on average per year, a total of US\$88.46 billion, as a result of the gasoline subsidy alone; and that figure increases to US\$184.72 billion if account is taken of other derivatives.

**The Opportunity Cost of the Gas Subsidy**

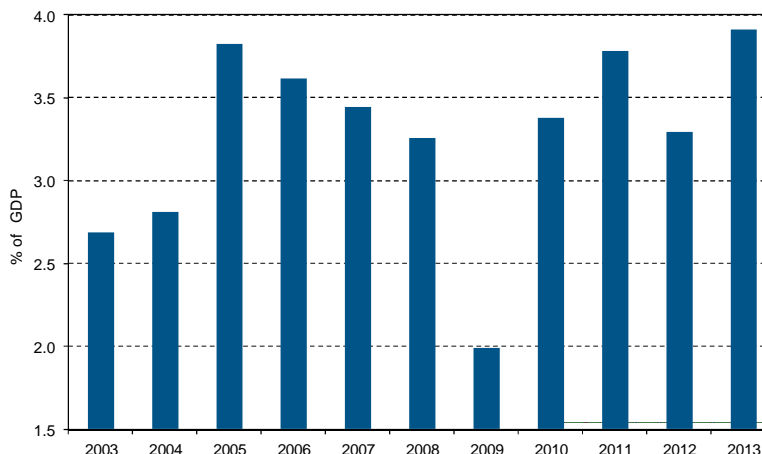


Sources: IEA, Pdvsa and Ecoanalítica

### The size of the subsidy

To give a rough idea of the weight of the subsidy, it came to 3.3% of the Gross Domestic Product (GDP) and is equivalent to 26.7% of the social investment performed by the government (current spending on health, education, social security, housing, culture, and science and technology) between 2003 and 2013.

**The Opportunity Cost of the Gas Subsidy**



Sources: BCV, Pdvsa and Ecoanalítica



From the point of view of PDVSA's cash flow, the subsidy complicates the situation or at least does not help to mitigate the effects derived from the weight of the oil company's social spending obligations and the millionaire investment it has to make. At **Ecoanalítica** we estimate that the gasoline subsidy represented around 85.0% of the social spending performed by PDVSA (social missions or programs) and 65.0% of its spending on investment (in exploration, production, and refining) between 2003 and 2013.

The interesting thing about this comparison is that it allows us to see how the government allocates a large slice of the resources to a subsidy that makes no contribution to "social improvements" and "the elimination of poverty," two of its main banners.

### A subsidy but for what?

In economic theory, the existence of subsidies is justified owing to the existence of market flaws that discourage investment in activities that have a sizeable social return, but whose private return (that of the investors) is null or negative. As a general rule, subsidies are intended to protect infant industries that generate positive linkages with (encourage the appearance of) other industries and to keep down the cost of services that generate a high level of well-being in the population (health, education, research and development, recreation); moreover, many are redistributive in nature.

While it is true that the gasoline subsidy keeps down the costs of goods and passenger transport, it does not result in a reduction in the final costs of goods and services, not even transport costs, which have posted a cumulative increase of over 2,500% in the past 15 years. What is worse, a study from the Kennedy Government School of Harvard University<sup>1</sup> covering the period 2005-2012 show that the gasoline subsidy is regressive; that is the people who take most advantage of it are those with higher incomes and those with lower incomes benefit least.

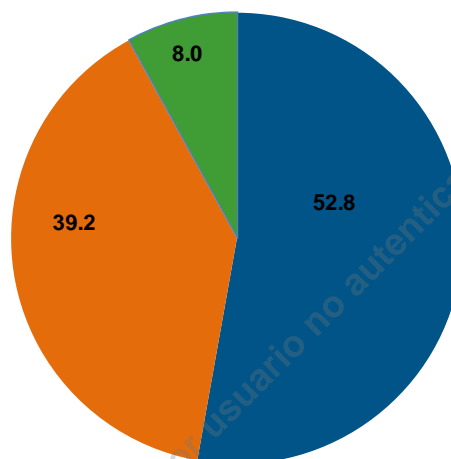
Most of the gasoline consumption subsidy (52.8%) ends up being used by private vehicles, 62.1% of which belong to people in the richest quartile of the population. Only 39.2% of gasoline consumption is for passenger transport, but given the systems of concessions and extra costs in this sector (subcontracting of drivers), that subsidy does not end up translating into lower fares.

