



Weekly Report

Year 10, Number 15
Week III, April 2014

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CADIVI Settlements: The Shortage of 2013

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On the foreign exchange front, 2013 was marked by three key factors: i) a devaluation at the start of the year and the elimination of Bonds Denominated in Foreign Currency Trading System (SITME); ii) a halt in the disbursements by the Currency Administration Commission (CADIVI) and several problem-ridden attempts to get the Exchange System Alternative Currencies (SICAD I) auctions functioning, which resulted in the shortages index shooting up to record levels; and iii) the lack of action by the economic cabinet in implementing the necessary policies, such as opening up the foreign exchange system, which only began to take shape in the first quarter of this year (1Q2014). Together, these factors created a critical situation with an unprecedented foreign exchange differential that came to 917.9% at the end of 2013.

While CADIVI published the figures for disbursements of foreign currency from 2004 and up until 2012, last year not publishing this information became the norm. It should be noted that this was not the only agency to delay or not publicly release certain figures, one example being the



Central Bank and the inflation and shortages indicators. After a long wait, the Finance Ministry (MF) finally published its Report and Accounts for 2013, which, among other things, gives figures showing the breakdown of foreign currency granted via CADIVI by sector.

**A key figure:
how much did
CADIVI
disburse?**

CADIVI authorized the disbursement of a total of US\$29.74 billion in 2013, which included imports, financial operations, credit card purchases and cash, and other operations. Compared to the amount disbursed in 2012, this represents a reduction of 10.3%, equivalent to US\$3.41 billion. Last year, the lion's share of disbursements went on imports (71.1% or US\$21.13 billion). However, it is worth pointing out that, even so, imports suffered a contraction of 18.8%, so the current structural shortages the country is experiencing should come as no surprise; and while the Central Bank has not published the figures for February and March, everything points to them being higher than the 28.0% estimated at the start of the year.

Currency authorized (US\$ billion)			
Concepts	Total		Var.
	2013	2012	2012/2013
Importaciones ordinarias	14.95	18.18	-17.8%
ALADI Agreement	5.47	5.08	7.6%
Sucre	0.71	2.75	-74.2%
Total Imports	21.13	26.02	-18.8%
Financial Operations	1.29	1.46	-12.0%
Other Operations	2.22	2.34	-5.3%
Credit Card and Cash	5.11	3.33	53.5%
Total authorized	29.75	33.15	-10.3%

Sources: MF Memory and Ecoanalítica

Contractions of note in the disbursements for imports were the drop in ordinary imports of 17.8% and the 74.2% reduction (yoy) in operations via the Unitary Regional Clearing System (Sucre). What came as a surprise was the increase in credit card purchases and cash (52.3%), equivalent to 17.2% of total foreign currency authorized for disbursement.

**Food is the
priority**

As at the close of 2013, CADIVI had authorized a total of US\$14.95 billion for ordinary imports, 50.5% of which went to the food and health sectors, revealing that essential goods are given priority when it comes to distributing resources. Even though most of the foreign currency is



allocated to these two sectors, the food sector, which accounts for 31.0% of imports, received 4.5% less last year than in 2012, whereas in 2012 it experienced an increase of 8.7% compared to 2011.

Ordinary Imports (US\$ billion)

Economic Sector	Total			Var. 2012/2013
	2013	2012	2011	
Food	4.62	4.84	4.45	-4.5%
Health	2.93	3.72	4.45	-21.3%
Other sectors	7.40	9.61	10.65	-23.1%
Ordinary Imports	14.95	18.18	19.55	-17.8%

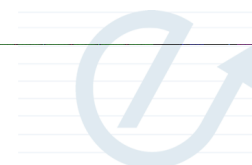
Sources: MF Report and Accounts and Ecoanalítica

In the case of the health sector, the situation was even worse. Disbursements of foreign currency for this sector fell by 21.3% last year compared to the same period in 2012. The remaining sectors, which account for 49.5% of total ordinary imports, received US\$2.21 billion less. As at January, the amount the pharmaceutical sector claims it is owed came to US\$3.5 billion and if the delays in disbursements to the companies that purchase equipment are included, this debt comes to more than US\$4.0 billion. These delays in payment have been reflected in the shortfalls in supplies of medicines and medical materials.

