



Weekly Report

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**ARGENTINA AND VENEZUELA;
*So far apart and yet so similar***

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There used to be a time when if one compared Argentina and Venezuela one would end up saying that these two mix like water and oil. When an Argentinean doesn't understand a cultural reference or nuance, he/she would most likely say that "*it must be something Caribbean;*" while a Venezuelan in the same situation would say "*those Argentineans, always coming up with something different.*" But, since the Kirchner era in Argentina began, the way both countries see themselves has changed significantly. If we look beyond the stereotypes and prejudices, there are not as many differences between both countries as one would think, not in their governments or in their economic structure. Some of the areas which coincide are surprising.

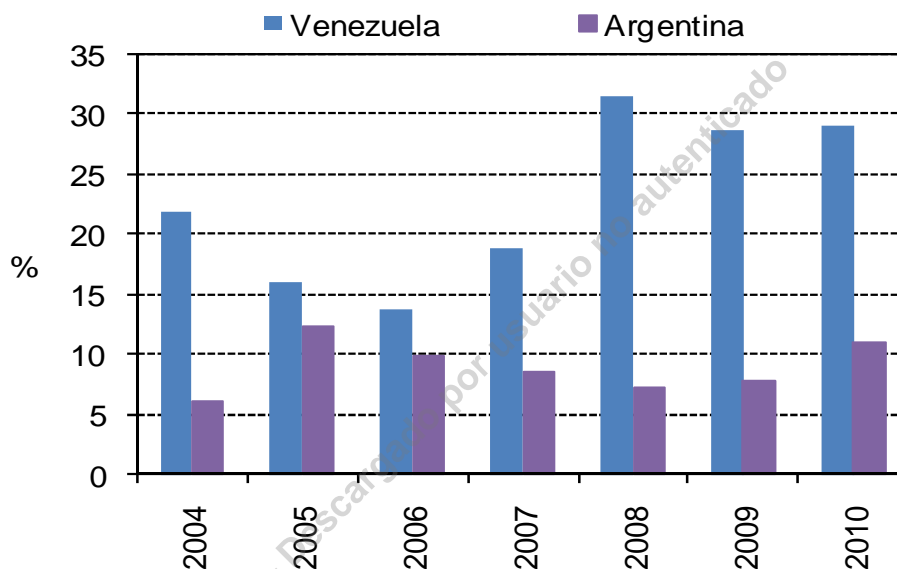
**Both have
inflation in
common**

As we all know by now, Venezuela has had the highest inflation rate not only the continent but also in the world. What you may not know is that Argentina has the second highest inflation rate in South America. Its y/y inflation rate is over 20.0%, and as is often the case, food and beverages are the items which increase in price the most, to the despair of the poor.



According to private sources, the inflation rate for the first quarter 2011 in Argentina is at 5.6%, with Venezuela still leading the way 6.0%.

Inflation Venezuela Vs. Argentina



Sources: BCV, Indec and Ecoanalítica

The reason that there are no official figures for the inflation rate in Argentina has become a domestic and international political debate. The entity in charge of monitoring and releasing inflation data, the National Institute for Statistics and Census (Indec, by its Spanish acronym) has been accused of manipulating this information in order to control the Consumer Price Index (CPI). In fact, according to private consulting firms, this has allowed the government to hide the accumulated inflation rate of 76.6% for the period between 2007 and 2009. Now, officially, the accumulated inflation rate was 25.3%, for the aforementioned period. In 2011, the inflation rate in Argentina is estimated to close at 25.0%, according to private consulting firms, twice as much as the Kirchner Administration is estimating at 12.5%.

Statistics are not credible

According to businessmen, the Economy department of most of the main universities, and the opposition, distortions in how the inflation was measured has also underestimated the poverty index and has inflated GDP growth rates.





After having spent a week in Argentina, a mission from the International Monetary Fund (IMF) is negotiating with the Indec to implement a new domestic inflation index. The mission met with authorities from the organization and visited a number of provinces where price measurements were different from those of released by the government. In its latest report, the IMF severely questioned the country for the significant gap that existed between the inflation reported by official figures and those reported by private estimations.

Complicated exchange policies: The subject of competitiveness

The exchange rate for the US-dollar is as complicated as it is in Venezuela, although they only have one exchange rate that is in some way set by the Kirchner Administration. The nominal exchange rate of the Argentinean peso (\$) is nominal \$4.05/US\$. Even though, it's not recognized officially, it's not allowed to increase too much because then the inflation takes off; nor is it allowed to decrease too much so that it doesn't affect the trade surplus. Thanks to this "harnessed" US-dollar, international reserves have increased thereby avoiding a run on the Argentinean peso.

Like in Venezuela, Argentina has an exchange control system in place, though it is not as ironclad as it is in Venezuela. It's been implemented to protect international reserves and to fight inflation. The Administration has tightened the reins of the exchange control during the last two years, through regulations and controls in order to slow the demand for foreign currency and stop outgoing capital which in 2010 reached US\$11.0 billion. Argentina's international reserves are at US\$51.40 billion. But, in Argentina, unlike Venezuela, the US-dollar can still be purchased freely. A person can buy up to US\$2.0 million a month as long as they can justify what it is for.