<sup>1</sup> *Rethinking the Taboo: Gasoline Subsidies in Venezuela*, Douglas Barrios and José Ramón Morales, March 2012.



### Distribution of the gasoline subsidy

■ Private vehicles      ■ Transport of passengers      ■ Transport of goods



Sources: BCV, INTTT, Pdvsa and Ecoanalítica

In short, the subsidy generates no added value to the domestic economy, it does not contribute to developing the value chain in any specific sector nor does it contribute to improvements in productivity; however, it does contribute to accentuating inequalities in income.

At **Ecoanalítica** we believe that, over time, the different administrations have created a matrix of opinion that says that the oil “belongs to the people” –even though it has to go through a costly process before it can be used-, and that this has made it difficult to put up the domestic price of gasoline, particularly the current administration has made use of vast sums of money to maintain its popularity. So, it is difficult to withdraw a subsidy that is perceived by the population to be a natural right and that is perceived like the subsidy that “reaches them most directly and most easily”, even though this ends up benefiting the wealthier sectors of the population.

As in the area of foreign exchange, fear of adjustments and the effects they will have, as well as the political fallout, seem to have delayed necessary measures until their implementation is almost inevitable.





**The invisible costs** Besides the accounting and economic costs of the gasoline subsidy, it generates other indirect costs. They include:

- High CO<sub>2</sub> emissions due to the use of less efficient vehicles, encouraged by low fuel prices.
- Heavy traffic congestion, particularly in metropolitan areas, which leads to an increase of between two and three hours in daily commute time.
- There are no incentives for developing and using alternative energies. Opportunities for arbitrage are generated –due to the price differential with neighboring countries-, which encourages gasoline smuggling.

It is obvious, then, that eliminating the subsidy would bring not only economic benefits but environmental and social benefits as well.

**Adjustments, do they too have a cost?** However, it is not all benefits. When eliminating a subsidy, account must be taken of the impact this would have on the price chains of goods and services<sup>2</sup>, mainly due to expectations of economic agents about the price adjustment transport of goods and people. At **Ecoanalítica** we consider that the impact of an increase in the price of gasoline to where it would cover costs, which means that raising it (693.8%) would lead to an increase of only 10.0% in the prices of the economy.

The existence of huge benefits from eliminating the subsidy, together with the low cost of eliminating it –from the economic point of view- makes it more than obvious which is the decision that needs to be taken. The subsidy should be eliminated. Not eliminating it will prolong the existence of a measure that, from the viewpoint of the allocation of resources, is inefficient, to say the least.

At **Ecoanalítica** we are of the opinion that there is a part of the subsidy that should be eliminated and another that could be maintained –the part intended for public transport-, provided measures are implemented to guarantee lower fares for users. As always, it is of paramount importance that the government clearly communicates its objectives and generates a positive matrix of opinion in order to reduce the negative impacts of the measure and ensure its success. Moreover, the application of compensatory mechanisms, through direct transfers to low-income sectors, could help the measure to win support easily, making his approval easier and expedited.

<sup>2</sup> If the subsidy is completely eliminated so that gasoline prices adjust immediately to their true level, the resulting jump in prices cannot be defined as inflation, but rather as a one-off adjustment to the new real gasoline prices.



## Economic Tips

**Drought for the private sector will be worse than in 2013.** According to our director, Asdrúbal Oliveros, the private sector will receive nearly US\$24.6 billion through Cencoex, SICAD I and SICAD II this year, down 22.0% from the US\$31.6 billion awarded last year through CADIVI, SICAD I, and SITME. *Ecoanalítica* learned unofficially that disbursements of dollars in the first two months of 2014 came to US\$70.0 million a day, less than the amount approved in 2009, a year of economic crisis as a result of a sharp drop in oil prices.

