

## Oil revenue in 1Q2014: good or bad news?

In the last few days, news such as the US\$2.25 billion increase in the nonfinancial debt that the State has with the private sector and the issuing of US\$5 billion in PDVSA bonds (which will allow the government to offer nearly US\$3.1 billion via alternative mechanisms) has cast doubt on the government's ability to meet the economy's need for dollars on a continuous basis, particularly in view of the fact that it has to pay out US\$5.13 billion in debt servicing (for Central Government debt alone) between April and December.

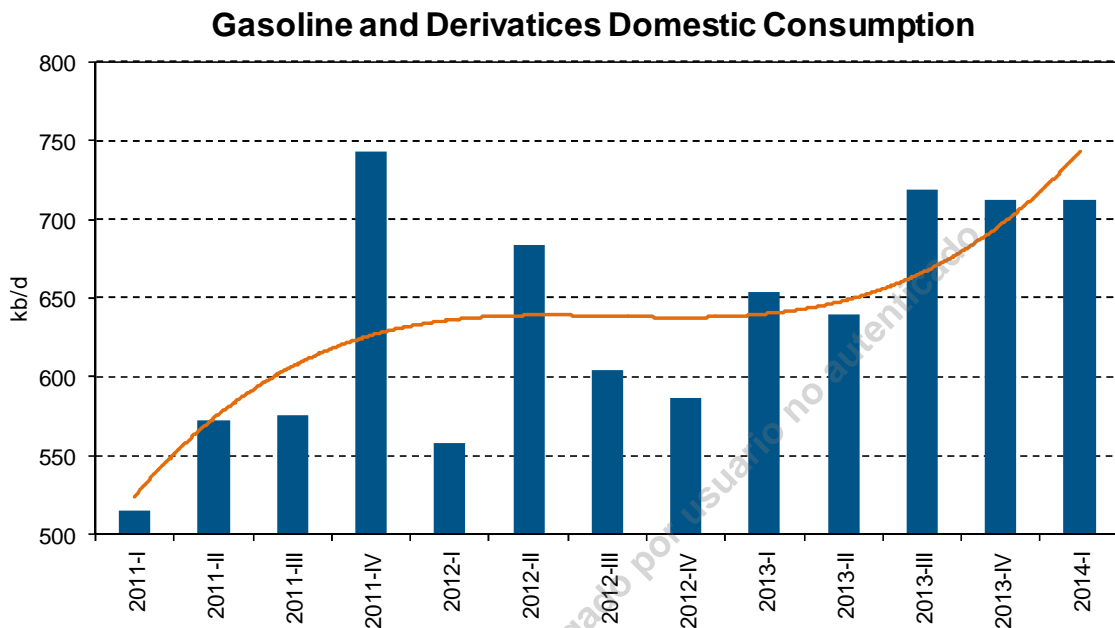
However, while foreign currency allocations via regular mechanisms have stagnated, the government has allocated US\$1.47 billion via alternative mechanisms and has managed to build up US\$15.8 billion in extra-budgetary funds as at the close of 1Q2014, an increase of 25.0% compared to the close of December 2013, which suggests that supply is getting back on track and that a significant amount of foreign currency assets has been piling up.

Given the mixed signals regarding the flow of foreign currency during the first quarter, the questions that need to be asked are: How much foreign currency has the government received during that time? and How does that flow compare to previous years? Answering those questions means estimating the amount of foreign currency received by the oil industry during the first three months of the year, which is the main purpose of this report.

### First things first: the volumes

Starting with the good news, crude production went up by 1.2% in 1Q2014 compared to the same period last year. However, oil exports posted a drop of 7.2% (yoy) owing to the 8.9% increase in domestic production (crude used for refining products intended for the domestic market).

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Source: Ecoanalítica

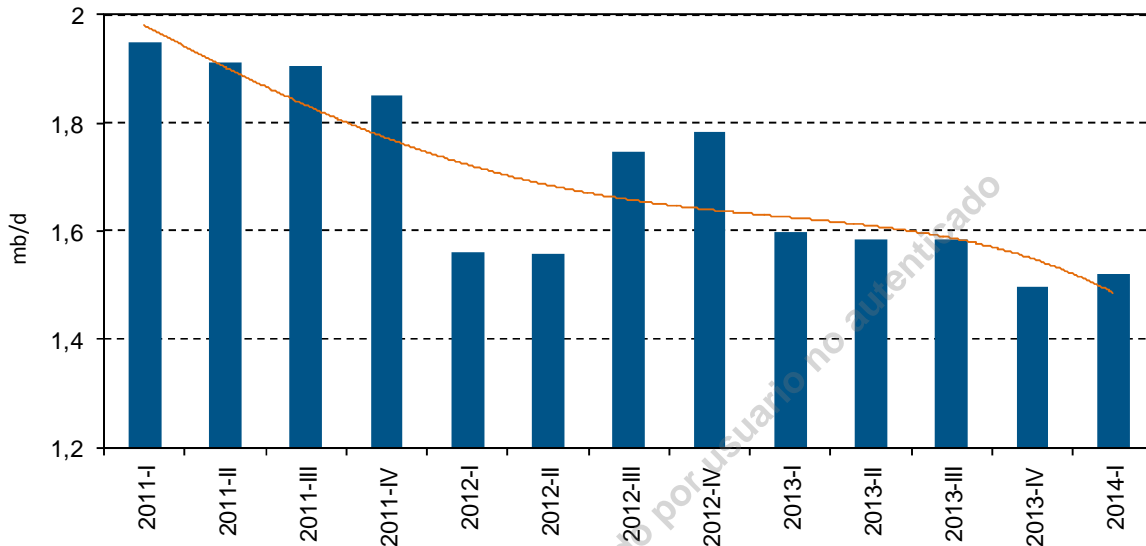
The significant 38.2% growth in the domestic consumption of gasoline and other derivatives during the past three years, has not only restricted the volumes exported but has also meant an increase in the hydrocarbons subsidy, which has meant that the government is becoming increasingly willing to entertain the possibility of an increase in the price of the derivative that is consumed most: gasoline. At **Ecoanalítica** we estimate that in 1Q2014 alone, the subsidy on gasoline and other oil derivatives came to US\$6.7 billion, 2.0% more than in 1Q2013.

