

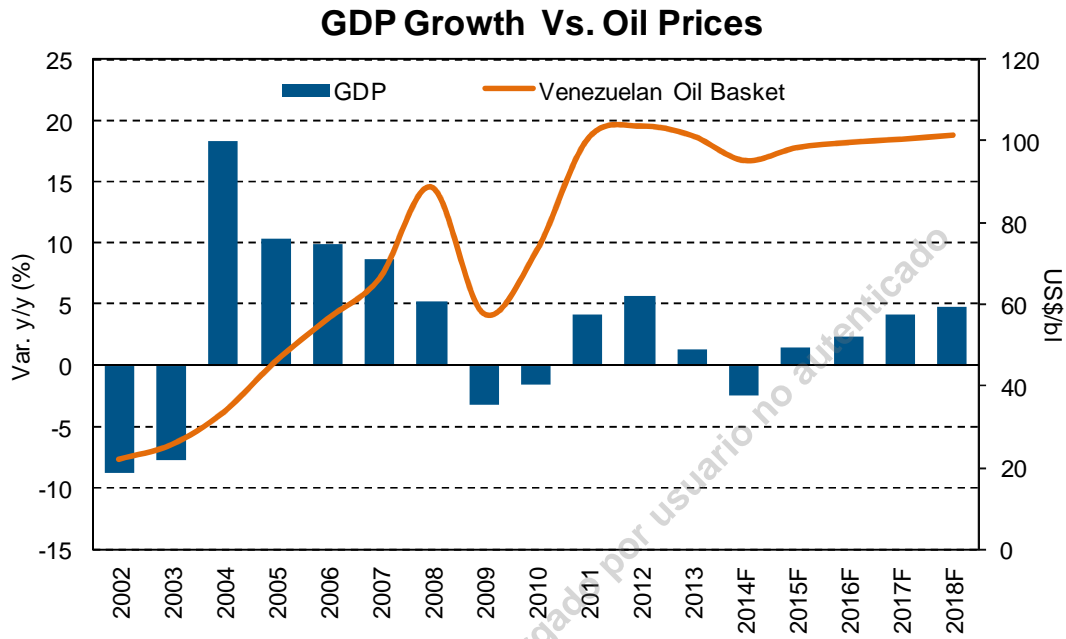
Is an adjustment program being implemented in Venezuela?

There is an issue that has been gaining ground in the national debate on the economy in recent months: the implementation by the Executive of an economic adjustment plan for solving the imbalances that have been building up (and getting worse) in the Venezuelan economy. A number of reports and specialized analyses on Venezuela's situation place strong emphasis on this issue, particularly since the appointment of Oil Minister Rafael Ramírez as Vice Minister for the Economy. In this article we will give our view of what is happening in Venezuela.

Where do we stand?

The economic model implemented in Venezuela started to founder in 2009, when, as a result of the international financial crisis, the price of oil fell. Venezuela was the first country among the emerging markets to go into a recession and is the last to come out. This put the spotlight on the fact that the set of "21st Century Socialism" economic policies implemented in Venezuela were only sustainable as long as oil prices continued to increase substantially year after year.

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Sources: BCV and Ecoanalítica

With nominally stable oil prices (which has been the case for the Venezuelan basket since 2010), the imbalances in the Venezuelan economy became more and more pronounced, as reflected on different fronts:

- A high fiscal deficit (of more than 10 points of GDP) and one that the Central Bank has been financing to a large extent in the past two years
- High inflation, the highest in the world last year, in the midst of a structural problem of shortages of not only goods and services but also of raw materials and intermediate goods for industry
- Foreign currency restrictions, which have generated operational problems for the private sector operating in Venezuela. On the foreign exchange front, the problem of an overvalued official exchange rate and an unprecedented differential between the different exchange rates make the situation even more complicated.
- Drop in production of oil for export and of barrels that generate foreign currency, plus operational problems in the oil industry

These four points are only one indication that Venezuela is experiencing a major economic crisis, the biggest, in our opinion, since the one in 2002-2003. This crisis needs a change in the set of economic policies that have been implemented thus far. Unfortunately, the government does not seem to be prepared to assume that need. The

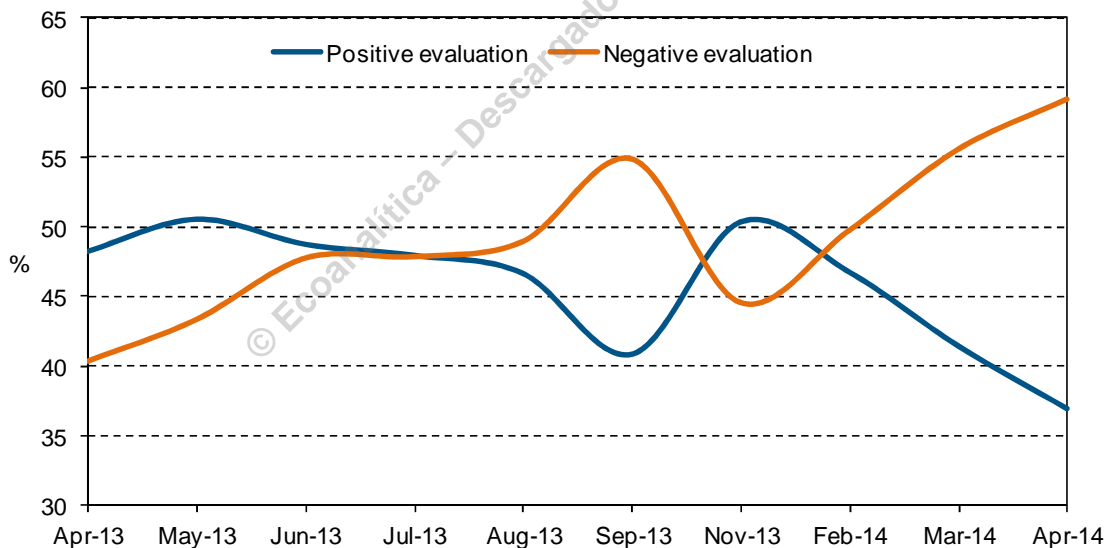
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measures that the Executive has taken thus far and those that it has announced point rather to attempts to give the government a breathing space than to trying to correct the manifold imbalances from which the Venezuelan economy is suffering.