**SICAD II: financing assured.** The economist for Latin America at Barclays Capital, Alejandro Grisanti, stated that SICAD II will guarantee the treasury additional revenues to the tune of VEB 450.0 billion, approximately 12.0% of GDP, which will make it possible to narrow the gap between public sector revenues and expenditures from 16.2% of GDP to 7.0%. Grisanti added that, by permitting direct financing, the devaluation via SICAD II reduces incentives to monetize the deficit, although he did point out that the monetary authorities have not specifically said whether the Central Bank's financing of state-owned companies will cease.

**Demand still high in SICAD I:** Last week, US\$215.2 million was awarded via SICAD I at an exchange rate of VEB 10.7/US, according to reports by Cencoex. In all 2,030 bids were received for a total of US\$798.3 million, 1,296 of which (amounting to US\$519.8 million) were rejected owing to the fact that the companies did not comply with the criteria of the call to bid, such as failing to submit value added tax (VAT) declarations and payment or income tax returns and payment for 2012, or had been suspended by Cencoex.

**Less foreign currency, fewer imports:** According to figures published by the National Statistics Institute (INE), Venezuela's non-oil imports came to US\$44.95 billion in 2013, for a reduction of 4.9% compared to 2012 (US\$47.31 billion). The drop in the value of foreign purchases was a result of the 6.6% contraction in private sector imports (affected by the allocation of less foreign currency), whereas public sector imports fell by 18.4%.

**Downgraded from B+ to B on grounds of instability:** The risk rating agency Fitch downgraded Venezuelan debt from "B+" to "B," with a negative outlook. Fitch informed that it had based its decision on the country's heightened macroeconomic instability and pointed specifically to the lack of sustained and coherent adjustment



policies, which could lead to greater financial instability and exacerbate the risks of growing social unrest due to the high level of polarization in the country.

**A helping hand:** The International Monetary Fund (IMF) has said that it is prepared to provide Venezuela with financial aid given the “significant difficulties” that its economy is facing. Despite not having reviewed the Venezuelan economy for eight years, the IMF said that “*policy action is urgently needed to reduce imbalances and restore price stability*” and reiterated that it stands ready to assist the government in enhancing growth and economic stability.

**Taking measures to control liquidity:** According to a resolution issued by the Venezuela’s Central Bank (BCV), starting April 1, banks in Venezuela must maintain a minimum of 21.5% of their current net liabilities (deposits by the general public) as compulsory reserves (legal reserve) deposited with the Central Bank and a minimum of 31% on the growth of deposits (marginal reserve). At **Ecoanalítica** we estimate that the 1.0% increase in the legal reserve will lead to a contraction of only 3.0% in liquidity.

**More debt in 2Q2014:** The Minister for Economy, Finance and Public Sector Banking, Rodolfo Marco Torres, announced the start of the Sovereign Public Debt Placements Schedule for the second quarter of 2014. Torres expects the borrowing to contribute to managing the monetary policy and that they will manage to attract around VEB 1.5 billion a week via bonds and VEB 900 million via treasury bills.

**Regional leader in inflation:** According to the FAO, in February Venezuela was the country with the highest food inflation in Latin America with an increase in prices year-on-year of 74.5%. Nationwide food inflation was way above the regional average for the past 12 months (10.7%) and the countries in the region with the second and third highest food inflation: Uruguay (10.4%) and Bolivia (9.8%).

**Interest rates.** The lending rate for the third week of March was at 15.5%, down by 0.3 percentage points (pp) compared to the previous week. Meanwhile, the time deposits rate and the passive rate stood at 14.5% and 15.0% respectively, which were stable in comparison to the previous week.

**International reserves.** International reserves increased by 1.3%, going from US\$21.20 billion during the third week of March to US\$21.49 billion during the second week of March. Compared to the same period last year, international reserves have decreased by 20.7%.