### Increasingly less sold on credit

Besides the considerable reduction in volumes exported, the volume of barrels that generate cash, which is equal to exports less shipments to China and to countries that are parties to energy cooperation agreements, fell by only 4.6% in the first months of the year as a result of lesser volumes being sent to China (-20.0%), Petrocaribe (-20.0%), and Cuba (-23.0%).

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### Cash Flow Generator Barrels

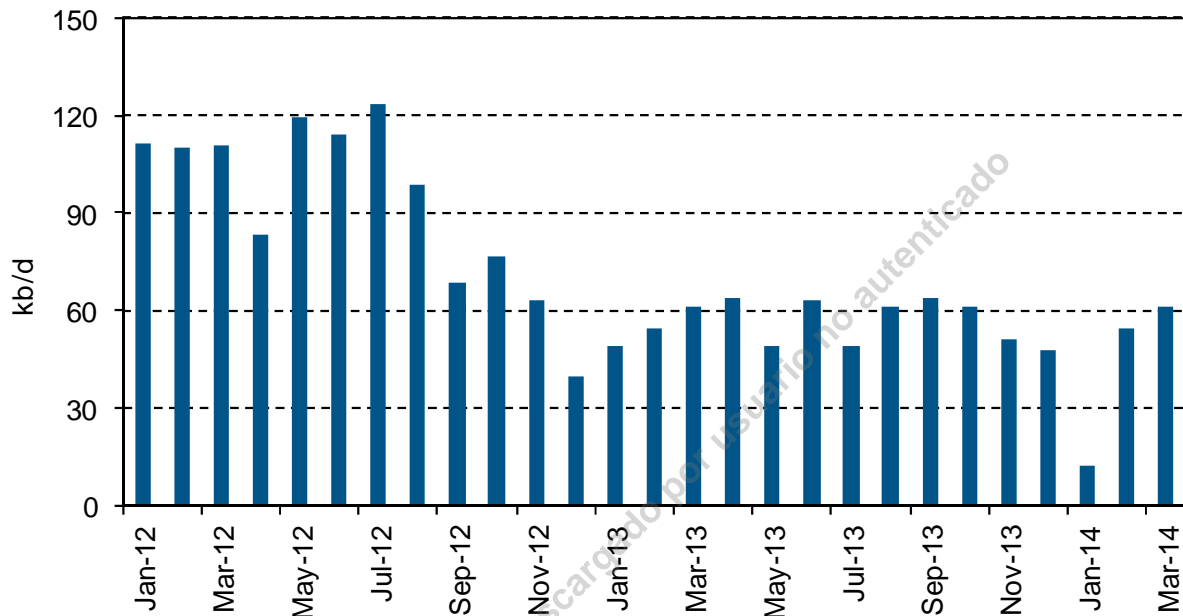


Source: Ecoanalítica

In fact, compared to 1Q2012 (the start of an election year), the reduction in the volume of barrels that generate cash in 1Q2014 was only 2.6%. This reflects that, as exports have declined, the government has not hesitated to cut oil deliveries to countries that have been important political allies. Proof of this is that the shipments to Cuba were cut by 61.6% between 1Q2011 and 1Q2014.