The issue with the US-dollar and the exchange control has affected exports in both countries as well as the competitiveness of domestic products in the international markets. Domestic production costs are very high. Only high prices products such as soya and cereals, which produce the so-called "agro-dollars" or products exported to markets such as Brazil are able to deal with the exchange dilemma.

Central Bank autonomy

It's not a coincidence that a key economic strategy for the Administration of both countries is gaining control of the Central Bank. Two years ago, the former president of the Central Bank of the Republic of Argentina, Martín Redrado, created an international crisis when he refused to pay part of the national debt with the international reserves. And despite the



fact that President Kirchner removed him from his post, he would not leave until he received a judicial order forcing him to do so.

**Social politics:
The “cost” of
being faithful to
politics**

Much like the Venezuelan social programs and Missions, *peronismo* and *kircheristas* are very much a part of a populist movement, and so they promote populist social programs. But these policies are based on a set of political values and ideology existing within their own sphere of existence, but they are not as a part of an economic development plan.

Argentina's main social program is the *Asignación Universal por Hijo (AUH)*, which is a grant program given to children under the age of 18 that are going to public schools, and those going to private school receive a stipend from the State. The grant is for \$220 (US\$55) for each child sent to school that receive a monthly income of less than \$100 (US\$25).

**The electric
power crisis...
another bond we
share**

Argentina is also plagued with many electric power outages, especially during the very hot summer months when the use of air conditioners peak. Even so, there situation is not a critical as it is here in Venezuela.

**A polarized
society**

When the *peso convertible* (pegging the peso to the US\$) failed in 2001 and the country entered an economic crisis without precedent, after 18 months of instability, the now deceased former President Néstor Kirchner was able to get the country out of the crisis thanks in part to Venezuela's help when it purchased substantial amounts of Argentinean debt through the issue of Argentinean bonds. Kirchner also froze service rates and introduced others measure to make the economy more dynamic. Now, what Kirchner followers call “*el modelo*” has begun to polarize the population, this and Kirchner's Administration's petulance for being confrontational.

**A tense
relationship:
Government –
Media**

The relationship between the Argentinean government and the media is very tense, much like the conflicts which occurred between *chavismo* followers and the media eight to ten years ago.

Journalists critical of the Kirchner Administration are accused of being in league with those responsible for the dictatorship of 76 or of being backed by corporate burgesses. Conflicts with the media giant *Clarín* have escalated during the last few years, with the board of directors and the children of the owner, Ernestina de Noble, being harassed. How government advertisement is being assigned is also being used as a type



of weapon to punish those who don't fall in step. Two weeks ago the weekly publication Perfil won a discrimination suit against the State.

The passing of the controversial Audiovisual Media Law a year and a half ago has not helped improve the situation. When it came out it was said that it was drafted explicitly to do away with *Clarín*, a sworn enemy of *kirchenerismo*. Members of the Venezuelan opposition immediately compared this law to the Venezuelan Gag Law.

The effect of propaganda

The government media has begun to wage a war against opposition journalists and politicians, broadcasting programs that make fun of them with numerous parody sketches. The program most notorious for this is called 6, 7, 8 and is broadcast by a government run station.

There is also an ongoing war of words on the Twitter between defenders and detractors of "el modelo" Foreign affairs Minister, Héctor Timerman, has often engaged in a battle of words with politicians and journalists via twitter; so much so that the media has begun to call him "Twitterman"

With respect to the award given to Hugo Chávez by the Journalism Department of the *Universidad de la Plata*, the political columnist of the newspaper *La Nación*, Carlos Pagni, wrote: *"The award given to Chávez expressed the mental climate that dominates the government factions' area of communication as well as the Journalism departments around the country. The government still has not defined, maybe it doesn't know, how far it will get with its strategy. Will this assault on the media become more extended and turn into a more intense assault against the business world?"*

Cristina Kirchner, just like Chávez, doesn't give press conferences to domestic journalists. When she decides to speak to the press she opt to do it before the international press, and if the announcement is big, she make it via network broadcast on television and radio, but it doesn't usually last more than 15 minutes.

Foreign policy

Both countries share similarities with respect to their foreign policies. Both have tense relations with the United States, despite the fact that they both trade significantly with the U.S. The anti-Yankee rhetoric is very present in both countries' discourse and it is one of the things that Argentineans like about Chávez is his get in your face attitude towards the United States. Both countries promote Latin American integrations and the creation of a regional united block to defend their interests.



Kirchner, and her followers, often looks to the past and the history of the independence to justify the present and the discourse of San Martín and Bolívar are often invoked by politicians to make a point, of course with certain editorial license and slanted towards a certain utilitarian point. Sound pretty familiar; doesn't it?

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Economic Tips

Fitch confirmed Venezuelan debt rating at “B+.” According to Fitch ratings, the current price of oil backs Venezuela’s fiscal and foreign debts, thanks to the country’s condition as crude oil exporter. However, the rating is limited by a volatile macroeconomic performance and an exchange rate that leads to less economic growth and high inflation. The rating’s outlook is stable.