**Central government expenditure.** On Friday March 28<sup>th</sup> according to figures from the NTO primary spending was VEB 19.80 billion, which means an increase of



123.5%; when it is compared to the same period last year. So far this year, the primary expenditure accumulates VEB 156.98 billion 45.1% more than the same period last year.

**Monetary liquidity.** Money liquidity (M2) increased 1.6% in the third week of March from the week prior, to settle at VEB 1.32 trillion. The M2 has increased 77.4% in relation with the same period last year.

## Oil Tips

**Let's sell, we need the cash.** Owing to high cash flow needs and declining domestic demand –generated by anti-government protests–, PDVSA is to put approximately 2.3 mb of crude, low-sulfur diesel and jet fuel on the open market in April, 215.1% more than offered in March (730,000 barrels). The main ports that will take the deliveries include Zhan Jiang in China, Cupet's port at Cienfuegos in Cuba, and Kingston in Jamaica.

**It dropped.** According to data published by the Ministry of Oil and Mining, the price of Venezuelan oil fell by 7.0% in the first quarter of 2014 compared to the same quarter in 2013, going from US\$103.6/bbl to US\$96.3/bbl. According to the ministry, this reduction was due to oversupply in the oil market and the commercial conditions for the crudes that Venezuela produces. Moreover, the ministry's publication maintains the estimate for the average price of the Venezuelan oil barrel at US\$96.3, which means a reduction of 3.1% compared to its average price in 2013.

**Fewer barrels for the gringos:** According to data supplied by the US Energy Information Administration (US EIA), in January 2014, Venezuela shipped only 678,000 b/d to the United States, a drop of 23.0% compared to the same period in 2013 (898,000 b/d). This shows that the Venezuelan State is giving priority to allocating its production of refined products to the domestic market and other trading partners with which it has political and economic alliances.

**Good old December days?** The Organization of the Petroleum Exporting Countries (OPEC) production dropped in March to its lowest level since December last year, owing to a setback in the recovery of Iraq's oil sector and a cutback in pumping by the group's African members. In the third month of the year, OPEC supplies averaged 29.79 mb/d, a drop of 30.06 mb/d compared to the previous month.



**PDVSA's going after 250,000 barrels.** The state-owned PDVSA has put in a tender to purchase a cargo of 250,000 barrels of catalytic naphtha for delivery at the end of April at any of its ports. The oil company will receive proposals until the beginning of April and they should be indexed to the price of unleaded gasoline from the Gulf Coast of the United States. Payment will be via an open account 30 days following presentation of shipment documents.

**And also offers.** PDVSA placed two offers for the sale of oil products, the first for two cargoes of 240,000 barrels each of ultra-low sulfur diesel and the second for a total of 250,000 barrels of light virgin naphtha and natural gasoline. PDVSA specified in the offer that the ultra-light sulfur diesel would be for delivery in early April at the United States Gulf Coast or East Coast, Canada, Northeast Europe, West Africa or the Mediterranean.

**International oil baskets.** At closing time on March 28th in the New York Stock Exchange, the price of the WTI was US\$99.9/bl, increasing by 0.8% when compared to the reported the previous week. The Brent increased by 0.4% when compared to the previous week, to reach US\$107.1/bl.

**Local oil basket price.** The Venezuelan oil basket price closed at US\$95.4/bl on Friday March 28<sup>th</sup>, increasing by 0.4% when compared to the reported the previous week. The annual average price of the Venezuelan oil basket is US\$96.42/bl.

## Business Sector Tips

**Some relief for the airlines:** The Minister for Aquatic and Air Transport, Hebert Garcia Plaza, announced that the Venezuelan Government is to honor the exchange rate corresponding to each year for payment of the outstanding billings it has with the international airlines, but that payment schedules had not been officially established. *"At meetings with representatives of the airlines, we undertook to pay the debt from 2012 at VEB 4.30/US\$ and the debt from 2013 at VEB 6.30/US\$, and also to keep billings for 2014 up to date with the average rate from the weekly SICAD auctions, which is currently at VEB 10.80/US\$,"* added the minister.