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## Oil Shipments to Cuba



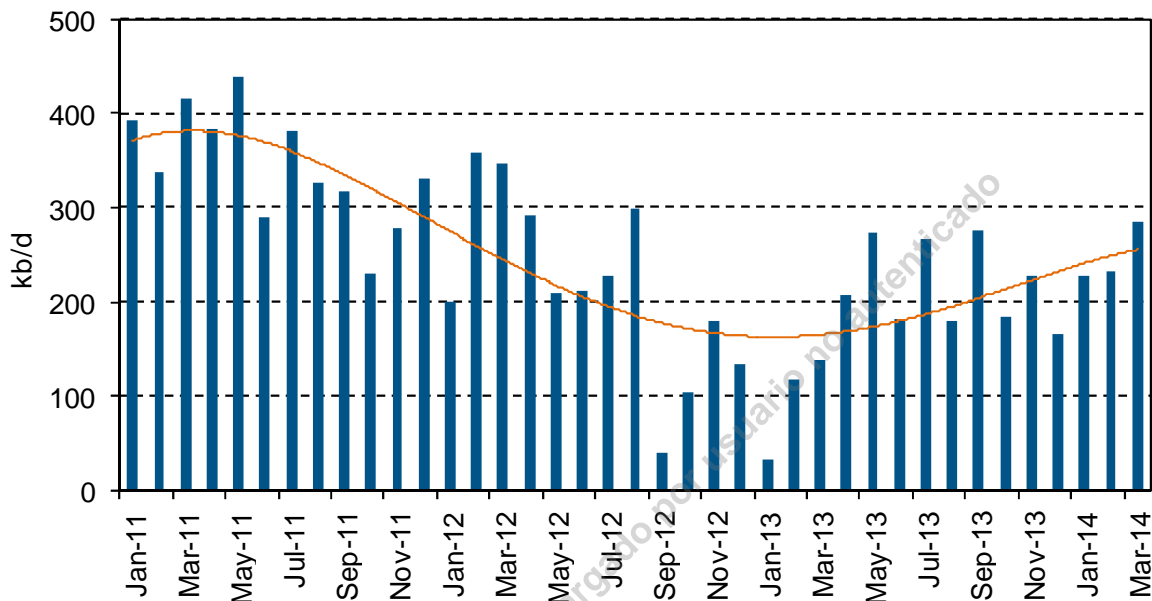
Source: Ecoanalítica

### The Amuay effect

Another piece of good news, besides the reduction in exports that do not generate cash, has to do with the recovery of capacity for exporting refined products, which had been affected following the tragedy at Amuay in August 2012. During 1Q2014, net derivative product exports averaged 248,000 barrels daily (kb/d), up 157.1% from the same period in 2013, due to the 17.0% increase in exports and the 52.8% reduction in imports of derivatives.

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## Net Exports of Derivatives



Source: Ecoanalítica

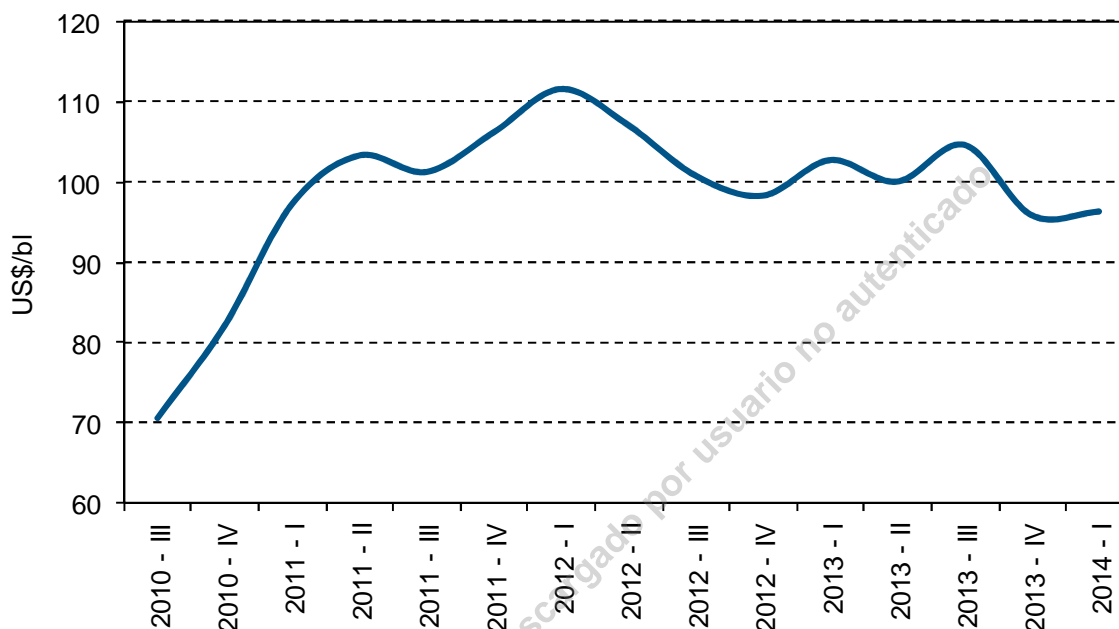
Even though net crude exports posted a significant increase compared to 1Q2013, they were still 17.1% below levels observed in 1Q2012, which suggests that they could even increase in the future, provided that growth in domestic consumption is moderated.

### But the price doesn't help

More important than the reduction in volumes exported has been the drop in the prices of the Venezuelan oil basket, which averaged US\$96.4/bbl between January and March, a drop of 6.2%.

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### Venezuelan Oil Basket Price



Sources: Menpet and Ecoanalítica

What is worse, the outlook for prices is not particularly good. The reduction in monetary stimuli from the US Federal Reserve, the slowing down of China's growth, and the increasingly slow recovery of the Eurozone will exert a drag on prices owing to financial considerations (lower levels of world liquidity means less pressure on commodity prices) and real considerations (the deceleration in growth brings about a slowing down in demand). Given this scenario, the consensus of Organization of the Petroleum Exporting Countries (OPEC), International Energy Agency (IEA), and United States Energy Information Administration (EIA) analysts is that world demand will grow by 1.31% this year, growth that is on a par with supply, which means that there will be no real incentives for prices to continue to climb. At **Ecoanalítica** we estimate that the average price of the Venezuelan oil basket will be US\$85.1/bbl this year, down 6.0% compared to last year's price.