So, the lack of products has causes that go beyond the problems generated by the street barricades and protests, as claimed recently by the president of the Central Bank, Nelson Merentes. It is worth noting that the latest Report and Accounts published by the Ministry of Finance (MF) gave a more detailed breakdown of certain sectors, such as the automotive, chemicals, commerce, and machinery and equipment sectors, which reveals that it was more than likely that there was no solution to the problem of disbursements for those sectors either.

And where does that leave "Other Operations"?

In 2013 CADIVI allocated US\$2.22 billion to "Other Operations," 5.3% less than in 2012, equivalent to US\$123 million. "Other Operations" include special cases, retirees, telecommunications, consulates and embassies, students, and family remittances, which account for 48.7% of the total under this item.





Among the categories that suffered the biggest contractions were telecommunications (-30.5%), special cases (-55.1), and consulates and embassies (-14.2%). However, there was a 23.5% increase in disbursements for family remittances, and there was also an increase in the allocations of foreign currency for defraying the expenses of people studying abroad.

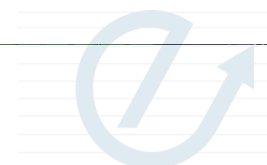
Currency Authorized for Other Operations (US\$ million)

Concepts	Total		Var (%)
	2013	2012	2012/2013
Remittance	1,080	874	23.5%
Students	526	441	19.3%
Special cases	275	613	-55.0%
Telecommunications	156	224	-30.5%
Retired	104	99	4.4%
Consulates and Embassies	78	91	-14.2%

Sources: MF Report and Accounts and Ecoanalítica

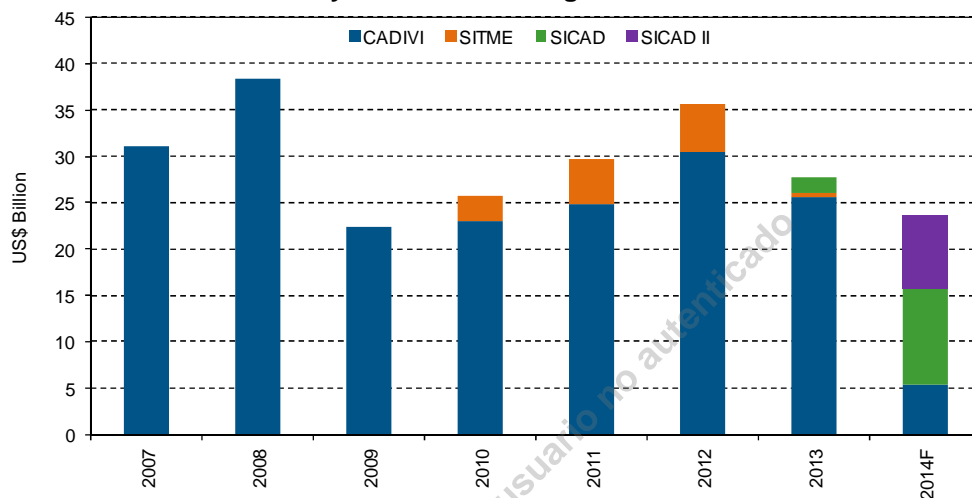
2013: shortage of foreign currency

Bad decisions have restricted access to foreign currency via official mechanisms, with the result that CADIVI was practically the only supplier of foreign currency in 2013, as the SICAD I auctions started late in the year and the amounts were no way near those disbursed via SITME. One figure is particularly telling: In 2012, the supply of foreign currency (CADIVI, SITME, and its alternative) came to US\$107.7 million a day, whereas at the close of 2013 the daily allocation came to US\$85.5 million. In short, there is no way to disguise the restriction of foreign currency that occurred last year, much less the government's lack of action in implementing escape valves that would provide the economy with oxygen.