The government is up a blind alley

For the *Chavista* Government, accustomed to enjoying high levels of popular approval, the economic crisis is dangerous and unpleasant. Until now, *Chavismo* has been astute in postponing the necessary adjustments and finding others to blame (more often than not imaginary scapegoats) for the economic problems. But, right now, things are different. Recent opinion polls show not only that the economic issue has gained in importance in the ranking of people's concerns, but also that the Executive is proving to be incapable of solving the problem.

Nicolas Maduro's Performance Evaluation



Sources: Datanálisis and Ecoanalítica

So, the government finds itself in a corner: the Venezuelan economy is at a point where, in order to recover, it needs adjustment measures, the majority of them with a high political cost, which means that the Executive is reluctant to take them. But in the economy, time is of the essence and delays cost us dear, so that the longer the taking of decisions is postponed, the worse the situation gets and the more people's discontent grows. So we are in a vicious circle that is difficult to break, given that implementing an

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adjustment program warrants broad political consensus, a point where the Maduro administration is also encountering difficulties.

Since getting into office, the Maduro administration has been marked by a high turnover of government officials responsible for the economy, calls to dialog, and meetings with the country's private sector. Since April last year, there have been frequent meetings with the private sector, a positive development but one that has not been enough since the next step has not been taken: the effective implementation of measures that would allow Venezuela to have a healthy, stable macroeconomic environment.

What is the government doing?

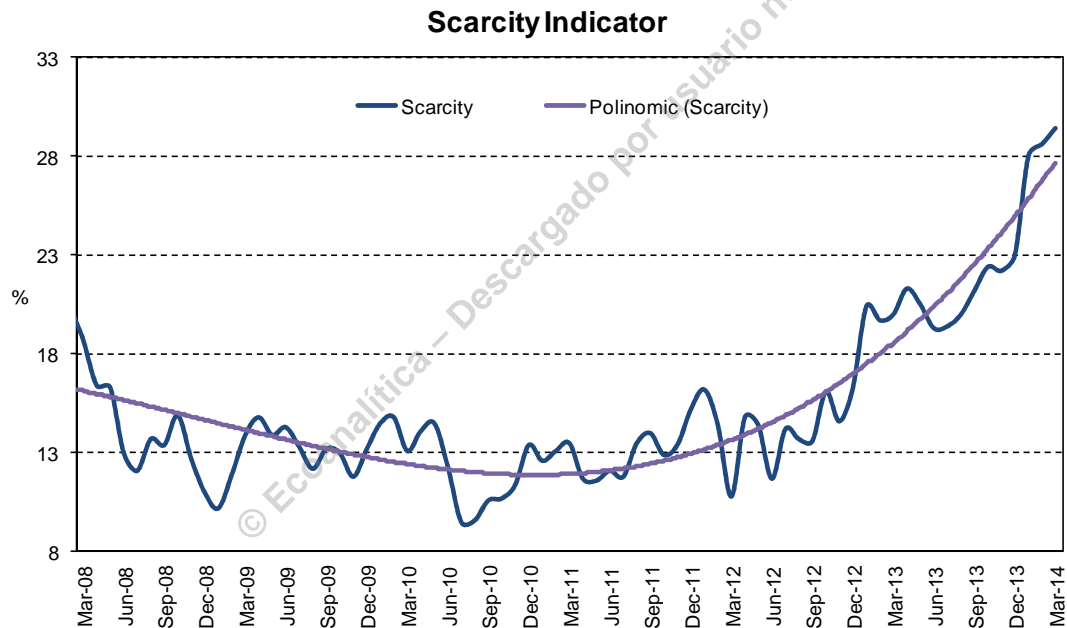
So far, measures have been taken (or announced) on five fronts:

1. **Oil:** With the signing of financing agreements with joint ventures and the granting of advantages with the establishment of SICAD II, measures are being taken aimed at preventing oil production (and therefore foreign currency revenues) from continuing to fall. These measures will have an impact in the medium term, beyond 2014. The funding announced thus far aims for an increase in production of some 320,000 barrels a day (kb/d).
2. **Price controls:** The Executive has opted for a veiled and informal increase in the prices of essential goods in a desperate measure to cushion the shortages, which are at an historic high; this is a phenomenon that is intimately linked to people's discontent with regard to the government's performance. Also relevant here are the price hikes for subsidized products sold via the government's distribution networks: MERCAL, PDVAL, and Bicentenario. The latest decision by the Executive is that these price adjustments will not be published in *Gaceta Oficial* but are to be posted on Sunde's web page.
3. **Foreign exchange** (and this is the most significant element): a major devaluation in the economy's weighted exchange rate (with the migration of items from Cencoex to SICAD I and the setting up of SICAD II), a measure that benefits the government as the main (and practically only) exporter by improving its fiscal deficit by approximately 7.4 points of GDP.
4. A **fiscal reform**, about which no details of what this involves have been given but that seeks to increase the amount collected in taxes at a time when the non-oil economy is in a clear recession.