### Doing the math

Based on exports that generate cash, exports of derivatives, and the prices of the Venezuelan oil basket, at **Ecoanalítica** we have taken it upon ourselves to estimate the evolution of revenues received from oil activity in the first three months of the year.

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A total of US\$15.36 billion entered the country in 1Q2014 from oil exports, only 2.1% less than in 1Q2013. It should be noted that we are not referring to the value of total exports, but to what was exported and for which payment was received.

<b>Oil Income</b>				
	<b>1Q2011</b>	<b>1Q2012</b>	<b>1Q2013</b>	<b>1Q2014</b>
Cash Flow Generator Barrels (mb/d)	1.95	1.56	1.60	1.52
Refined Exports (mb/d)	0.38	0.30	0.10	0.25
<b>Cash Flow Generator Exports</b>	<b>2.33</b>	<b>1.86</b>	<b>1.69</b>	<b>1.77</b>
Price (US\$/b)	97.3	111.7	102.8	96.4
<b>Incomes (MMUS\$)</b>	<b>20,410</b>	<b>18,739</b>	<b>15,678</b>	<b>15,348</b>

Sources: Menpet and Ecoanalítica

In short, even though the drop in prices and in volumes exported leads one to think otherwise, the government has not faced major restrictions in liquidity from the oil industry this year. The situation is no different from last year.

### So, what's the problem?

At **Ecoanalítica** we consider that, as long as the recovery of refined product exports continues and the corrections to the shipments under the energy agreements that are unfavorable for Venezuela are maintained, it will be possible to continue to counteract the impacts that the drop in prices and in volumes exported could have on oil revenues. In our opinion, Venezuela will have sufficient liquidity and reserve funds to honor its commitments with foreign creditors and, at the same time, increase the allocations of foreign currency to the private sector.

The data for the first quarter show that Venezuela is not facing a foreign currency liquidity crisis, which means that the restrictions on the allocation of foreign currency, particularly via Foreign Trade Center (Cencoex), have occurred because of the negotiations over the rate at which the debt that the government has with the private sector to date should be paid. The expectation is that allocations of foreign currency will

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increase in the next quarters, particularly via alternative mechanisms, whereas allocations at the VEB 6.3/US\$ exchange rate will continue at a standstill, at least until the government manages to considerably reduce what it owes at the moment.

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## ECONOMIC TIPS

**The debt keeps piling up.** Settlement of the debt for “unpaid” imports (where authorized foreign currency applications have not been honored) is still on the agenda and there are no solutions as yet. On the contrary, the debt the government has with the private sector for “unpaid” imports and payments for services and dividends keeps piling up. Our calculations show that the commercial debt with the private sector as at December 2013 came to US\$23.6 billion and went up to US\$25.8 billion at the close of March 2014, whereas extra-budgetary resources in March 2014 increased by 25.0%.

**More borrowing.** PDVSA has announced that it is to launch a private US\$5.0 billion bond issue with the state-owned banks, the proceeds from which are expected to be used to feed the alternative foreign currency mechanism. A report by Barclays Capital highlights that daily sales via SICAD II have been in the order of US\$45 million and that 60.0% of that supply has been in the form of securities. Barclays also considers it likely that the government will increase the supply of foreign currency to the private sector, with the risk that it will try to maintain that market by incurring in additional debt. In fact, it points out that there is the possibility that PDVSA will launch a further issue before the end of the year.

**And for SICAD II as well.** The chairman of the National Assembly’s Finance Committee, Ricardo Sanguino, said that the bond issues launched by PDVSA will be used for SICAD II. The deputy commented that “*the trend in the long term could be toward unifying the exchange rates.*” On the matter of the delays in disbursing foreign currency by Cencoex, he simply said that “*the government has already agreed that it is going to pay 30.0% of the debt*” and stressed that he was a member of the presidential committee that is looking into the improper use of foreign currency granted in previous years.

**The paycheck’s not enough to get by.** In Venezuela there is no respite from inflation for the salaries of employees in the public and private sectors, with unskilled workers being the hardest hit. The Remunerations Index (IRE) put out by the Central Bank shows that no wage increase is large enough to improve purchasing power in the absence of a policy for controlling inflation. According to the Central Bank’s figures, the real wage of unskilled workers contracted by 8.7% in one year in the case of the public sector and by 7.9% in the case of workers in the private sector.

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**Automotive sector wins one.** SICAD I awarded US\$163.9 million –of the US\$220 million scheduled for the auction- to companies in the automotive and agrochemicals sectors. According to information published by Cencoex, the foreign currency allocated to the automotive industry went to two assemblers and the remainder was for companies dealing in auto parts and chemicals. MMC Automotriz, which produces vehicles of the Mitsubishi and Fuso makes, received US\$43.8 million and the truck manufacturer Encava received US\$21 million.

**Unofficially.** In April inflation was 5.7%, according to unofficial sources. This figure pushes inflation up to an average of 61.5% for the past 12 months. As for shortages, the same source said that the shortages index had not dropped below 30.0% and that there are products that have completely disappeared (100.0%) and others that are starting to disappear from the shelves and freezers, such as beef. At **Ecoanalítica** we estimate that inflation this year will close at 25.0%, driven by monetary pressures and the adjustments in prices that are expected to be implemented throughout this year.