Currency settlement through official sources

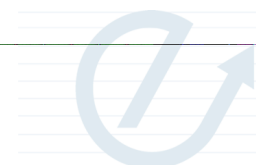


Sources: Ecoanalítica

And now in 2014, SICAD II

After waiting for nearly six months and implementing far from functional measures, the swap market, a mechanism that everyone was calling for, is now a reality. The new market niche started to operate with a high fluctuating exchange rate near the parallel market rate, which indicates that the government is seeking, on the one hand, to correct demand and encourage supply by private actors and, on the other, to lift some of the weight off PDVSA's and the Central Bank's shoulders, the former forced to sell dollars at an artificially cheap rate and the latter forced to finance the bolivars that the oil company forfeits as a result.

Everything seems to indicate that SICAD II is functioning as a system of auctions controlled by the Central Bank and PDVSA, which is an improvement on the status quo. To date, US\$988.1 million has been approved via SICAD II, 88.1% of which has come from the public sector, an average of US\$41.5 million. However, in order to bring down the parallel exchange rate and also to reduce its weight in the economy, it will be necessary for there to be a continuous representative supply of foreign currency in this new market.



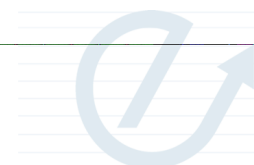


Supply through SICAD II (US\$ MM)					
Day	Total daily	Public Sector	(%)	Private Sector	(%)
3/24/2014	5.6	1.8	32.1	3.8	67.9
3/25/2014	37.8	20.8	55.0	17.0	45.0
3/26/2014	39.4	31.6	80.2	7.8	19.8
3/27/2014	103.7	76.0	73.3	27.7	26.7
3/28/2014	101.0	81.9	81.1	19.1	18.9
3/31/2014	47.1	36.5	77.5	10.6	22.5
4/1/2014	56.8	51.2	90.1	5.6	9.9
4/2/2014	44.5	43.0	96.6	1.5	3.4
4/3/2014	16.1	14.9	92.5	1.2	7.5
4/4/2014	17.9	16.1	89.9	1.8	10.1
4/7/2014	19.6	18.3	93.4	1.3	6.6
4/8/2014	28.9	27.6	95.5	1.3	4.5
4/9/2014	31.0	29.3	94.5	1.7	5.5
4/10/2014	19.6	19.1	97.4	0.5	2.6
4/11/2014	36.6	35.8	97.8	0.8	2.2
4/14/2014	10.8	9.6	88.9	1.2	11.1
4/15/2014	86.1	84.0	97.6	2.1	2.4
4/16/2014	79.9	78.2	97.9	1.7	2.1
4/21/2014	70.6	69.1	97.9	1.5	2.1
4/22/2014	85.0	79.5	93.5	5.5	6.5
4/23/2014	50.1	46.7	93.2	3.4	6.8
	988.1	871.0	88.1	117.1	11.9

Source: Ecoanalítica

SICAD II as it has been proposed thus far is a move in the right direction. But more is needed. For this initiative to be successful it must be accompanied by additional measures:

1. A revision of the monetary policy and the fiscal dominance that prevails in Venezuela. The scheme is condemned to failure if the Central Bank continues with the policy of monetary financing of nonfinancial state-owned companies, in particular PDVSA.
2. A thorough revision of the policy of price controls, in particular how the recently published law of cost and fair prices Act fits into this "opening up" in the foreign exchange regime; this is of crucial importance for reducing shortages.
3. If the government truly does want to attract foreign capital, then property rights must be guaranteed.
4. A revision of the model and the oil policy, particularly with regard to subsidies (both domestic and external), is needed.





Economic Tips

GDP grew 1.0% 4Q2013. The BCV said that the economy grew by 1.0% in the 4Q2013 over the same period of 2012. When evaluating the performance of sectors we obtain that the oil sector grew by 0.6% and non-oil 2.1% in 4Q2013.

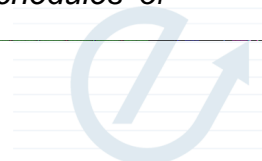
GDP for non-oil sectors. The sectors that grew the most were: financial institutions and insurance (15.5%), financial intermediation services indirectly measured. (9.5%), communications (6.1%), private nonprofit services (5.1%), government services (3.4%), trade and repair services (3.2%), and rental services (2.2%).