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5. And last of all, while there have been only announcements so far, **the increase in the charges for public utilities**, such as electricity and water, and an increase in the price of gasoline, measures that aim to palliate the cash deficit and not necessarily to bring about a change in the structure of incentives for distributing the oil revenue that has prevailed in Venezuela.

This series of measures seeks, on the one hand, to improve the government's cash situation (given the huge fiscal deficit and the fact that monetary financing has reached dangerous levels) and, on the other, to prevent discontent from growing by trying to reduce the shortages of goods and services.



Sources: BCV and Ecoanalítica

Is it enough?

In our opinion, what the Executive has done or announced so far are isolated measures that do not seek to attack the core problem of our economy. As we have insisted all these years, Venezuela needs a comprehensive long-term plan with short-, medium- and long-term policy objectives. In order to be able to implement such a plan, certain conditions that do not exist at present are required: First of all, a government team with a detailed diagnosis of the situation that is aligned with the set of measures that have to be taken; secondly, a government that is prepared to reach agreements with different actors (political, business, and social) in order to achieve the highest possible level of

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consensus for implementing the plan; and thirdly, the technical support of multilateral bodies specializing in adjustments of this type.

These minimum conditions do not exist. So far there has been no evaluation of why we have reached this point or an admission of responsibility. All we have is Ramírez's assurance that "*Chavismo's economic model has been successful.*"

Will we hit bottom?

The measures taken so far leave the imbalances that have built up in our economy over these past years intact, but they do give the Executive room for maneuver as they seek to provide the public finances with oxygen. Given the still considerable volume of the oil revenue, there is much the Executive can do in Venezuela without dealing with the root causes of the problems.

We will continue down this path for some time yet: low economic growth, high inflation, foreign exchange distortions and distortions in relative prices in general, shortages, and other ills. Venezuela will continue to be last among the emerging countries of Latin America, but with a latent risk of generating and incubating high social tensions with significant impacts on the country's political dynamic. For these reasons, our immediate future seems to be marked by a blend of mediocre economic performance, high social tensions, and considerable political uncertainty.

Asdrúbal Oliveros

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ECONOMIC TIPS

Optimistic. According to the latest LatinFocus survey released few days ago analysts expect the economy to contract 1.4% this year, and inflation to close nearly 59.9%. For 2015 the panel of the LatinFocus survey expects a economic growth of 1.5% and an inflation of 46.3%, also forecasts an exchange rate devaluation from VEB 6.3/US\$ to VEB 9.2/US\$.

IMF recommends cutting back subsidies. The International Monetary Fund (IMF) recommends that Venezuela, Ecuador, Argentina and Bolivia maintain prudent fiscal policies and cut back spending on energy subsidies, describing them as “very costly.” It also suggests staying attentive to financial vulnerabilities and encouraging growth through “good” social spending, referring to investment in improving education or infrastructure.

The figures. The president of the National Foreign Trade Center (Cencoex), Alejandro Fleming, stated that, between January and April this year, \$5.65 billion was disbursed for imports, including amounts disbursed for essential goods, via SICAD I, and for products traded via the ALADI and Sucre clearing mechanisms. Fleming also said that US\$10.0 billion was authorized for raw materials, inputs and finished products.

The fantastic five. President Nicolás Maduro appointed the current ministers responsible for the economy as Plenipotentiary Chiefs for dealing with the economic crisis: José David Cabello (Minister for Industry), Dante Rivas (Minister for Commerce), Yván Gil (Minister for Agriculture), Rodolfo Marco Torres (Minister for the Economy), and Rafael Ramírez (Minister for Oil). According to Maduro, the “*plenipotentiary chiefs*” are to visit companies to solve “*in situ the problems in a new ‘economic street’ method of the government’s in order to go and make the investments, the credits, on the terms that are necessary.*”

The measures are useless without adjustments. Even though the Central Bank has implemented measures to mop up liquidity, such as increasing the legal reserve and extending the maturities on liquidity-absorbing instruments, its figures show that the amount of money in circulation in the economy posted an increase of 75.7% year-on-year at the close of March. The growth in liquidity is the result of the 182.9% increase in financial aid granted to PDVSA, which came to VEB 460.21 billion at the close of April.

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Another black list. Last week, Cencoex published another list of private individuals who are being required to report to the agency to demonstrate proper use of the foreign currency allocated to them. The people who appear on the list must submit the documents (originals plus copies) associated with the use of the foreign currency allocated for credit card payments abroad as well as with payments made to suppliers abroad and with the purchase of cash for travel.

New savings plan scheme. President Nicolás Maduro has announced that he is to hold a meeting with the directors of the 1,300 workers' savings plans registered in the country for the purpose of "*generating a new scheme and protection of the funds,*" which, in turn, will form an integral part of the State's social plans. Maduro explained that this strategy will be implemented by creating the National Severance and Longevity Benefits Fund on which the Ministry of Finance is already working and in connection with which it has already met with the group of savings plans directors to discuss the matter.

Quality, not quantity. The president of the Venezuelan Tax Law Association, Jesús Sol Gil, spoke about the need for a tax reform in Venezuela, regarding which Deputy Ricardo Sanguino said that they had been conducting a study for some time. "*I believe that Venezuela needs a reform of its tax system; not for the purpose of collecting more taxes but, basically, to make the collection of those taxes more efficient. When talking of reform, it means that the country's economic situation needs to be studied in order to decide how to carry out a comprehensive tax reform,*" explained Sol.

Interest rates. The lending rate for the first week of May was at 16.1%, down by 0.3 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 has not experienced any significant variation, placing well at 14.1%.

International reserves. International reserves increased by 3.8%, going from US\$20.7 billion during the fourth week of April to US\$21.5 billion during the first week of May. Compared to the same period last year, international reserves have decreased by 18.6%.