**Lagging behind.** According to the Getulio Vargas Foundation (Brazil's center for economic studies), the business climate in Latin America declined in April this year to practically the same level as in October 2013, following a slight recovery in January. Brazil's indicator dropped from 89 points in January to 71 points in April, its worst level since January 1999. As for Argentina, with an already unfavorable climate, its index declined still further. Bolivia, Peru and Uruguay, which already had a favorable climate, improved their indexes, whereas Venezuela maintained its index at 20, the minimum level, where it has been since July 2013.

**Interest rates.** The lending rate for the second week of May was at 16.4%, up 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 0.5%, going from US\$20.8 billion during the first week of May to US\$20.9 billion during the second week of May. Compared to the same period last year, international reserves have decreased by 18.6%.

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**Central government expenditure.** On May 16<sup>th</sup> according to figures from the NTO primary spending was VEB 27.4 billion, which means an increase of 271.8%; when it is compared to the same period last year. So far this year, the primary expenditure accumulates VEB 273.4 billion 72.1% more than the same period last year.

**Monetary liquidity.** Money liquidity (M2) increased 0.6% in the second week of May from the week prior, to settle at VEB 1.38 trillion. The M2 has increased 73.9% in relation with the same period last year.

Supply through SICAD II (US\$ MM)					
Day	Total daily	Public Sector	(%)	Private Sector	(%)
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
5/14/2014	60.6	44.4	73.3	16.2	26.7
5/15/2014	58.5	49.4	84.4	9.1	15.6
5/16/2014	51.8	48.8	94.2	3.0	5.8

Sources: Ecoanalítica

## OIL TIPS

**The debt is doing swimmingly.** Last week PDVSA announced a US\$5 billion bond issue, which increases the company's debt by 11.5% within the lapse of five months. This amount will continue to grow as the loans that PDVSA has negotiated with other oil companies are made effective. The communiqué announcing the issue states that the placement is to be a private one, that it is intended for state-owned banks, and that the proceeds will be used for "PDVSA's corporate purposes to finance investment projects, including investment for the country's social development."

**PDVSA pays interest.** This Monday, May 19, PDVSA paid the interest corresponding to the semester ending May 2014 on PDVSA bonds 2012 and 2035. Holders of these bonds should contact their custodian bank or the institution where they purchased the bonds for information regarding their status and the method of payment.

**Nobody should be left out.** With the idea of promoting the participation of the business sector in the oil industry's development strategies, the

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government has created the National Industrial-Oil Conglomerate (CNIP). So far, 1,134 private companies, manufacturers of goods and providers of services associated with the oil, gas, and petrochemicals industries have registered and the government hopes that this productive sector will play a key role as a supplier of goods, works, and services for PDVSA as part of the Oil Sowing Plan.

**Not up to much.** The company considered to be the “jewel” in Argentina’s oil industry –Vaca Muerta- crown closed April with production of 20 kb/d and investment of US\$3 billion a year in order to make the country self-sufficient in energy. YPF’s Non-conventional Oil Production Manager in Vaca Muerta, Pablo Iuliano, explained that they are incorporating equipment with state-of-the-art technology to work toward proposed objectives by exploiting non-conventional wells.

**And now... Petropalestina.** During an official visit by the President of the Palestinian National Authority, Mahmoud Abbas, last Friday, May 16, President Maduro announced an alliance between PDVSA and Palestine under which Venezuela is to supply Palestine with “*the diesel it needs.*” Maduro did not specify how much diesel a day would go to Palestine nor how this supply would be guaranteed, bearing in mind the trade blockade on Palestine that has been in force since 2006. Maduro also announced that Palestine would be admitted as a “special observer” of the Petrocaribe and ALBA mechanisms.

**Oil workers demand transparency.** Oil industry workers have demanded that the authorities conduct a revision of the Employment Democratization System (Sisdem), the technological platform for allocating temporary jobs in the oil and petrochemical industries. Edward Mota, a spokesman for the group, said that there are trained people who have never been given a chance by the system. On the other hand, there are contractors who do not comply with the collective employment contract, according to which all personnel should be selected via Sisdem.

**The payroll has an impact on PDVSA’s accounts.** The Ministry of Economy and Finance published PDVSA’s budget in *Gaceta Oficial* No. 40,412, according to which its operating costs came to VEB 196.40 billion and 45% of that amount was for payments it has to make to the company’s personnel. Even though the payroll posted a slight reduction of 0.6% owing to cuts in non-contract workers, this fiscal year, spending on personnel comes

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to VEB 86.5 billion, 77.2% more than last year, when it came to VEB 48.8 billion.

**Twixt cup and lip...** The investment bank Barclays Capital said in a report on Venezuela that, although the government has demonstrated pragmatism by signing several investment agreements with oil companies, those agreements are still a long way from being executed. Since 2012, PDVSA has signed financing agreements with oil companies amounting to US\$11.02 billion, which could mean an increase in production of 376,000 b/d. However, according to Barclays, part of those funds will be used to pay the debts it has with its partners and for capital goods imports.

**International oil baskets.** At closing time on May 16th in the New York Stock Exchange, the price of the WTI was US\$101.2/bl, increasing by 1.3% when compared to the reported the previous week. The Brent increased by 1.2% when compared to the previous week, to reach US\$109.2/bl.