Inflation reached 4.1% in March. According to figures published by the Central BCV, the National Consumer Price Index (INPC) variation for April was 4.1%, or year on year inflation of 59.4%.

“Guarimba-induced” inflation: In the opinion of the president of the Central Bank, Nelson Merentes, the high inflation that is hitting Venezuela is associated with the current climate of political antagonism and he stressed that, whenever Venezuela has been close to achieving the goal of single-digit inflation, there has been a resurgence of political uncertainty. Merentes claimed that the barricading of roads as a form of protest, which has been happening since February, has caused a hike in inflation.

The funds are for everyone now? The President Nicolás Maduro, said that the Government has “significant amount in funds” as Chinese Fund, National Development Fund (Fonden), and the Mercosur-ALBA fund, and that there will be announcements for both, the public and private sector, so they can access them “without intermediaries.” In *Ecoanalítica* we estimate that at the end of the 1T2014 Government have available US\$ 15.8 billion in those extrabudgetary funds.

We’re in a bad situation, but not worried. The president of the BCV said that the latest estimated inflation and growth figures are not positive and that the economy is facing a phase of low growth, although this has not affected employment. Merentes also stressed that, given the experience that the Executive has in solving economic crises, meetings are being held with the private sector “to work up schedules of amounts owed and thus return to the path of growth.”





“No, not at all.” Vice President for the Economy Rafael Ramírez gave assurances that the government is working on restoring the necessary equilibriums for the proper functioning of the Venezuelan economy, while he made it clear that the present foreign exchange regime would not be relaxed. *“No, not at all; there’s no relaxation of the exchange controls (...). We’re moving towards creating a different (foreign exchange) system,”* said Ramírez.

Unification of the exchange rate on the horizon: In its latest report, Bank of America forecasts that the Venezuelan Government, taking advantage of the low political cost given that there are no elections on the immediate horizon, will engineer *“a transition to single exchange rate”* in 2015, accompanied by a major devaluation of the bolivar, which it estimates at VEB 45.0/US\$. It also expects the SICAD II exchange rate to converge with the parallel market rate to close 2014 at around VEB 70.0/US\$.

More on what is planned: Bank of America estimated in its latest report that around 39.0% of foreign currency allocations will be disbursed via SICAD II in 2014, way above the 10.0% calculated by the government. The bank stated that part of this reallocation will be the result of the transfer of services that currently received dollars at the SICAD I rate, such as airlines, tourism and e-commerce, over to the SICAD II rate.

Unjustified delays: Despite the fact that Foreign Exchange Agreement No. 27 establishes that authorized operators must deposit the amounts corresponding to operations disbursed via SICAD II in customers’ accounts within a period of no more than 72 hours, private individuals and companies continue to complain because this takes much longer due to unjustified delays by the Central Bank, as the banks and other operators have had no problems using the mechanism.

It’s official, no more CADIVI. A decree published in *Gaceta Oficial* No. 40,393 finally made the withdrawal of the CADIVI official. According to the new regulations, CADIVI will cease to operate by December 31, 2015, at the latest. The decree states that the phasing out of CADIVI will be conducted in such a manner as to ensure the administrative continuity of those of its competencies that cannot be transferred immediately to the National Foreign Trade Center (Cencoex).

SICAD I awarded US\$218.9 million. At its eighth auction this year. Last week, US\$218.9 million was awarded at the eighth auction of SICAD I this year to cater to the needs of the chemicals, petrochemicals, and basic industries sector (which received \$102.2 million) and the auto parts, machinery, and agricultural spare parts sector (which received \$116.7 million). All the merchandise to be financed with this



allocation of foreign currency is to be imported via Corporación Venezolana de Comercio Exterior (Corpovex).

A whopping increase: With less than a couple of weeks to go to May 1, Labor Day, when it is customary to increase the minimum wage, a number of the country's labor unions agree that the increase this year should compensate for the loss in purchasing power due to inflation, which closed 2013 at 56.2%. In the opinion of the Autonomous Front for the Defense of Jobs, Wages, and Labor Unions (Fadess), any wage increase should be more than 100.0%, whereas the National Workers' Union (Únete) invited the government to take things a step further than the customary increase in the minimum wage and proposed a general wage increase of no less than 70.0%.