Central government expenditure. On May 9th according to figures from the NTO primary spending was VEB 15.9 billion, which means an increase of 130.7%; when it is compared to the same period last year. So far this year,

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the primary expenditure accumulates VEB 246.0 billion 73.4% more than the same period last year.

Monetary liquidity. Money liquidity (M2) increased 1.3% in the first week of May from the week prior, to settle at VEB 1.37 trillion. The M2 has increased 76.7% in relation with the same period last year.

Supply through SICAD II (US\$ MM)					
Day	Total daily	Public Sector	(%)	Private Sector	(%)
5/2/2014	35.0	29.8	85.1	5.2	14.9
5/5/2014	39.9	35.2	88.2	4.7	11.8
5/6/2014	39.8	37.0	93.0	2.8	7.0
5/7/2014	36.6	36.1	98.6	0.5	1.4
5/8/2014	41.4	40.3	97.3	1.1	2.7
5/9/2014	29.1	24.3	83.5	4.8	16.5
5/12/2014	32.6	30.0	92.0	2.6	8.0
5/13/2014	17.6	14.0	79.5	3.6	20.5

Sources: Ecoanalítica

OIL TIPS

New Project. Oil and Mining Minister Rafael Ramírez said that PDVSA signed an agreement with Repsol and ENI to exploit an oil condensate gas field in the Gulf of Venezuela, and will meet with Chevron to further the work in the east. The meeting with the U.S. oil company will focus on overseeing the development of the Plataforma Deltana project that also aims to include the Argentina YPF seeks to extract and liquefy gas in Venezuelan waters near the maritime border with Trinidad and Tobago.

Cut almost by half! Amuay, Venezuela's largest refinery, which has capacity for processing 645 kb/d, operated at 62.0% of capacity last week, according to PDVSA. This drop in production was due to a breakdown in the steam generation system; however, account should be taken of the fact that this is not the only problem that has arisen at the refinery in recent months: unscheduled shutdowns, constant incidents, and lack of investment are just some of the many problems that occur constantly at the refinery.

Conoco gives notice. The chief executive officer of ConocoPhillips, Ryan Lance, announced that the US oil company and PDVSA are to shortly submit

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their arguments on a dispute over oil assets before the World Bank's International Center for Settlement of Investment Disputes (ICSID). However, even though the presentation of arguments is "imminent," it is not certain when the ICSID will hand down a ruling.

OPEC production increases. According to the monthly report put out by the Organization of Petroleum Exporting Countries (OPEC), OPEC crude production went up by 131,000 b/d in April compared to the previous month to 29.59 million b/d, thanks to an increase in supply from Iraq and Saudi Arabia. Even so, production is still below OPEC's nominal supply target of 30 million b/d, largely due to lower production from Libya.

OPEC is optimistic. In its monthly report, OPEC raised its forecast for the demand for OPEC crude in 2014 to 29.76 million b/d, up 110,000 b/d from its previous estimate. OPEC stated that, taken together with supply outside the organization, OPEC production would contribute to meeting expected demand in full, which will make for a reasonably balanced market this year.

More gas added to our reserves. Oil and Mining Minister Rafael Ramírez took part in the volumetric assessment of the country's biggest gas well located in Sucre state. The drilling of the well Dragon DR 11 is part of the Gran Mariscal Antonio José de Sucre Gas Project being developed by PDVSA's Eastern Offshore Division. Preliminary studies put the well's productive capacity at an estimated 75 million cubic feet a day of gas, which makes it the largest in the country.

A smokescreen? With the Gran Mariscal Antonio José de Sucre Gas Project, Venezuela seeks to position itself as the country with the fifth largest natural gas reserves in the world. It was also announced that the gas obtained from the project would be used to supply piped gas to homes, so eliminating the use of gas cylinders.

Tension in Ukraine pushes up the price of Brent. Although the chances of tensions in Ukraine having an impact on world energy supplies are remote, the price of Brent crude went up to nearly US\$109/bbl this week following the pro-Russians declaring a victory at a referendum in the eastern part of Ukraine and some experts saying that this meant independence for the region while others expect a possible annexation by Russia.

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Exceeding expectations. The Brazilian oil company Petrobras reported earnings of BRL 5.39 billion (US\$2.43 billion) in the first quarter of this year, down 30.0% from the same period in 2013 but exceeding forecasts by analysts, who expected the company to earn BRL 5.24 billion and post sales of BRL 81.60 billion. Petrobras also said in a communiqué that it was confident that it would achieve its target of increasing production in 2014 by 7.5%.

Chevron and Gunvor have bought diesel from us. After years of having used total production to supply the domestic market, this year Venezuela resumed its exports of low-sulfur diesel. PDVSA sold two shipments of 240,000 barrels each to the US oil company Chevron and the Swiss operator Gunvor. However, given the suspension of purchases of natural gas from Colombia owing to the phenomenon *El Niño* and the situation at Venezuela's hydroelectric power stations, it is unlikely that these exports will continue in the coming months.

International oil baskets. At closing time on May 9th in the New York Stock Exchange, the price of the WTI was US\$100.0/bl, decreasing by 0.4% when compared to the reported the previous week. The Brent decreased by 0.5% when compared to the previous week, to reach US\$107.9/bl.

Local oil basket price. The Venezuelan oil basket price closed at US\$96.2/bl on Friday May 9th, decreasing by 0.3% when compared to the reported the previous week. The annual average price of the Venezuelan oil basket is US\$96.4/bl.