Primary spending down by almost 10.0%. According to the latest numbers published by the National Treasury Office, the executed primary spending reached VEB 17.6 billion in March, a contraction by nearly 10.0% compared to the previous month, and by 2.9% compared to the same month of 2010. The fiscal outlay increased by 31.4% during the first quarter of 2011. This fiscal expansion was supported by a significant increase in the allocation of domestic public debt by more than 60.0%, a 45.0% increase in non-oil fiscal revenues and a high price of the national oil basket (increasing by more than 25% y/y), as well as the adjustment to the official exchange rate for priority goods.

BCV indicates all areas of the economy are growing. The president of BCV, Nelson Merentes, is projecting an economic growth between 3.0% and 4.0% during the first quarter of 2011, and expects a GDP expansion by around 4.0% in the whole year. As to inflation, prices will accumulate an increase between 23.0% and 25.0%. The minister of Finance and Planning, Jorge Giordani, highlighted March’s inflation of 1.4%, one of the lowest monthly readings reported in the last two years. Regarding international reserves, BCV projects them to close the year at US\$27.5 billion.

Food basket reached VEB 2,633.6. According to the Documentation and Analysis Center for Workers (Cenda), the Food Basket reported a 0.7% increase compared to February, reaching VEB 2,633.6. The purchasing power deficit is 53.5% (VEB 1,409.8). From March 2010 to March 2011, this indicator presents a y/y variation by 28.0%, so Venezuelans are paying VEB 576.6 more than last year. Eight of the eleven products included in the food basket reported price increases, with oily and leguminous plants, cereals and byproducts, meats and meat products, fish, milk, cheese and eggs being the most affected products.

Merentes: Inflation is still a problem. According to the president of the BCV, Nelson Merentes, Ciudad Guayana, Barquisimeto and Caracas are the three cities with the highest inflation rates. Jorge Giordani reiterated that the unemployment



would decrease within the next few months due to the home construction goal set by the Housing Mission Venezuela, since this is one of the main job-generating sectors in the nation.

Sitme daily amounts satisfy the demand. When asked about the low amounts of operations carried out through the Foreign Currency Securities Transaction System (Sitme) during the first three months of 2011, the president of BCV explained that the situation obeyed to the demand for foreign currency. An amount of US\$19 million was the lowest sum traded in Sitme, one day between January and March.

Seniat collected VEB 32.4 billion in the first quarter. According to Jose David Cabello, Superintendent of Seniat, this tax administration service collected VEB 32.4 billion in the first quarter of 2011, exceeding the period's goal 41.6%. March's tax collection reached VEB 14.2 billion, exceeding the monthly goal by 42.0%, originally estimated at VEB 10 billion. The same month, the National Treasury collected VEB 6.5 billion, exceeding its monthly goal of VEB 4.5 billion by 43.3%.

Income Tax collection down by 0.9% in the first quarter of 2011. The National Tax Administration Integrated Service (Seniat) notified that during the first quarter of 2011, the entity's income tax collection reached VEB 9.7 billion. However, after the inflation adjustment, such collection was down by 0.9% in real terms, compared to the same period of 2010. The tax administration service expects to collect VEB 30 billion in income taxes in 2011. This year, seniat expects to collect a total of VEB 110 billion in taxes for the national revenue service.

Cadivi: Currency allocation up by 11.4%. According to the president of the Currency Administration Commission (Cadivi), Manuel Barroso, as of the end of the first quarter of 2011, the entity had allocated more than US\$7 billion for imports in different fields, representing an increase by 11.4%. The food sector is first on the list with 25.0% of the total foreign currency allocated, followed by the health sector with 21.0%.

IMF contradicts Venezuelan Government's economic goals. The International Monetary Fund estimates Venezuela will get out of the negative growth, with growth projections of 1.8% in 2011 and 1.6% next year, by far the lowest in Latin America. As to the inflation estimates, they expect it to reach 29.8% this year and 31.3% in 2012.

VEB 3.29 billion in supplementary appropriations to be authorized today by the National Assembly. Five supplementary appropriations will be authorized by the National Assembly's Finance Commission. Two were approved for the Ministry of Internal Affairs and Justice, one for VEB 50 million for the homes affected by the



explosion of Cavim in Aragua, and the other one for VEB 1.12 billion to build four new campus buildings of the National University of Safety in Aragua, Carabobo, Lara and Zulia. Meanwhile, another supplementary appropriation was included for the president's office for VEB 200 million. The NA also authorized additional funds for the Ministry of Defense and Health for VEB 1.84 billion. The fifth supplementary appropriation will go to the Ministry of Sports for VEB 79 million.

Supplementary appropriations have reached VEB 6.8 billion so far this year.

The supplementary appropriations authorized by the National Assembly as of March 29 of 2011 reached VEB 6.8 billion, a 14.0% increase compared to the level registered during the same period of 2010.

Interest rate. The lending rate for the first week in April was at 16.8%, falling by 0.4 perceptual points compared to the previous week. Time deposits remained for the second consecutive month at 14.6%, while the passive has not submitted any variation since January 2010, placing well at 12.6%.