Interest rates. The lending rate for the second week of April was at 16.8%, up by 1.6 percentage points (pp) compared to the previous week. The time deposit rate was at 14.5%, without variation compared to previous week, while the passive rate was at 14.1%, down by 0,2pp compared to previous week.

International reserves. International reserves decreased by 1.9%, going from US\$21.1 billion during the second week of April to US\$20.7 billion during the third week of April. Compared to the same period last year, international reserves have decreased by 21.8%.

Central government expenditure. On Wednesday April 16th according to figures from the NTO primary spending was VEB 21.9 billion, which means an increase of 133.8%; when it is compared to the same period last year. So far this year, the primary expenditure accumulates VEB 206.7 billion 58.1% more than the same period last year.

Monetary liquidity. Money liquidity (M2) increased 1.0% in the second week of April from the week prior, to settle at VEB 1.33 trillion. The M2 has increased 75.3% in relation with the same period last year.

Oil Tips

The certified oil reserves keep growing: The volume of Venezuela's certified oil reserves closed 2013 at 298.35 billion barrels, an increase of 0.2% compared to



2012, when the official figure for total proven reserves was 197.74 billion barrels. These new reserves are apparently located in traditional areas of production (Barcelona, Maracaibo, Maturín, and Cumaná) and in the Orinoco Oil Belt. Given the new total of certified reserves, if 2012 production levels are maintained, Venezuela's reserves would be used up in 280 years.

PDVSA cuts back its contributions to the missions. According to PDVSA's Report and Accounts for 2013, the oil company contributed US\$15.44 billion to missions and social programs, 31.5% less than the US\$22.53 billion allocated in 2012. *Misión Ribas* received 63.0% less than last year, whereas the missions *Barrio Adentro I, II and III* obtained US\$2.44 billion or 56.2% less.

And its contribution to the funds dropped as well. According to its Report and Accounts for 2013, PDVSA's contributions to the different funds managed by the government posted a drop of 31.7%, going from US\$21.85 billion in 2012 to US\$14.92 billion last year. The National Working Class Savings Fund (FANCO), whose resources are intended to pay outstanding longevity and severance benefits, saw the funds it received from the oil company last year cut by 85.4% (from US\$1.16 billion in 2012), whereas the Miranda Fund received US\$4.24 billion (down 17.2% from 2012) and Fonden received US\$14.42 billion (33.1% less than in 2012).

PDVSA asks for help. PDVSA signed an agreement with two private companies, Productos Químicos LMV and Industrias Cagua, to increase the production of lubricants in an attempt to solve the shortages of these products. PDVSA's vice president for Refining, Commerce and Supply, Asdrúbal Chávez, stated that PDVSA is to sign other agreements with private companies to cover domestic demand. The president of Productos Químicos LMB, Jorge Matos, said that his company will produce at maximum capacity, estimated at 26 million liters of lubricants a year, to help meet demand.

Gas pipeline moving ahead slowly: PDVSA Gas put 40 km of the gas pipeline between the Eastern and Central Regions into service, in an attempt to meet the energy requirements of thermoelectric power stations, industry and residential users. The gas pipeline, which will be 2,199 km long when it is finished in 2019, is expected to carry up to 200 million cubic feet (MCF) in the second quarter.

Better safe than sorry. Alfredo González, a representative of PDVSA's Domestic Market Division, announced the suspension of gasoline dispatches to service stations in the districts of Naguanagua and San Diego in Valencia (Carabobo), after unidentified individuals set fire to a gasoline truck, the fourth incident of this kind in less than a week.



A 1 million barrels a day dream: President Nicolás Maduro held a meeting with Foreign Minister Wang Li at which he mentioned that Venezuela hopes to increase its exports to China by one million barrels a day (mb/d), to which end both countries would make a series of investments. *“We have a goal (...) the investment conditions are being built and we’re going to achieve it, which is reaching one million export barrels a day to China,”* added Maduro.

International oil baskets. At closing time on April 11th in the New York Stock Exchange, the price of the WTI was US\$102.2/bl, increasing by 1.6% when compared to the reported the previous week. The Brent increased by 0.6% when compared to the previous week, to reach US\$107.1/bl.