BUSINESS SECTOR TIPS

Chain of production broken. The president of the Federation of Commerce and Production Chambers and Associations of Venezuela (Fedecámaras), Jorge Roig, claimed that, even if the government allocates all the foreign currency it needs to the private sector, recovering the economy will be a slow process due to the fact that "*the chain of production has been broken.*" Roig further explained this saying that the country's problem is not fiscal but commercial, as Venezuela's situation continues to get worse owing to the so-called "fracture" in the productive chain, which mainly "*requires discipline in the allocation of foreign currency*" in order to recover.

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Another system that doesn't work. Freddy Ceballos, the president of the Pharmaceutical Federation, denounced that the "general staff for health" is a fiasco since it has not responded to actual social situations, which has resulted in the system losing credibility. According to Ceballos, the crisis in the health system is not going to be solved in the short term: Inventories have fallen below levels where it is possible to replenish them before there are shortages; when it comes to distributing medicines, there is a shortfall of 50.0%; the origins of the medicines are not checked; and the decisions that have been taken are political not managerial.

Some food is coming in, but not enough. According to the latest report by Puerto Cabello Chamber of Commerce, a variety of food products have arrived at the port. A shipment of 6,000 tons of paddy rice has come from Guyana; 900 tons of pear and apple pulp have arrived from Colombia as well as 300 tons of peaches in syrup and 40 tons of frozen peas; 46 containers with 470,000 tons of chicken have arrived from Brazil; and 17 boxcars with more than 599 tons of chicken and beef have been shipped from Argentina. It is expected that more than 2,000 tons of cardboard cuts will be received at the port in the next few days.

Things were better even during the strike. According to figures provided by the Automotive Chamber of Venezuela (Cavenez), vehicle production in the first four months of the year came to 3,990 units, a drop of 82.6% compared to the same period last year. This performance is worse than in 2003, when the economy was suffering the effects of the oil strike and when production came to 7,122 units. The explanation for this huge drop is to be found in the bad policies implemented in the automotive sector and, once again, in the delays in disbursing foreign currency.

A tiny breathing space for the sector. At the eleventh foreign currency auction held by Cencoex, US\$217 million was awarded to the automotive sector. Initially, Cencoex had established a ceiling of US\$22 million per company, but due to the current automotive crisis, applications for up to US\$44 million were allowed. However, only six of the seven private automotive companies operating in Venezuela were allocated foreign currency, with MMC Automotriz being left out.

The doctor pays some house calls. Several government representatives have paid visits to a number of companies around the country in the past few

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days to check up on their situation as regards production and to listen to producers' requests. A hundred and fifty visits were paid to companies in the agro-industrial, automotive, plastics, and food sectors in the central region of the country. Decisions taken include improving producer payments, and other measures requested by producers have not been discarded.

Two more have posted their lists. The Fair Prices Superintendency has posted two new price lists for LG and Sony de Venezuela. The lists include all types of electronic equipment (television sets, video games, home theater centers, and so on) and domestic appliances (washing machines, cookers, dryers). These price lists join those already posted by the Superintendency since April 29.

For a few weeks only. The Venezuelan Government has started to speed up authorizations for acquiring and disbursing outstanding foreign currency for the wheat mill and pasta sectors due to the fact that wheat inventories are only sufficient for one and a half months. According to the president of Avepastas, Simón Nobile, even with the approval of the foreign currency, dispatches will take at least two months to arrive. *"The important thing is that there were delays of up to 90 days with Foreign Currency Acquisition Authorizations (AADs) and Foreign Currency Disbursement Authorizations (ALDs), and that is being dealt with."*

WORLD ECONOMY TIPS

Risks facing the United States. Federal Reserve Chair Janet Yellen warned that geo-political turmoil and a weakened real estate sector are the main risks currently facing the United States (US) economy. Yellen also indicated concerns over incentives for investors to take greater risks given the extended period of low interest rates.

China, letting things happen naturally. The president of the People's Bank of China, Zhou Xiaochuan, gave assurances that no large-scale stimulus would be used to boost China's economy in response to speculation on a possible reduction in the legal reserve aimed at boosting growth by expanding credit. Zhou said that the People's Bank would only "adjust" its monetary policy to counteract economic cycles.

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Positive data? According to figures from the National Bureau of Statistics of China, industrial production in China was up in April by 8.7% year-on-year, whereas retail sales and investment in fixed assets grew by 11.9% and 17.3% compared to April 2013. While all three figures could be described as positive, they are below consensus estimates by analysts.

Waiting for a clearer outlook. The EBC has kept its benchmark interest rate unchanged at 0.25% (a record low) and abstained from implementing new “unconventional” monetary policy measures (such as the purchasing of bonds) in the hope that the slight upturn inflation posted by the region in April will gather strength. The EBC is also waiting for the economic forecasts of its analysts, which will be ready in early June, in order to take a decision in monetary policy.

Inflation will remain “low” until 2016 at least. The president of the European Central Bank (ECB), Mario Draghi, gave assurances that the moderate recovery of the Eurozone is continuing its course and that inflationary pressures in the region are contained, which means that annual inflation could remain below the 2.0% target set by the bank, at least until the end of 2016. Draghi said that the ECB would continue to use “unconventional tools” to deal with the problem of low inflation.

Despite the “good moment”. The Bank of England has maintained its monetary policy, leaving its benchmark interest rate unchanged at 0.5% and its asset purchase program at £375 billion a year, despite indications of economic recovery in the United Kingdom and a possible overheating of the real estate sector reflected in increasingly higher housing prices.

London, the city of multimillionaires. An investigation article by The Sunday Times reveals that there are more multimillionaires (people with a fortune of more than £1 billion) per capita in London than in any other city in the world. According to the daily the Sunday Times, London is the home of 72 multimillionaires, nearly twice as many as Moscow, the city ranked second with 48, followed closely by New York with 42 multimillionaires.