**Local oil basket price.** The Venezuelan oil basket price closed at US\$96.9/bl on Friday May 16<sup>th</sup>, increasing by 0.7% when compared to the reported the previous week. The annual average price of the Venezuelan oil basket is US\$96.5/bl.

## BUSINESS SECTOR TIPS

**They've ordered an audit of the concessionaire La Venezolana.** The Venezuelan Government has taken charge of the concessionaire La Venezolana and ordered an investigation into the people responsible for the company for alleged fraud. *"There's been a deceitful offer here. They didn't have the authorization and the credit to bring these vehicles into Venezuela,"* said Hebert García Plaza, the head of the Higher Organ for the Economy. He explained that 5,956 people were duped into handing over at least 30,0% of the down payment demanded by the concessionaire. For the time being, the government has taken charge of the concessionaire and ordered an investigation of the people responsible for the company for alleged fraud.

**Government owes Empresas Polar more than US\$189 million.** Empresas Polar is waiting for the National Foreign Trade Center to authorize 158 applications for disbursement of foreign currency in order to pay its raw

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materials suppliers abroad. The debt comes to US\$189 million, according to Alimentos Polar's latest report posted on its website. The report also shows that the prices of inputs furnished by domestic suppliers have a markup of 25.2% on the prices established by the government and also that seven categories of products in Alimentos Polar's portfolio have prices that have been regulated since 2003.

**Not all roads lead to Rome.** The airline Alitalia, which covers the Caracas-Rome route, is to suspend flights starting in June, according to sector sources. The airline said recently, in a communiqué, that it would cancel 17 flights in May. Passengers who have an air ticket may go to the airline's offices to obtain reimbursement. However, Alitalia's official spokespersons announced that the airline would also cancel June's flights in view of the uncertainty with regard to operating in Venezuela and the delays in and failure to honor payment of the debt by Cencorex.

**Will Iberia and Air France say goodbye as well?** The Spanish and French airlines Iberia and Air France are restricting air ticket sales. Official spokespersons at both airlines have said that "*there are restrictions on the sale of tickets to and from Venezuela*" but that the decision to cancel flights or to suspend the sale of tickets has not yet been taken.

**Payment of bonus for workers in the aluminum sector:** The state-owned companies Venalum and Bauxilum have started to pay their workers the second tranche of the compensatory bonus for the delay in negotiating the collective employment contract, an issue that gave rise to protests recently. At Alcasa, however, they report delays in honoring the agreement. The secretary general of Sintralcasa, Henry Arias, said that the company had announced that it would release the payment. "*If the other companies get paid, why don't they pay at Alcasa? Besides, the money's there,*" he complained.

**Medical equipment sector is waiting for Cencorex to pay.** The government has given assurances that the debts with the companies in the health sector are being honored. However, the private sector is still waiting for payment of 30.0% of the oldest debt, as promised by President Maduro. According to calculations by the Venezuelan Association of Medical and Dental Equipment Distributors, Laboratories and Associated Businesses (Avedem), Cencorex has only paid 10.0% of the debt. The figures show that 80 of the association's 138 member companies owe their suppliers US\$305 million and that they

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received approvals for disbursement of only US\$30 million between May 7 and 8.

**Paradoxes of 21st Century Socialism.** In recent years, a series of laws, arrests and threats have had the effect of criminalizing protests in Venezuela. Those who have taken to the streets to fight for benefits under employment contracts have been called all kinds of names, from "guarimberos" (protesters who set up street barricades) to "anarchist-labor unionists." Leaders of the Bolivarian Workers Union consider that the actions taken by SIDOR workers should be a thing of the past. *"We can't stop any process because that would be against the nation, and that is something the working class has to realize."*

**Chinese cars.** Figures published by the National Statistics Institute (INE) show how the automotive business has changed in recent years. In 2013, Venezuela imported automobiles, tractors, and parts and accessories to a value of US\$735 million and, while this figure means a drop of 63.2% compared to 2012, an analysis of the data confirms that China is Venezuela's main supplier of vehicles. Last year, China sold automotive products worth US\$269 million to Venezuela, which is 36.5% of total purchases made by Venezuela, putting China ahead of the United States, the traditional seller from whom we used to import between US\$400 million and US\$1 billion in automobiles.

**"It's incredible that we have four exchange rates"** said the president of Consecomercio, Mauricio Tancredi. He considers that the country needs to move towards a unification of the exchange rate, referring to the announcement by the chairman of the National Assembly's Finance Committee, Ricardo Sanguino, regarding the adopting of a measure of this kind in the long term. As the president of Consecomercio sees it, this is not the only measure that needs to be taken; a revision of the gasoline subsidy is also necessary.

**In the crosshairs.** In the last few days the government has stepped up its inspections of commercial establishments that carry food and household items. According to the chief of the Bolivar State Comprehensive Defense Operative Zone, Medina Fernández, some of the items on sale were acquired in 2011 and 2013 and were being sold at high prices. Medina added that, during the inspections, four tons of rice were seized, which are to be put in the hands of the Fair Prices Superintendency. The Public Prosecutor's Office is to establish who is responsible for this situation at a later date.