Local oil basket price. The Venezuelan oil basket price closed at US\$96.3/bl on Friday April 11th, decreasing by 0.1% when compared to the reported the previous week. The annual average price of the Venezuelan oil basket is US\$96.2/bl.

Business Sector Tips

A model that doesn’t work. Despite the government’s optimism about the economic model, the reports and accounts of the state-owned companies show that it has failed abysmally and that all the obstacles put up by the “socialist model” affect not only the private sector but the public sector as well. According to official documents, among the hurdles that wreak the most havoc are: delays in adjusting prices, access to foreign currency, red tape involved in importing, shortages of inputs, and technological obsolescence.

They got more in the private sector. Of the 448 collective employment contracts signed last year by the Ministry of Labor (which benefited a total of 1,160,844 employees), 409 were for the private sector (91.0%). While this would seem to be a significant step forward in terms of collective employment rights, the labor unions point out that the State has a huge debt with the 2 million workers employed in the government services owing to the fact that their contracts have not been discussed or renewed.

Oh, that’s why there’s no housing! In official statements, Ministry of Housing and Habitat spokespersons admitted that the construction of homes in 2013 was held



back mainly owing to the acute shortages of basic inputs, which prevented the government from meeting its goal of 380,000 housing units and resulted in the State producing only 201,000 homes, 53.0% below target. The biggest shortages were in cement, re-bar, truckson mesh, and structural tubing.

The never-ending nightmare. Following the terrible performance of the basic industry companies in Guayana in 2013, the Ministry for Industry plans to increase their production by means of mass imports and tax incentives. Last year, the production of steel contracted by 3.0%, going from 1.5 million tons to 1.4 million tons and the production of aluminum dropped by 28.0% (from 208,000 tons to 149,000 tons), while the workforce increased by 7.0% in the steel sector, which is incongruent from the business point of view, as it makes no sense to increase the workforce if production is falling.

The idea's not to restrict, it's to control. According to Vice Minister for Food Carlos Franklin, the idea of the Higher Supply System implemented two weeks ago is not to restrict or suppress the sale of goods but *"to control the smuggling of goods out of the country, 'bachaqueo' (taking illegal advantage of State subsidies), the resale of products, and those who engage in reselling between establishments."* In addition, according to Franklin, this system will allow the authorities to know who the users of the State food distribution networks are.

A harsh blow for Coca Cola. Coca Cola announced that the latest devaluations of the bolivar will result in a drop in their operating revenues of 7.0% this year and that the losses sustained because of the devaluation in the first quarter of the year already come to US\$247 million. The company is still analyzing the impact of law of cost and fair prices Act on its operations. One of its biggest fears is that it will have to cut the prices of its products so as not to exceed the maximum profit margin of 30.0% set by the government.

Producing, but very little. The president of the motorbike assembler Empire Keeway, Humberto Ortega, said that, owing to the shortage of foreign currency that is preventing them from paying their parent company US\$344 million, the company is operating at 10.0% of capacity (nearly 250 motorbikes a day instead of 2,000), which will affect the domestic production of motorbikes. Ortega also said that the company does not plan to take part in SICAD II, as this would mean a substantial increase in operating costs and in the price of its products, which is not something the company wants.

Now there aren't even spare parts. José Cinirella, the president of the National Auto Parts Business Chamber, said that, owing to the blockades on credit by international suppliers, the situation of the auto parts sector –importers, distributors,



and retail outlets- is in crisis and rapidly getting worse. Cinirella stated that, if there is no change in the government's policies, suppliers will not dispatch and that at the moment many companies in the sector have cash flow and decapitalization problems and some are even working half day or have closed their doors.

World Economy Tips

US economy heats up. According to a report by the US Federal Reserve, the activity of the world's largest economy stepped up in recent weeks as the unusually cold weather ceased to have an impact. End-of-March estimates revealed that eight out of 12 economic districts posted between modest and moderate growth, which is in line with retail sales and industrial production figures. This suggests that a bigger boost for the economy is on the way as temperatures rise.