Portugal obtains rating upgrade. The credit ratings agency Moody’s raised Portugal’s sovereign debt rating to “Ba2” (from “Ba3”), taking into account a brighter fiscal outlook and the country’s imminent exit from the EU’s and IMF’s bailout program. Moody’s stated that Portugal’s rating continues to be

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on review for a possible further upgrade but that it will not obtain an investment grade rating (Baa3) until strong sustained growth is observed.

Brazil will grow by 1.7% this year. According to the Focus bulletin, a survey conducted by Brazil's Central Bank, Brazilian analysts expect the economy to grow by 1.7%, up from last week's forecast of 1.6%. Analysts' forecast for Brazil's growth this year is way below the 2.5% that the Brazilian Government expected and the 2.0% estimated by the Central Bank of Brazil in its last quarterly report.

Food prices fell in April. The FAO price index, which measures the monthly changes in a basket of cereals, seeds, dairy products, meat, and sugar, averaged 209.3 points in April, down 1.6% from March. The decline in April was due to a sharp drop in dairy prices as a result of a reduction in purchases by China and Russia and an increase in stocks owing to an extended season in New Zealand.

POLITICAL TIPS

Talking to the wall. The Democratic Unity Alliance decided to suspend the dialogue sessions with the Government after statements made by the President of the National Assembly (AN), Diosdado Cabello, and some PSUV leaders that "supersede" some agreements reached between the two parties last April. The approbation of an amnesty bill and the release of political prisoners, according to statements made by the Mayor of Caracas Jorge Rodríguez "had not been discussed" in the meetings, but the Democratic Alliance ensure that if it was.

Unity, unity, unity. The Governor of Miranda state, Henrique Capriles Radonski, insisted that, given the situation Venezuela is going through, the opposition must "reunite." *"At the moment, 80.0% of the country is dissatisfied; they consider that things are bad, but that doesn't mean that they automatically back another option,"* added Capriles, who called on the opposition to work in coordination and in an organized fashion to offer people an alternative to the government.

The response will be firm. President Nicolás Maduro warned that, if the US Government applies sanctions against Venezuela, he will respond "firmly."

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This week the US Senate debated the motion proposed by Republican Senator Marco Rubio, which includes measures such as freezing assets and revoking visas of Venezuelan government officials for violating human rights.

No sanctions. The US Government considered that it would be premature to apply sanctions on Venezuelan government officials accused of being involved in violations of human rights. Assistant Secretary of State for Western Hemisphere Affairs Roberta Jacobson alleged that some members of the Venezuelan opposition had asked that the sanctions not be pursued at this time, although she admitted that another sector of the opposition was in favor of sanctions.

The innocent should not pay the price. In response to the statements by US Department of State spokesperson Roberta Jacobson, the executive secretary of the Democratic Unity Alliance, Ramón Guillermo Avelo, gave assurances that no spokesperson of the Alliance had suggested *“to a government official of any country that sanctions be taken that would make the people bear the blame for the members of their government, or that people be exonerated from taking responsibility for their conduct.”*

SWAT-style. 243 students who were staying in four camps set up as a form of protest in different parts of Caracas were arrested in a military operation. The Minister for Homeland Affairs, Justice and Peace, Miguel Rodríguez Torres, justified the measure, claiming that *“drugs, weapons, explosives, mortars, alcoholic beverages, and teargas were seized”* during the raid on the camps.

Excessive force. The spokesperson for the UN High Commissioner for Human Rights, Rupert Colville, criticized the *“excessive use of force”* by the Government of Venezuela to dismantle a series of *“peaceful protests”* being held in Caracas. *“We unequivocally condemn all violence by all sides in Venezuela. We are particularly concerned at the reported excessive use of force by the authorities in response to protests,”* said Colville.

Public enemy? The president of the National Assembly, Diosdado Cabello, said that his US visa had been revoked due to an accusation made by a “deserter” of the Bolivarian National Armed Force (FANB) claiming that Cabello had contributed US\$1 million to finance the activities of the terrorist Osama Bin Laden. *“So there you have it. That’s the madness of those people, and that accusation was accepted there,”* said Cabello, who added

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that the United States is looking for excuses to wrongfully accuse Venezuelan government officials.

The conspiracy. According to the president of the National Assembly, Diosdado Cabello, individuals such as Alfredo Romero, the president of Foro Penal Venezolano, Caracas Metropolitan Mayor Antonio Ledezma, and Deputy Enrique Mendoza, among others, are allegedly behind the coordination of groups and violent protests in the country. Cabello said that he would hand over proof that link a series of nongovernment organizations to the *“right wing’s continuous coup d’état in the country”* to the judicial authorities.

Elections, again. This week saw the start of the campaigns for the elections to be held in the municipalities of San Diego (Carabobo) and San Cristóbal (Táchira) on May 25. The number of people eligible to vote is 60,614 in San Diego and 207,403 in San Cristóbal. The elections were called by the National Electoral Council (CNE) following the removal of Mayors Enzo Scarano and Daniel Ceballos from office.

And at the agency in charge of elections as well. Deputy Blanca Eekhout, the chairperson of the National Assembly’s Electoral Postulations Committee, said that only the three members of the CNE that are to be renewed as stipulated by law will be elected this year, in response to a call by some members of the Democratic Unity Alliance demanding that all five CNE directors be renewed. “They can ask for whatever they want, but they (the directors) have a term that hasn’t expired. Right now, the three who are going to be selected are those who are to replace the directors whose terms have expired,” added Eekhout.