International reserves. International reserves decreased -3.4% going from US\$26.846 billion during the first week in April to US\$25.924 billion during the second week. Compared to the same period last year, international reserves have dropped by 8.4%.

Monetary liquidity. Monetary liquidity in the first week in April decreased 0.4% compared to the previous week settling at VEF 305.892 billion. The M2 has creased 28.5% year-on-year.

Sitme figures. To date, US\$7.18 billion have been negotiated through the Integrated System for Foreign Currency Transactions (Sitme), averaging US\$35.0 million a day, with an implicit exchange rate of 5.3VEF/US\$. Last week the traded amount reached US\$162.9 million, US\$5.4 million less than last week when braided US\$168.3 million.

Oil Tips

Necessity demands for a change. Ecuador's State-owned oil company, Petroecuador, issued a statement indicating it would modify the economic and technical conditions of an agreement it has with Pdvsa, looking to increase production in a field administered by both companies. The field Sacha, operated by



Petroecuador and administered by the semi-public company Operaciones Rio Napo, in which Pdvsa owns 30.0% of shares and the Ecuadorian company owns the remaining 70.0%, has reduced production by 2,000 barrels per day, failing to meet the target of the alliance. In Ecuador, they have acknowledged the decrease has been related to contract problems regarding economic and technical conditions.

The drilling began. Pdvsa Petromonagas already began the drilling of horizontal wells in the new technological clump N⁹ located in the Field Morichal in the Lower Orinoco Oil belt, south of the states Monagas and Anzoátegui. The procedure carried out with a last-generation modular drill will allow them to obtain a production of up to 45 thousand barrels of extra heavy crude oil per day. The equipment used in the drilling process is a PDV 22 drill manufactured according to the specific needs of the multiple locations in the Orinoco Oil Belt.

They will keep “reporting”. Even though the firm Inspectorate announced they would no longer audit Pdvsa’s production and exploration figures, the minister of Energy and Oil and president of Pdvsa, Rafael Ramirez, stated they would continue to audit the numbers and might find another firm to do so. According to the latest report certified by Inspectorate, Pdvsa’s crude oil production averaged 2.76 million barrels per day in February, although official numbers indicated a little over 3 million barrels per day, reconfirmed by the president of Pdvsa in his public statement. He also stated that exports were slightly over 2.3 million barrels per day, being the domestic market consume 640 thousand barrels.

Natural gas also moving forward. Pdvsa Gas Comunal moves forward in the construction of seven liquefied oil gas (LOG) filling plants in the states of Miranda, Bolivar, Sucre, Cojedes and Apure, with the objective of expanding the product’s availability nationwide.

Worried again, for a change. Oil industry suppliers are once again facing cash flow problems, needing to get loans to cover operation costs as Pdvsa is once again late in the payment of its contract obligations. Given the amounts of these loans, the state oil company has celebrated meetings with financial institutions, which have been asked to check these loans with service providers until payments normalize.

Not new. Since 2009, Pdvsa has been having problems to meet its obligations with service suppliers. As of the end of 2010, Pdvsa’s financial balance indicated the company owed US\$7.1 billion to service providers.

They keep making the headlines. The power shutdown that affected more than one third of the national electric demand caused complications in the El Palito refinery in Carabobo, a facility with a refining capacity of refining 146,000 barrels per day.



According to the governor of Anzoátegui, Tarek William Saab, the same shutdown also affected the facilities of the sea dispatch terminal, although he offered no details.

War has its consequences. As a natural consequence of an armed conflict, Libya's economy has been very affected after the confrontations, evidenced in a 73.3% fall in the country's oil production, which went from 1.5 million barrels per day to 400,000 barrels per day. This numbers have been partially supplied by Saudi Arabia, Angola, United Arab Emirates and Kuwait.

Santos gets good benefits. Colombian President, Juan Manuel Santos, was able to sign agreements with Venezuela in light of the improvement of his relationship with President Chavez, through which he will sell Venezuelan gasoline to Colombia for a price of VEB 1.47 per liter, a 53.3% increase compared to the price in Venezuela. *"Some might say it's nothing, but the real price is 0.09 bolivars per liter, so it's significant, and we're selling 11 to 19 million liters, the equivalent to 3,000 barrels per day,"* explained minister of Energy and Oil, Rafael Ramirez.

International oil baskets. At New York's market closing time this Thursday, April 14, the WTI remained at US\$107.8/bl resulting in an increased of 2.4% compared to US\$105.3 recorded in the previous week. The Brent creased by 6.4% to reach US\$122.6/bl, compared to US\$115.2/bl of the previous Thursday.

Local oil basket price. The Venezuelan oil basket price creased last week, to close at US\$105.3/bl on Friday, April 08, up by 4.6% from the US\$100.7/bl registered the previous week. Meanwhile, the basket's annual average is at US\$92.1/bl.

Business Sector Tips

Cadivi reduced commerce currency authorizations by 18.0%. Including ordinary imports and purchases through the Aladi agreement, during the first quarter of 2011, Cadivi authorized US\$498.6 million for commerce, an 18.3% decrease compared to the same period of 2010.