**An opportunity for improvement:** The president of the Airlines Association of Venezuela (ALAV), Humberto Figuera, explained that, if the sector is paid what it is



owed for air ticket sales (nearly US\$3.8 billion), the airlines will have to make efforts to improve their air fares or at least make attractive offers to promote their destinations in Venezuela. Figuera also expressed his approval of the decision taken by the government to pay the debts with the airlines at the exchange rates applicable in the years when they were incurred.

**Chacón is beginning to see reason.** The Minister for Electricity, Jesse Chacón, said once again that his ministry is working on “*a model to reduce the electricity subsidy, which today is 80.0%*” of the bill, with a view to “*obtaining funds to carry out the maintenance that is needed*” in the system. Chacón clarified that “*producing electricity has an economic and an environmental cost. Our system of charges does not control demand because the charges are the lowest in the world.*”

**Spending more and buying less:** Even though total imports fell in 2013, food imports grew by 20.1% in terms of value compared to the previous year, going from US\$5.57 billion to US\$6.29 billion. This does not tally with the quantities purchased between 2012 and 2013, as imports of vegetables, bovines, and cereals fell by 24.7%, 13.4%, and 25.6%, respectively, with only the volume of jointed meat imports experiencing an increase, of 11.9%.

**Still no solution in sight:** The Venezuelan Food Industry Chamber (Cavidea) warned the government that the debt its member companies have with their suppliers to date comes to US\$2.70 billion, a situation that seems to have affected commercial relations and shipments of inputs and raw materials, thus heavily compromising food production. The president of Cavidea, Pablo Baraybar, demanded total payment of that debt, which should be calculated at the VEB 6.3/US\$ preferential exchange rate.

**Another subsidy for rice producers:** The Minister for Agriculture and Lands, Yván Gil, announced that the government had approved another subsidy for rice producers, who will start to receive VEB 4.7 per kilo of humid paddy rice delivered to the silos. The minister explained that this subsidy will apply to rice harvested between January and July 2014. He also said that this was positive for the sector, since it is in line with the policies that have already been implemented and resulted in a 20.0% increase in both the area put down to rice and the harvest in 2013.

**A 20-year ceiling:** The Ministry for Housing and Habitat published a resolution that dusts off a transitional provision included in the Housing Rentals Regulation and Control Act that ordered the sale of apartments in buildings that had been used as rental properties for 20 or more years. This resolution was published in *Gaceta Oficial* No. 40,382, which also establishes the application of fines for those who do not comply with the regulation.



**Cement production dries up.** The Central Bank's statistics show that public sector manufacturing contracted by 17.9% in 4Q2013, which is clearly reflected in the poor performance of the cement companies last year. Venezolana de Cementos, Venezuela's biggest cement company and one of a large number of cement companies that were taken over by the State saw its production drop by 13.1% in 4Q2013. The other main cement companies experienced contractions of more than 30.0%.

**Maduro is to combat battery shortage.** President Nicolás Maduro has signed a production agreement to combat the acute shortage of car batteries. *"This has to stop, this business of stopping production. It's got to stop. Let's produce. We know how to do it. We've got the wherewithal, in bolivars, in foreign currency (...) to put here, there. We've got relations with the world for these supply situations to be perfect,"* said Maduro, commenting that he had also given Industries Minister José David Cabello a number of *"very precise instructions"* for dealing with the automotive and auto parts sector's problems.

## World Economy Tips

**Ready to intervene:** China's prime minister, Li Keqiang, said that his government is prepared to boost the economy in the event that it were to cool down and gave assurances that they have the necessary economic policies in place to maintain growth, a key policy being making major investments in infrastructure. "We have gathered experience from successfully battling the economic downturn last year and we have policies in store to counter economic volatility for this year," Li added.