New president, new relations. The President-elect of Panama, Juan Carlos Varela, is to send an emissary to Caracas to start the process of restoring diplomatic relations with Venezuela, which were broken on March 5 by the Venezuelan Government. Varela’s emissary is to meet with the government to discuss issues such as the debt Venezuelan companies have with Colón Duty Free Zone and the situation of Panamanian companies operating in Venezuela and also to ensure that neither the interests of Panama nor those of Panamanian companies are affected.

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LEGISLATIVES TIPS

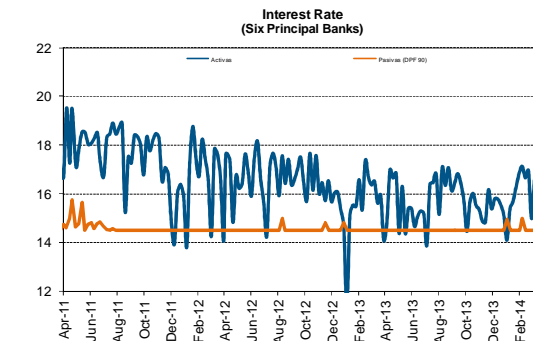
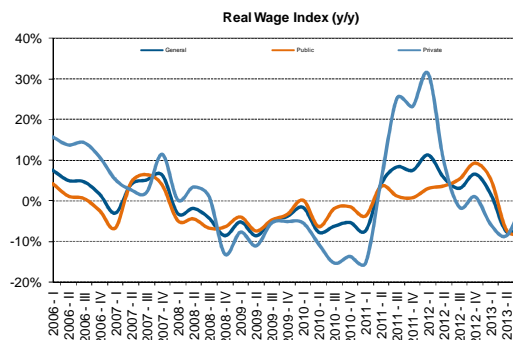
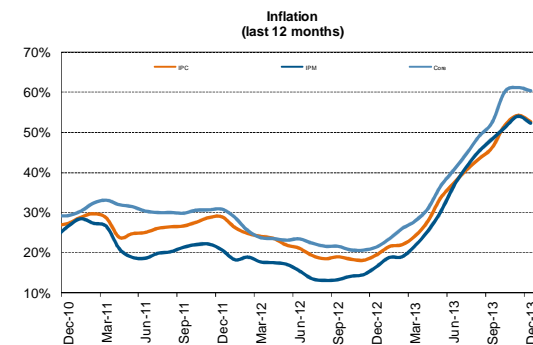
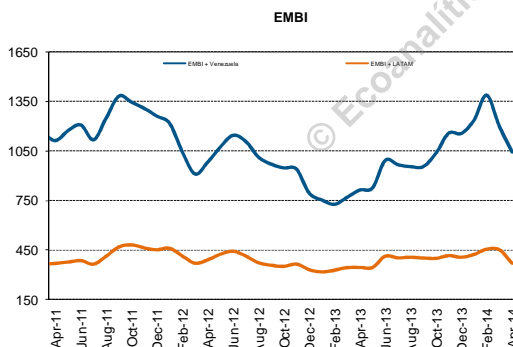
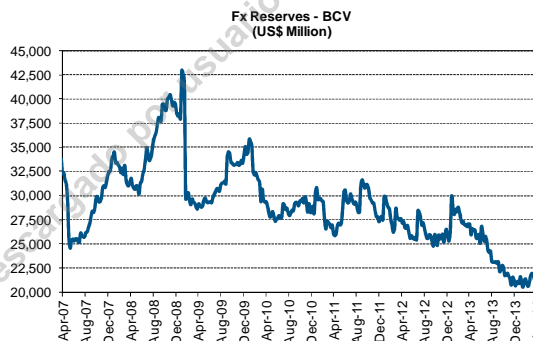
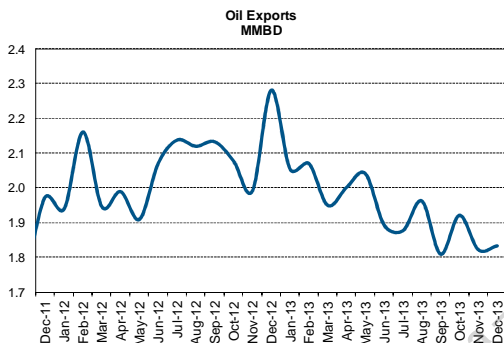
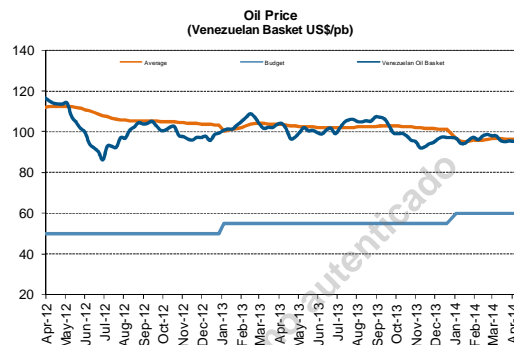
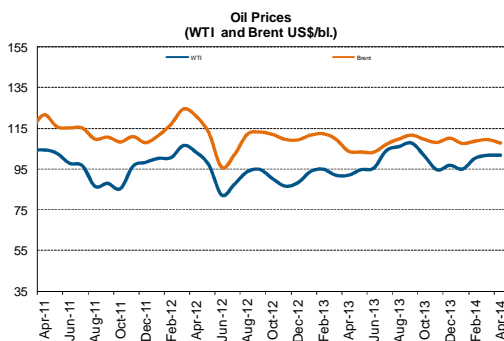
Let's see if it helps. The Executive has modified the structure of the compulsory loans portfolio for the agricultural sector in a resolution published in *Gaceta Oficial* No. 40,407, according to which, now at least 75.0% of the quarterly agricultural portfolio must be allocated to the production of items defined as strategic and at least 15.0% of the compulsory funds that the banks have to grant in loans are to be for items considered to be “non-strategic.” Moreover, a minimum of 10.0% has been set for financing agro-industrial investment and the marketing of capital goods and domestic raw materials.