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**We can't work like this.** That is the opinion of coffee producers in response to the government's announcement to maintain coffee prices. The price of VEB 46.6 a kilo is not enough to cover the cost of green coffee beans, whose price is regulated at VEB 2,657/*quintal* (46 kilos). At that price, producing a kilo of ground coffee for sale retail costs VEB 57.7, and that does not take into account packaging, processing, wages, transport, and other expenses. This situation has resulted in the coffee roasters not buying domestically produced coffee and in them obtaining their supplies of green coffee beans from the state-owned Corporación Venezolana del Café (CVA-Café) in order to continue operating.

## WORLD ECONOMY TIPS

**Almost there.** James Bullard, the president of the FED of St. Louis, said that the US economy was within sight of the Federal Reserve's inflation (2.0%) and employment goals. *"The Fed is nearer to its targets than at any time in the past five years, and closer than it has been for much of the time since 1960,"* added Bullard.

**The FED can't do everything.** Former FED Chief Bernanke said this Monday that the Federal Reserve overestimated growth once the recession was over. During his participation in an event in Dallas, the former Fed Chief added that unemployment fell faster than forecast by the Fed. Bernanke also stress that it was absurd to rely on the Fed to take care of all the country's problems, although he did say that the low interest rates had helped growth in the securities market.

**It needs to speed things up.** China is to try to speed up its economic reform this year as part of the government's efforts to put a brake on the slowing down of the world's second largest economy. In a communiqué, the National Development and Reform Commission confirmed nine reform priorities for 2014, among them consolidating reforms in the energy, gas and oil industry and reducing bureaucracy for approving investments. The regulatory agency also said that China will continue to promote price reforms in the case of natural resources products and that it will speed up reforms having to do with urban development so that more people can live in the cities.

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**Polemical agreement.** Daily trade in goods and services between the European Union (EU) and the US is already approaching the US\$3.0 billion mark, but if the Transatlantic Trade and Investment Partnership is approved, further barriers will be lifted, so increasing transatlantic trade by 17.0% and generating nearly a million jobs, according to US Ambassador Anthony Luzzatto Gardner. Those who are against the agreement are concerned at the possible inclusion of a dispute settlement mechanism whereby a multinational that has suffered damages as a result of a government measure may file a complaint against that government before an arbitration panel on the grounds of violation of an investment agreement.

**Growth will slow down in 2H2014.** A publication by Bundesbank states that growth of the German economy will probably be slower in 2H2014, after an unusually mild winter that boosted expansion in 1H2014. It also explained that the economic recovery planned for the coming months will be based on domestic demand, since external stimuli will be somewhat moderate.

**Call for a hike in the minimum wage.** Swiss labor unions proposed a minimum wage of US\$25 an hour, the highest in the world. Labor union representatives explained that the raise was long overdue owing to the high cost of renting residential property in Swiss towns and cities and of medical insurance. A referendum was held in Switzerland to determine whether the majority of the population was in agreement with the proposed increase.

**Switzerland rejects the world's highest minimum wage.** At the referendum held in Switzerland on whether or not to approve a minimum wage of US\$25 an hour (US\$4,480 a month), 76.0% of those who voted were against the measure, reflecting outright support for the campaign waged by the government and businessmen, who claimed that the figure proposed by the labor unions was too high and could have negative consequences for small business.

**New education reform in Chile:** Chile's president, Michelle Bachelet, sent the first proposal of her promised reform aimed at guaranteeing free quality education for everyone. This proposal includes putting an end to profits in schools that receive government funding, expanding individual state student subsidies in order to eliminate the cost currently defrayed by the families, and discarding the system of selection in schools. *"It's a reform that Chile needs and has been crying out for, that should make quality education a right,"* added Bachelet.

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**Growth of 4.8% forecast for Africa.** The African Development Bank has said that growth of the African economies will accelerate to 4.8% on average in 2014, whereas financial flows to the continent will top US\$200 billion. The bank explained that Africa's medium-term growth prospects have improved due to broader political and social stability at home and recovering economic conditions abroad.

## POLITICAL TIPS

**Now it's waiting on the government.** The Democratic Unity Alliance presented the representatives from the Union of South American Nations (UNASUR) who are acting as witnesses to the dialog with the Venezuelan Government with a file containing statements by government spokespersons and actions that allegedly contradict the government's willingness to dialog. The Unity Alliance took advantage of this opportunity to confirm that the dialog is at a standstill, waiting for the government to produce results. Among the inappropriate actions taken by the government is the marked increase in repression and arrests of demonstrators after the dialog commenced.

**Can there be dialog without negotiations?** Following the Democratic Unity Alliance's withdrawal from the dialog, President Nicolás Maduro stated: *"It's one thing to have a working team for dialog, and another to have a working team for shady deals and negotiations. We didn't come here to negotiate with anyone."* Maduro also responded to the Unity Alliance's complaints regarding the lack of positive results, saying that *"the dialog itself is a positive result. What results are they (the opposition) after? They have said things to us in private that cannot be. Dialog, yes; reaching an understanding on major issues, yes; but give me this, give me that, no."*

**Without negotiations, dialog is not possible.** The executive secretary of the Democratic Unity Alliance (MUD), Ramón Guillermo Aveledo, gave statements following the opposition group's meeting with UNASUR, in which he said that the government should not assume that dialog is merely a club and that negotiations should occur in dialog for it to be effective. *"The issues are very simple. One doesn't dialog simply to talk; this isn't a party, a club. The country has extremely serious problems and the government is more*

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*concerned about issues within its own ranks than about the situation in the country,”* added Aveledo.