Public sector will be able to import without too much paperwork. The resolution published in *Official Gazette N° 39,630*, dated March 9 of 2011 states that exports and imports carried out in accordance with the international agreements signed by Venezuela and considered by the Government to be a priority will not be required to



submit import licenses, non-national production certificates or transitory production insufficiency certificates.

Company expropriated in Guarico. Decree N° 7,860, published in *Official Gazette N° 39,651* of April 8, 2011, orders the forced acquisition of all movable and real estate properties of Distribuidora San Juan, located in Guarico, necessary to execute the project “*Endogenous Development of Guarico’s Food Sector.*”

Commercial sector reported fall in sales by nearly 30.0%. According to the information provided by the National Council of Commerce and Services (Consecomercio), the commercial activity is far from recovering, as sales contracted by 29.7% during the first quarter of 2011, compared to the same period of 2010.

The same story. A power shutdown of great proportions left almost all the national territory without electricity, affecting at least eighteen states and Caracas. The lack of investment in new thermal plants and the lack of maintenance of the distribution and transmission network is an old story. The gradual deterioration of the (SEN) became noticeable in August of 2007.

What was the reason for the power shutdown this time? According to the minister of Electric Energy, Ali Rodríguez Araque, the electric service collapse was due to a large malfunction in the high voltage power line at 765 kilovolts (KV) between substations La Horqueta and San Geronimo, at Km 60, which connect the hydroelectric source of the Guri dam with the nation’s central and western regions.

Orders to speed up plans to avoid daily power shutdowns. The Ministry of Electric Energy plans to invest over US\$7.08 billion over five years to expand and build new power lines, currently limited to transporting energy blocks from the lower Caroni to the nation’s central and western regions. The proposal’s objective is to “*strengthen*” the National Electric System’s (SEN) high voltage power lines to 765, 400 and 230 kV.

Lack of resources limited the execution of electric plans. Making an introspective analysis within his administration report, the Minister of Electric Energy detected technical, budgetary, financial and political limitations that held back his objective to strengthen the national electric system in 2010 to guarantee its reliability.

State homes to be granted as family property. The National Government published in Official Gazette the Law of the Home Ownership Regime within the framework of the Great Housing Mission Venezuela, which introduced the concept of family property for housing units.



TSJ promises to expedite the decision on the bankers' case. For being issues of enormous relevance, the Supreme Court of Justice's Constitutional Courtroom is working at full speed and *"will not take much longer"* to decide over the mistake made by the National Assembly, when last December they modified the law regulating the banking system and suppressed the crime by which tens of former executives of the financial institutions audited by the Government between 2009 and 2010 are being processed.

The so expected recovery of the automotive sector has not come yet. So is proven by the latest numbers released by the Venezuelan Automotive Chamber (Cavenez) indicating a 7.2% fall during the first quarter of 2011, contrasting the 27,784 units sold in 2010 versus the 25,790 units sold in the first three months of 2011.

... **But the car manufacturing industry is also "head down."** Cavenez's report indicates the accumulated level this first quarter of 2011 was 24,223 units, not as much as the level accumulated during the same period of 2010, 24,668.

According to Colombian entrepreneurs, Venezuela has only paid 22.6% of its commercial debt with Colombia. According to the information handled by entrepreneurs from both countries, out of the US\$1.19 billion initially set as debt, only US\$268 million have been paid, 22.6%. However, out of the remaining sum, US\$479 million are to be paid soon, which added to the US\$268 million already paid, would represent a 63.0% of the total debt.

Venezuela and Colombia sign 16 new agreements. After the meeting that took place in Cartagena last weekend, President Santos indicated that Venezuela and Colombia had signed 16 new agreements in the fields of infrastructure, commerce, tourism, drug trafficking and health.

In stand-by. In lack of a final economic cooperation agreement, Hugo Chavez and his homologue, Juan Manuel Santos, decided to extend the CAN commercial rules for three months, starting April 21. Even though entrepreneurs celebrated this decision, they fear the political rhythm might continue to limit the commercial relation between the two nations.

New agreement with Ecuador. Ecuador and Venezuela expect to have a commercial agreement ready by April 21, to substitute the provisions contained in the Andean Community of Nations' (CAN) pacts, from which Caracas will withdraw a day later, according to the Ecuadorian Government. Ecuador's Chancellor, Ricardo Patiño, said the agreement's objective was *"to maintain tax preferences and a high commercial level"* between both countries.



What does this agreement represent? The text regulates, for instance, the maximum acceptable percentage of national production for a good to enjoy the tax preferences, explained the Chancellor, what is known as the ground rules. Patiño said two points were still pending negotiation, without specifying, but he saw no obstacles to reach an agreement. He will be meeting his homologue, Nicolas Maduro, in Caracas next Monday to talk about the advances in the Single Regional Compensation System SUCRE and discuss proposals to increase the commercial activities between both countries. They will also be scheduling a second entrepreneurial encounter with representatives of both countries.

Venezuelan Government expects finishing 100,000 homes from previous plans. President Hugo Chavez Frias assured the government would build 150,000 homes this year, but official information reveals the State still owes 100,000 units from previous housing plans, which are expected to be finished within two years.