**Danger of deflation in Europe:** According to a Statistical Office of the European Union (Eurostat) report, annual inflation in the Eurozone was 0.5% in March, the lowest since November 2009 and way below the target of 2.0% set for this year by the European Central Bank (ECB). This is the sixth month running that inflation has been in the ECB's "danger zone," i.e. below 1 percent. The low levels of inflation are an important sign that the economy is slowing down, which could lead the ECB to take measures (cut rates) that would boost credit and consumption.

**It's time to act.** According to the IMF, the EBC would have enough room to cut its reference interest rates. This opinion was given following publication of the region's inflation results for March. *"We are not so much worried about deflation by itself, but*



*we are very worried about what we call 'low-flation',"* said Reza Moghadam, the Director of the IMF's European Department, who added, *"There is more room for further (ECB) easing, not least because inflation is under control."*

**France still hasn't met its goals.** According to figures published by the French National Institute for Statistics and Economic Studies (INSEE), France's public sector deficit came to 4.3% of GDP in 2013, some 0.6 of a percentage point lower than in 2012, but 0.2 of a percentage point higher than the 4.1% goal promised by the French Government. The deficit was the result of public spending of 57.1% of GDP, whereas the French treasury's revenues came to 45.9% of GDP. Failure to achieve the 2013 goal means that they will have to make greater efforts this year to achieve the objective of bringing down the deficit to 3.0% of GDP by 2015.

**The cost of expansionism:** The World Bank (WB) has warned that the Russian economy could contract by around 1.8% this year if the political crisis deepens owing to the recent annexation of Crimea. The bank's report states that an intensification of political tension could create greater economic uncertainty and reduce investors' confidence and economic activities still further. The World Bank also forecast that, depending on the recovery of confidence among businessmen and consumers with regard to the conflict, the economy could also contract by 2.1% in 2015.

**Aid, but with conditions:** The IMF is to lend Ukraine between US\$14.0 billion and US\$18.0 billion over the next two years, after the Ukrainian Government raised the price of gas for local consumers by 50.0%, eliminating a large part of the gas subsidy. Although the loan has to be ratified by the IMF's board of directors, it is hoped that this will pave the path for other multilateral agencies to provide Ukraine with financial aid.

**Optimistic but cautious:** According to an Interamerican Development Bank (IDB) report, the economies of Latin American and Caribbean countries will grow by 3.0% in 2014 and by 3.3% in 2015, in line with their baseline potential, as a consequence of improved economic prospects in the United States and Europe. While prospects are positive and the region's economies *"are on a more sound footing than they were during the shocks of the mid-1990s,"* the IDB warned that the Latin American economies are *"in a weaker position than they were in 2007, prior to the onset of the Great Recession."*

**Argentina cuts its subsidies.** Argentina's Minister of Economy, Axel Kicillof, announced that the State is to cut the water and gas subsidies that it has been giving since 2003 by 20.0%. Kicillof explained that the subsidies were introduced at a time of crisis, when half the population was living below the poverty line (following the 2001 crisis), but that the low charges have encouraged inappropriate use of water



and gas services in recent years. For that reason, he explained, the cuts would not apply to people who managed to reduce their consumption by 20.0%.

**Cuba: an enchanted island for investors.** The Cuban parliament passed a new foreign investment law that seeks to attract foreign capital as a way of boosting growth following its economic reforms. The new law apparently strengthens legal guarantees and offers considerable tax breaks (a reduction in earnings tax, for example) to investors who put their money into the island. According to Cuba's foreign investment minister, the island needs to attract between US\$2.0 billion and US\$2.5 billion a year in capital, and for that to happen, "there have to be incentives."

## Political Tips

**The government isn't democratic.** According to the latest poll conducted by the Instituto Venezolano de Análisis de Datos (IVAD), 55.0% of the population believes that the government "is no longer democratic." According to IVAD's opinion poll, 62.0% of the population in socioeconomic segments A and B, 55.0% in segment C, and 51.0% in segment D consider that the Nicolás Maduro administration is not democratic. However, 41.0% of the total population is sure that the present administration is democratic.