But it still needs help. Federal Reserve Chairwoman Janet Yellen said that the US economy is slowly approaching full employment, but that it still needs help from the Federal Reserve. She also gave assurances that the Fed will maintain its reference interest rate near zero, depending how far the economy is from the employment and inflation goals and the time it will take to achieve them.

Meanwhile China is slowing down. The Chinese economy grew by 7.4% during the 1Q2014 compared to the same period in 2013, an 18-month low, according to the National Bureau of Statistics of China. China is currently carrying out pro-market reforms to get its economic model to depend less on exports and external demand and more on domestic consumption. These changes have led the world's second largest economy to grow at somewhat lower rates after decades of growth at more than 10.0% a year.

Better, but below "normal": According to the World Trade Organization (WTO), global trade will grow by 4.7% this year, 0.2% more than expected in September last year, although 0.6% below its historic high of the past two decades (5.3%). While the growth in trade would be a sign that the world economy is recovering, the outlook predicted by the WTO is bleaker than a year ago owing to the fact that economic recovery in the European Union is taking longer than expected.

Inflation still in the "danger zone": Inflation in the euro zone slowed down in March to 0.5%, the lowest since November 2009, according to information issued by the



European Union's statistics office (Eurostat). Inflation has been in the ECB's "danger zone" (below 1.0%) for six months running, which leads to suppositions that the bank will have to take unconventional measures to avoid inflation remaining low for too long.

France wants to keep its word. France's Prime Minister Manuel Valls announced a EUR 50 billion savings plan that his government plans to implement in order to be able to meet its commitment to reduce the fiscal deficit. Valls explained that EUR 18.0 billion of the total saved will come from Central Government spending, EUR 11.0 billion from spending performed by the local authorities, EUR 10.0 billion from spending on health services, and EUR 11.0 billion from social security spending.

No growth forecast for Russia in 2014. The Russian Finance Ministry forecasts that economic growth in Russia for the remaining nine months of the year will be close to zero, while it warned that there could be a contraction in the third quarter. Maxim Oreshkin, the director of the ministry's Long-term Planning Department, said that it is also forecast that inflation will be nearly 6.0% at the close of the year. The Russian economy grew by 0.8% in 1Q2014 and annual inflation remained at 6.9% in March.

Portugal receives the last funds from the IMF. The International Monetary Fund (IMF) approved another disbursement in the sum of EUR 851 million for Portugal, the penultimate of its three-year rescue plan, and extended the deadline for reviewing the latest reforms adopted by the Portuguese Government. This latest disbursement approved by the IMF's Executive Board, brings the total amount disbursed to EUR 25.68 billion, 93.3% of the EUR 27.71 billion that the IMF is to contribute as part of the rescue plan together with the European Commission and the European Central Bank.

Political Tips

Amoroso fingers "external factors". The chairman of the National Assembly's Homeland Policy Committee, Elvis Amoroso, reiterated the thesis that the Venezuelan opposition responds to external factors that allegedly have a vested interest in the violence continuing in Venezuela. *"The opposition doesn't keep its word. They take the decision to respond to President Nicolás Maduro's call to dialog and then continue promoting violent incidents. The opposition is being blackmailed"*



by external factors (...). They're in a trap and don't know how to get out of it," added Amoroso.

Students with their own personality. The executive secretary of the Democratic Unity Alliance (MUD), Ramón Guillermo Aveledo, warned that some kind of "tricky maneuvering" is going on, which consists of trying to get people to view the university student movement as "*an instrument of political leadership*," saying that "*this isn't true; they have their own personality and should be respected as such*," which is why the government should listen to them directly.

Europe takes a stand. The leader María Corina Machado announced that the European Parliament is to send a delegation to Venezuela to verify the situation here. Machado attended an extraordinary session of the European Parliament's Foreign Affairs Committee, during which she claimed that separation of the branches of government does not exist in Venezuela and that "*the Constitution is violated and Parliament is run by the person who presides over it*." She also said that the (European) Parliament "*is clear regarding the situation in Venezuela and they reiterated their full support for the struggle for democracy and human rights*."