And private property is not in jeopardy. Minister of Energy and Oil, Rafael Ramirez, assured the State guaranteed the right to ownership to all families over their lands and their respective housing units. He reminded that the new normative also includes private and public bank loans to finance the development of housing complexes.

Housing Mission launching rescheduled. This is the second time the Government has postponed the launching of this plan that contemplates the construction of two million housing units between 2011 and 2017.

It needs to be changed. The Banking Association requested a new law of banks and is expecting the official call to install technical tables with the Government, so was assured by the president of the organization, Juan Carlos Escotet. The banker assured that the authorities were *“willing to listen to the banking system’s remarks.”* Among them, he mentions that *“the main focus is that it’s a law that was designed thinking about the wrongful practices of 20 banks closed in the last two years, and it’s not suitable for the rest of the law-abiding, professional banking system.”* Escotet said the law approved in 2010 complicates Sudeban’s supervision.

Importance rules. The Corporation of Agricultural Supply and Services, CASA, imported 3,075,627 tons of products last year, 83.48% of the total purchases made by this state-owned company, adding up to 3,684,268 tons. They bought 608,641 tons from domestic suppliers and acquired 873,661 tons for strategic reserves, most of it imported.





World Economy Tips

US Consumer credit strengthens. During February, the US consumer credit expanded by US\$6.7 billion, after a revised increase by US\$4.5 billion in January, initially reported as US\$4 billion. After several falls in this indicator, consumer credit has significantly increased over the last five months.

US trade deficit decelerates. The US trade deficit decreased in February due to a fall in imports and exports, according to a Government report released last Tuesday suggesting a deceleration of the global demand. The negative trade balance was US\$45.8 billion, lower than the estimate of US\$47 billion revised up in January. After reporting consecutive increases the previous five months, US imports decreased by 1.4% in February, reaching US\$165.1 billion due to a US\$1 billion decrease in car and auto-part deliveries.

And the Fund applies pressure... Last Tuesday, during its mid-term world outlook presentation, the IMF urged the United States to take believable measures to reduce its budget deficit, estimated at 10.8% of the GDP (the highest budget deficit estimated for developed countries). Meanwhile, the Fund keeps applying pressure on the White House to detail plans to reduce the country's public indebtedness levels.

Japan also. The IMF also announced that Japan needed to explain in detail what its mid-term fiscal plans were, as soon as the reconstruction costs for last month's earthquake and tsunami become clearer. Japanese authorities announced last Tuesday that the economic damages caused by the natural disaster could be higher than last month's estimates. On the subject, the IMF said that *"countries that take too long to implement the adjustments will face more significant challenges when it comes to meeting their mid-term goals."*

Germany's industrial production keeps recovering. Industrial production is moving forward in Germany in the three main sectors. Consumer goods are finally in gear, growing at an annual rate of 2.3%. Intermediate goods production grows at an annual rate of 16.0%. Capital goods, the sector that has led the German recovery, has been growing at a strong rate of 7.9% over the last three months.

FTA between Peru and the EU to become effective in 2012. Last Wednesday in Brussels, Peru and the European Union analyzed the advances for the coming into effect of the Free Bilateral Trade Agreement expected to be completed the first



semester of 2012, said Peru's vice minister of Foreign Trade, Carlos Posada. Peruvians in the fishing and agriculture sectors, especially those related with cuisine, organic practices and personal care, will be the ones most greatly benefitted by this agreement.

After the election... Last Tuesday, the Peruvian exchange market closed down by more than 3.0%, due to the uncertainty generated in the market by the proposals of the presidential candidates, such as levying taxes on mining sector surplus revenues. The Lima exchange's general index first decreased by 3.1%, reaching 20,586 points, while the selective index, the one including leading securities, decreased by 3.33%, reaching 28,215.6 points.

Saving the Portuguese economy will cost US\$115 billion. Last Tuesday, Portugal began negotiations with European authorities and the International Monetary Fund for a rescue plan that could reach €80 billion (US\$115 billion) in order to save its indebted economy, in anticipation of an electoral campaign. The Portuguese crisis entered a critical stage when the minority socialist Government resigned last month, after the parliament rejected a new austerity plan.

China and Brazil: Births of a feather... After some altercations, China minimized the commercial problems with its emerging partner, Brazil, last Tuesday, assuring that the challenges were limited and that they could be solved by dialogue. *"The problems in China-Brazil trade and economic relations are limited and part of a phase,"* said Chinese Foreign Ministry spokesman, Hong Lei, in a press conference. The president of Brazil, Dilma Rousseff, is in Beijing this week to boost trade relations.

IMF: Mexico's outlook improves. The risks of inflation in Mexico are benign, and this year's economic growth will exceed previous expectations, even outgrowing Brazil, said the International Monetary Fund last Monday. In its latest world outlook projections, the organization forecasted that the GDP of Latin America's second largest economy could expand by 4.6% in 2011. The number is 0.4 percentage points (pp) higher than the IMF's projections for Mexico released in its January 25 estimates, and 0.7 pp higher than its October projections.





Political Tips

553 labor protests reported between January and March of 2011. The information contained in a report issued by the Venezuelan Observatory of Social Conflicts of Clacso and Provea, indicates the number of protests that took place during the first three months of 2011 has been so high, that it represents a little over half the number reported in 2010 (1,121).