**And out you go!** The Constitutional Chamber of the Supreme Tribunal of Justice (TSJ) assessed María Corina Machado's alleged infringement of Articles 191 and 197 of the Constitution, which establish that a deputy of the National Assembly (NA) may not accept or exercise public office without losing his or her investiture. In this case, it considered that the former deputy accepted a post abroad, thus endorsing her removal from office.

**Divine intervention:** The Vatican's spokesperson, Federico Lombardi, said that the Holy See is prepared and in conditions to help on the diplomatic front in the crisis in Venezuela, but that first it must study the expectations and options regarding the role it could play. The anti-government protests that started more than a month ago have left at least 37 dead, 550 wounded, and 81 investigations into violations of human rights, according to the Prosecutor General's Office.

**From bad to worse:** According to an opinion poll conducted by Keller & Asociados, six out of every 10 Venezuelans consider that President Nicolás Maduro's



performance is worse than that of his predecessor, Hugo Chávez. According to Keller, this negative opinion is more prevalent among strata A, B, and C, where eight out of every 10 people believe that Maduro's performance is worse than Chávez', whereas the group that rates Maduro best is stratum E, where four out of every ten people think that Maduro's performance is equal to or better than Chávez'.

**Better late than never:** President Nicolás Maduro revealed that the president of the NA, Diosdado Cabello, is getting ready, together with parliament, for the process of appointing justices to the TSJ, directors of the National Electoral Council (CNE), and the General Comptroller of the Republic. The President commented that the process of appointing the former had *“been prolonged to try to help stabilization, given the violence.”*

**The stage is set.** The Union of South American Nations (UNASUR) commission charged with promoting a dialog for peace between the government and other political, economic, and social sectors in Venezuela and that consisted initially of 12 of the bloc's foreign ministers, is now to be made up of the foreign ministers of Brazil, Ecuador, and Colombia. A communiqué issued by Unasur acknowledged the willingness of all sectors to undertake a dialog. It was learned that the Democratic Unity Alliance put as its conditions that the issue of the political prisoners be discussed and that the encounter be broadcast nationwide by all radio and television stations.

**Paying attention to UNASUR:** Vice President of the Republic Jorge Arreaza announced the creation of the National Human Rights Council, following the recommendations made by Unasur. The council will be made up the Vice President, representing the Executive, the Ombudsperson's Office, the Prosecutor General's Office, the Ministry for Homeland Affairs, Justice and Peace, and the Ministry for Penitentiary Affairs, the Ministry for the Communes, *“and all the institutions having to do with human rights issues in Venezuela and also a representation of nongovernment organizations.”*

**We're with the President.** The High Military Command ratified its support of President Nicolás Maduro the day after he announced the arrest of three generals accused of conspiring against the government. In a communiqué, the members of the High Military Command “swore” to back Maduro, claiming that they are “monolithic” in their support of the government.

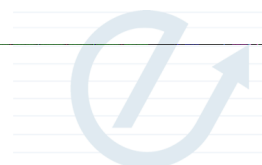
**What will they say abroad?** Deputy Walter Márquez announced that they are to request the trial of President Nicolás Maduro; the governor of Táchira state, José Vielma Mora, the chief of The Andes Comprehensive Development Region (REDI), Miguel Vivas Landino; and the chief of Regional Command One, Franklin García



Duque before the International Criminal Court for the incidents that occurred in San Cristóbal. Márquez denounced the harm done to the population *"that has nothing to do with the conflict, when teargas is thrown inside homes, people are arrested inside their homes, and most of those who are arrested are tortured and submitted to cruel, inhuman and degrading treatment."*

**Ledezma doesn't mince his words.** Mayor Antonio Ledezma described as lamentable the fact that the institutions in Venezuela render accounts to the Executive. He also questioned the size of the police force and the high crime rate. He stressed the importance of using the security forces to fight common criminals and not as instruments of repression.

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**ECONOMIC OVERVIEW**