Machado fights back. The leader María Corina Machado is to go to the Supreme Tribunal of Justice (TSJ) to file a petition for protection of her constitutional rights against the president of the National Assembly (AN), Diosdado Cabello, who, according to Machado, has prevented her from performing her functions as a parliamentarian elected by the people. The TSJ handed down a decision at the end of March regarding Machado's loss of her seat on the grounds of alleged violation of Article 191 of the Constitution.

Capriles goes along with the dialog. The governor of Miranda State, Henrique Capriles Radonski, insisted on not giving up on dialog, because "*We're not going to solve anything shutting ourselves off behind our own trenches (...); we're not going to achieve change through violence*." "*We may not believe, feel that it isn't worth it, but we have to understand that, if there is an opportunity, we have to make the most of it for the well-being of our country*," added Capriles in reference to the dialog between the government and different sectors of the opposition.

An opportunity for the government. The AN Deputy Julio Borges considers that the dialog is an opportunity that should be seized not only by the opposition but also, and even more so, by the government, which has in its hands the means to bring about the fundamental changes the country is demanding. "*The government has to be sincere because Venezuela is in a very deep crisis; many of those who support Chavismo are dissatisfied. This is a crossroads and the government has to democratize the country, achieve a departisanized system of justice, listen to the*



students, and change the economy so that we don't continue without products and with people unemployed," added Borges.

It's the wives' turn. The executive secretary of the Democratic Unity Alliance, Ramón Guillermo Avelo, announced Rosa Brandonisio de Scarano (Enzo Scarano's wife) and Patricia de Ceballos (Daniel Ceballos' wife) as the Alliance's candidates who are to run for mayor in the municipalities of San Diego (Carabobo) and San Cristóbal (Táchira), respectively. Brandonisio took the opportunity at the press conference to explain that her husband's arrest was a politically motivated, not a legal matter, and called on both the Democratic Unity Alliance and junction of South American Nations (UNASUR) to personally confirm his situation in Ramon Verde Prison.

Avelo forecasts more shortages. The executive secretary of the Democratic Unity Alliance, Ramón Guillermo Avelo, questioned the "economic offensive" announced by the government, commenting that, if this offensive does not involve a complete rectification, it will only serve to generate more shortages, inflation, and poverty. "*Raising taxes means more money for a spendthrift government and less money for the entrepreneur to invest and less for the consumer to spend,*" added Avelo, in reference to the fiscal revolution also announced by the government.

Maduro hasn't forgotten China. President Nicolás Maduro met with China's Foreign Minister Wang Yi at Miraflores Palace during a visit that the Chinese diplomat is paying to allied governments in the region. "*We have had a conversation about great lessons learned from this story that is, as they say, unfolding right now (...). We've taken the opportunity to go over issues of comprehensive economic cooperation and issues of our world today,*" said Maduro following the meeting with the foreign minister.

Legislative Tips

Increase in transport fares will hit the poorest. In Official Gazette N° 6,130 were set the new fares to be charged for urban and suburban passenger transport routes nationwide. A 40.0% increase on current rates for suburban routes was approved (25.0% since May and 15.0% more starting in August), while the urban fare was set at 7.5 VEB. **Ecoanalítica** estimates that the new rate for urban routes will make the



monthly expenditure on transport workers represent 9.2% of the current minimum wage.

Taking measures or eliminating obstacles? Through a decree published in the Official Gazette N° 40,397, the Government simplified the paperwork and procedures for the import of “priority” goods, supplies and raw materials. Among the products that may be imported more quickly we can find: chicken and beef meat, milk in powder, raw sugar, green coffee, toilet paper and other hygiene and cleaning products and some medicines for chronic diseases treatment.

Less bureaucracy. According to the new decree the submission of solvencies required to apply for import licenses, certificates of not domestic production, or to request permits to purchase foreign currency through Cencoex are no longer necessary. The decree also extended until December 31 the term of import licenses, not domestic production and under-production certificates granted before April.

It's finally official. After the announcement made by the government more than three weeks ago on the possibility of augmenting the rice subsidy, the decree establishing an increase in the subsidy from VEB 2.1 to VEB 4.7 was published in Official Gazette N° 40,395. This will raise rice producers' incomes by 65.0%.

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