Humala leads and Fujimori follows with 68.7% of the votes counted. Last Monday, the National Office of Electoral Processes (ONPE) of Peru released a new vote count report consolidating the six-point difference Humala, leader of the alliance Gana Peru, holds against Keiko Fujimori, daughter of Peru's convicted former president Alberto Fujimori.

Surprise: Honduras. The president of Honduras, Porfirio Lobo, had a meeting in Cartagena with his Colombian and Venezuelan homologues, Juan Manuel Santos, and Hugo Chavez, respectively, to talk about the possibility of returning to Honduras as full member of the Organization of American States (OAS). After the three-hour meeting, Lobo issued a short statement confirming Honduras' reincorporation to the OAS had been discussed. The Venezuelan president said that Lobo had had a telephone conversation with Honduran overthrown ex-president, Manuel Zelaya, who was in Caracas after having met Venezuelan Chancellor Nicolas Maduro, to discuss "*rapprochement proposals with quite positive results.*"

Distrust rules. Latin America is the world's region with the highest rate of distrust, and Brazil, Peru and Paraguay are the least trusting countries, according to the survey Latinobarometro. The countries with the highest levels of inter-personal trust are Dominican Republic (31.0%), Uruguay (30.0%), Mexico (26.0%), El Salvador (26.0%) and Argentina (24.0%).

Which are the most respected institutions? When it comes to institutions, Latinobarometro establishes that, as regional average, Government and Armed Forces are the most reliable institutions (45.0%), while the least reliable ones are political parties (23.0%) and the Judicial Power.

Populism? The country with the highest percentage of people who believe the State can solve the nation's problems is Venezuela (46.0%), followed by Dominican Republic (39.0%), while the lowest percentages are in Costa Rica and Nicaragua



(8%) and El Salvador (3.0%). As to people's interest in politics, the Latin American average is 26.0%, with the highest in Venezuela (35.0%) and Uruguay (34.0%) and the lowest in Nicaragua (19.0%) and Guatemala (17.0%).

Nurses decide to go on strike for six hours. Nurses agreed to go on strike from 6 am till noon next Thursday as part of their protests, hunger strikes and demonstrations, this group of professional has been carrying out for weeks now throughout the nation.

Opposition asks the government to reconsider Venezuela's withdrawal from the Andean Community. The Democratic Unity Table (MUD) reiterated that the best scenarios for political, economic, social and cultural relations between Colombia and Venezuela are within the framework of the Andean Community of Nations (CAN).

Attorney General assures they are investigating Makled's accusations. The Attorney General of Venezuela, Luisa Ortega Diaz, assure the Public Ministry had an open investigation on the alleged Venezuelan drug dealer, Walid Makled, arrested in Colombia, and stated she hoped he was extradited to Venezuela to ask him for "proof elements" for his accusations involving high-rank government officials.

Opposition demands the National Assembly to interrogate Ali Rodriguez. The vice president of the National Assembly's Administration and Services' Commission, Cesar Rincones (AD-Sucres), demanded the "immediate" interrogation of the minister of Electric Energy, Ali Rodriguez Araque, after the global power shutdown that took place last Thursday, which he branded as "one of the largest" that have occurred in Venezuela.

PJ verifies delay in thermoelectric labors. In a press conference, Congressman Gustavo Marcano (Primero Justicia-Anzoátegui) denied Minister Ali Rodriguez' statements claiming the electric crisis had been solved in February, and highlighted the fact that not only it had not been solved but also it was now affecting Caracas. Congressman also indicated that 50.0% of several electric facilities in east Venezuela were shutdown or had significant delays.

MUD demands the national government to establish a contingency plan to take care of electric malfunctions. The national coordinator of the movement Citizens for Unity, Angel Rangel, assured the electric system failures would continue, and demanded the Government to coordinate a contingency plan with all instances to avoid a tragedy, and to announce it in national broadcasting.

MinSalud assures the AH1N1 emergency is under control. Minister of Health, Eugenia Sader, said the number of AH1N1 cases had decreased. According to



minister Sader's statements, *"we are close to our normal level before the outbreak; the situation has been controlled thanks to everyone's work, an early warning and the collective dedication."*

Antonio Ledezma presented as presidential candidate. In Puerto La Cruz, followers of Alianza Bravo Pueblo, AD and other parties presented Antonio Ledezma as presidential candidate, and even though the opposition's primary election to choose the single candidate has not been celebrated, the Mayor of the Metropolitan Area is already running, and stated he had already been mayor and governor, and now he wanted to be President.

Opposition primary election date reaffirmed. Even though the pact's final sanction has not been issued, the Democratic Unity Table (MUD) is leaning towards deciding over February 12, 2012 to celebrate the primary election to choose the opposition's single presidential candidate for 2012.

Other important topics. The executive secretary of the Democratic Unity Table, Ramon Guillermo Aveledo, affirmed during Consecomercio's annual meeting in Barquisimeto, that the opposition would need more than 7 million votes to win the presidential election of 2012.