A new vice minister. By means of Decree No. 958 published in *Gaceta Oficial* No. 40,407 issued on Tuesday, May 13, Hilario José Cortez García was appointed as the new Vice Minister for Oil and Mining in the place of Franklin Méndez Bonilla.

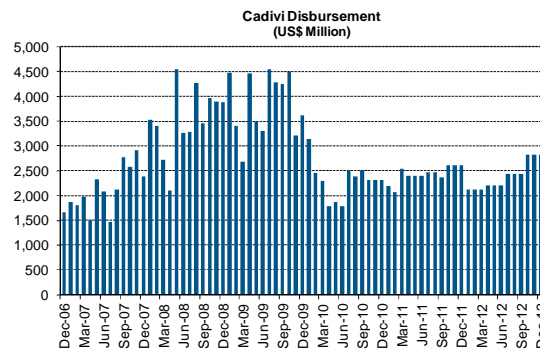
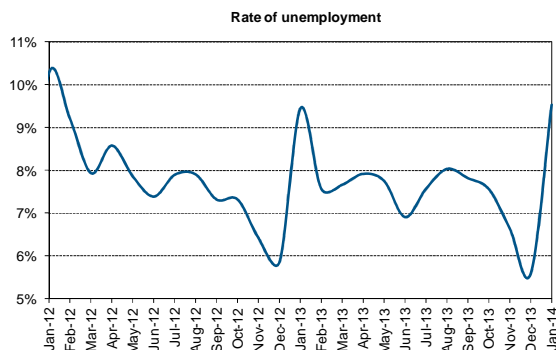
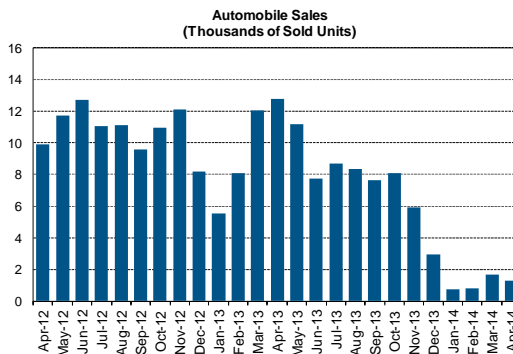
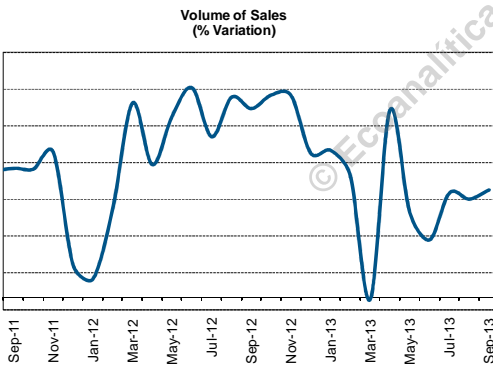
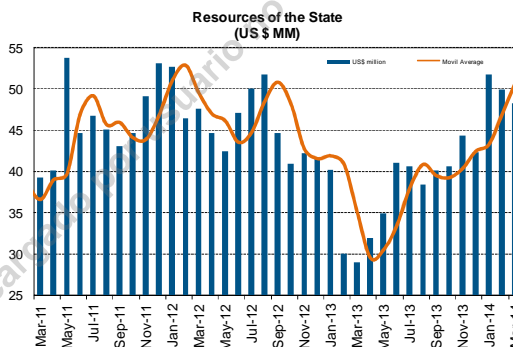
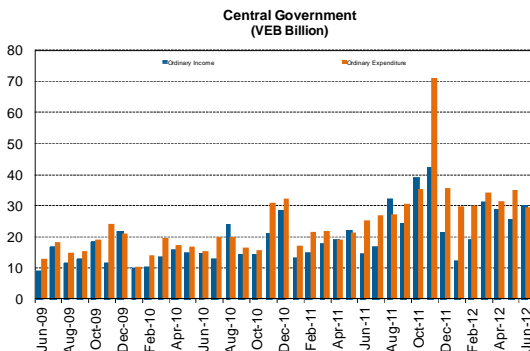
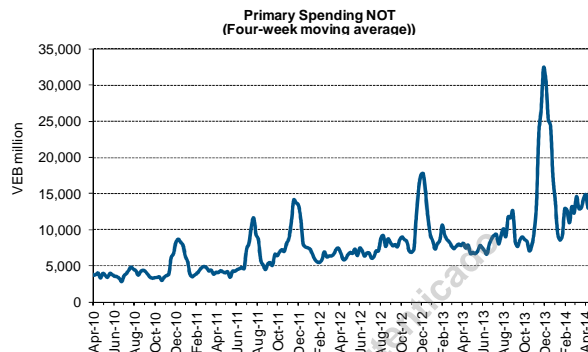
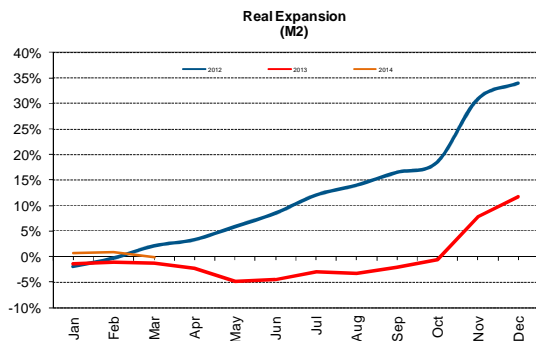
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ECONOMIC OVERVIEW



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