Attorney General's Office to create a commission to investigate the events of April 11. The Secretary General of Venezuela, Luisa Ortega Diaz, recently informed her office would create a special commission to investigate the crimes related to the events occurred between April 11 and April 12 of 2002.

What does GISXXI say? Crime rate, unemployment and cost of living are the main issues for Venezuelan citizens, according to a study carried out by the organization Grupo de Investigación Social Siglo XXI (Social Research Group Century XXI, GIS XXI) in March. The director of the organization, Jesse Chacon, explained the study was based on data obtained from 2,500 interviews carried out in all 24 states regarding the ministers' reports submitted to the National Assembly. He assures that 76.0% of Venezuelans think these reports to the National Assembly, among other parliamentary elements, was necessary for the nation, and 68.0% agree with the reports being annual and not consequential after special situations.

The real interest. Chacon highlighted the fact that 76.0% of Venezuelans think that, regardless of their political affections, *"congressmen are more interested in winning elections than they are in solving people's problems."* Chacon believes the National Assembly's function as the national public space for debate has been strengthened over the last few years.



Administration is the key. Chacon stated that the national government currently had several challenges and goals to fulfill, as to the social agenda. He assured that, if President Chavez's cabinet was able to face and solve Venezuelan's issues in terms of housing, roads, electric system and crime rate, those elements would determine the growth curve of people's positive appreciation of President Hugo Chavez, "or otherwise revert it."

Change in agreement with Uruguay. Uruguayan Minister of Defense, Luis Rosadilla, committed to renegotiate the defense agreement with the Venezuelan government to include a clause establishing that "neither part will engage in civil action against the other or against a member of the other's Armed Forces due to damages caused in the exercise of the activities stipulated in the agreement," reported the website of Uruguayan newspaper La Republica.

Legislative Tips

They also make proposals. The National Bolivarian Police Department (PNB) submitted a proposal before the National Assembly (AN) for ammunition control within the framework law of disarming. The proposal presented before the Domestic Policy commission suggests for all ammunitions manufactured by Cavim to include a punched code in both bullets and shells. It also suggests for the ammunition registration system to be managed by a civil organization, such as the Public Ministry, as well as the designation of colors to indicate the use: golden bullets for police officers, copper for the armed forces and silver for civilians.

Another suggestion. Another suggestion made by the PNB involves the profiles of citizens requesting gun bearing permits: "it is necessary to redefine those profiles; we need to be more thorough in establishing the requirements. Those applying for gun bearing permits should be counted exceptions."

Noise leads to debate. Hiram Gaviria, National Assembly representative branded as "interesting" the debate held at the National Assembly's Defense Commission in which resolution 17,621, published in *Official Gazette* 39.641, incorporating the premises for military education in civilian schools was once again brought up. The debate ended with a unanimous agreement to continue discussing the resolution and other related aspects, such as the role of the National Armed Forces (FAN) in society, something that, in his opinion, should be discussed in plenary session of the



parliament. He finally reiterated the fact that since 1985, military education was “normal” in Venezuela. However, the content of the aforesaid resolution is dogmatic and “clashes” with the concept of free and plural education contemplated in the Constitution.

To be investigated. A group of seven congressmen was appointed by the NA Administration and Services Commission to investigate the situation in the residential complex Terrazas de la Vega affecting 150 families who claim they have been ripped off by the construction company.

An admission does not imply derogation. The Supreme Court of Justice’s (TSJ) Constitutional Courtroom, presided by magistrate Luisa Estella Morales, admitted the unconstitutionality appeal introduced by former congressman Juan Jose Molina and attorney Atilio Algivez Alarcon against the Organic Law of the Federal Government Council, published in *Official Gazette N°5,963* Extraordinary of February 22, 2010.

Being the majority, it seems they only discuss what they want. In plenary session, the National Assembly refused to discuss the Walid Makled case, in spite of Ismael Garcia’s request on behalf of the opposition wing. However, the pro-government majority rejected the motion, arguing that the far-right opposition’s intention was to give “a *political connotation*” to the case of the alleged Venezuelan drug dealer arrested in Colombia. However, Garcia stated the opposition’s proposal to debate the case was related to Makled’s threats of revealing a list of congressmen for the United Socialist Party of Venezuela (Psuv) and high-rank officers that were allegedly at his service.

Law of special powers keeps moving forward. The Executive Order Law of the Home Ownership Regime of the Great Housing Mission Venezuela was published in Extraordinary *Official Gazette N°6,021* of April 6, 2011. The aforementioned law is in effect since its publication and is in conformity with the president’s law of special powers.

The “innovations.” This new Law of the Home Ownership Regime of the Great Housing Mission Venezuela introduces the concept of Family Property, as the household’s exclusive right to use, enjoy and dispose of the housing unit. It also introduces the concept of Multi-family Property, as household’s member’s right over lands, real estate properties and areas for common use and enjoyment, involving the rights and duties contained in the Multi-family Property Document. It also introduces the Multi-family Managing Committee, as the entity to be in charge of executing social comptrollership for the households involved in the Multi-family housing unit during its construction. The law also creates the Coexistence Bylaws to be followed by all households’ members.



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ECONOMIC OVERVIEW