**There was no dialog; there was a “debate”.** The governor of Miranda state, Henrique Capriles Radonski, spoke about the dialog with the government, currently suspended, saying that, in his opinion, it was no more than a debate, as dialog implies much more. Capriles also insisted that the government itself is the main interested party in promoting a dialog, and that, even though it had talked with them in Miraflores, it had not solved the problem of inflation, the economy’s other deficiencies, and the lack of security.

**Dialog in crisis.** The president of the political party Copei, Roberto Enríquez, said that the dialog should not degenerate into a monolog and that the conditions set by the government have led the country to a “*dialog crisis*.” He also pointed out that dialog cannot be a “*barrier used to hide the crisis. It is necessary to solve the crisis*” and that meetings with the government cannot be reduced to “*verbal pyrotechnics*,” as they have created this communications crisis.

**The problem is...** The secretary general of Acción Democrática (AD), Henry Ramos Allup, is of the view that the main problem the Venezuelan Government is facing when it comes to taking decisions with regard to the agreements reached in the dialog working groups is the divisions within its own ranks. Allup explained that “*the dialog is not making progress because the government is not taking decisions*,” although he did not know how many internal complications were preventing the government from taking them. He also said, “*It’s true that there are disagreements and that a lot of games are being played with this dialog; but the country needs to know if this is going to lead anywhere.*”

**Yet another meeting.** President Nicolás Maduro met with ministers, governors and mayors from all parts of the country to analyze how the 1,561 security quadrants are working. Some of the salient outcomes of the meeting were Maduro’s conviction that the crimes that go unpunished are the main problem when it comes to the lack of security, the petition made by Baruta Mayor Gerardo Blyde that the emergency numbers be unified to make things easier for users, and the proposal of creating a social security institute for the police put forward by El Hatillo Mayor David Smolansky.

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**Smolansky versus Maduro.** During the President's meeting with the authorities responsible for citizen security, Mayor David Smolansky took advantage of the opportunity to ask for the release of students who had been imprisoned, former mayors Enzo Scarano and Daniel Ceballos, police Captain Salvatore Lucchese, and Leopoldo López. Maduro's response was: *"I'm very sorry that this is not an item for this meeting; that you are trying to take advantage of the opportunity that has been given to you (...) to talk about a key issue to engage in political maneuverings. Those who are in prison are there because they broke the law and tried to overthrow the legitimate government over which I preside. Let's learn to respect the issues we ought to be discussing; otherwise we're wasting our time here."*

**Jaua points the finger at the United States.** Foreign Minister Elías Jaua announced that he would file formal complaints with the United Nations, the Community of Latin America and Caribbean States (CELAC) and UNASUR with regard to interfering statements by the US Government. The statements in question were made by President Barack Obama, Secretary of State John Kerry, and Roberta Jacobson, the person responsible at the State Department for Latin American affairs, who spoke out against action taken by the Venezuelan Government in recent months and have backed the application of sanctions as a consequence.

**Maduro keeps on sharing out the blame.** President Nicolás Maduro held sectors of the opposition responsible for encouraging crime by creating chaos in the country. *"Some of those coupsters have set themselves the task of paying gangs and they pay them with drugs to make them more violent and order them to kill. In some cases, they order the murder of well-known television personalities. The criminal gangs are filling the country with violence in order to fill it with chaos,"* claimed Maduro.

## LEGISLATIVES TIPS

**Selecting new directors:** As at Wednesday, May 21, the National Assembly's Credentials Evaluation Committee had received five nominations for the posts of director at the BCV. According to the Central Bank's regulations, the Executive appoints the chairman and four directors and the National Assembly selects the two remaining directors. Deputy Ricardo Sanguino explained that the list of candidates will be drawn up on Friday and

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submitted to the National Assembly in plenary session on Tuesday, May 27. He did not reveal the identity of the candidates.

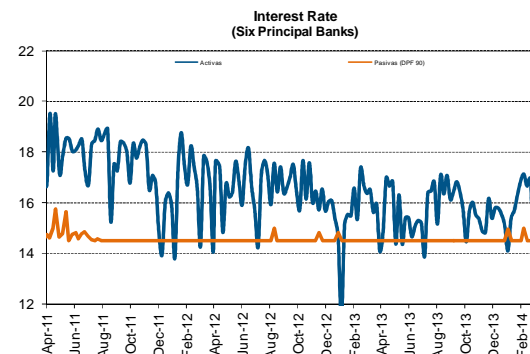
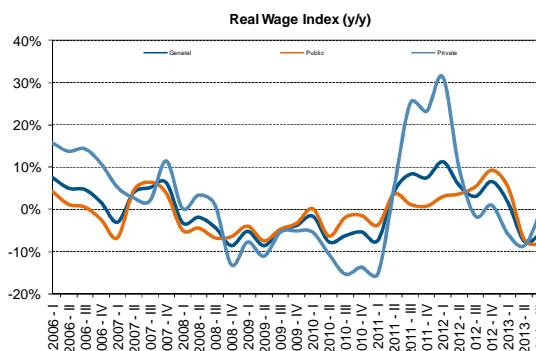
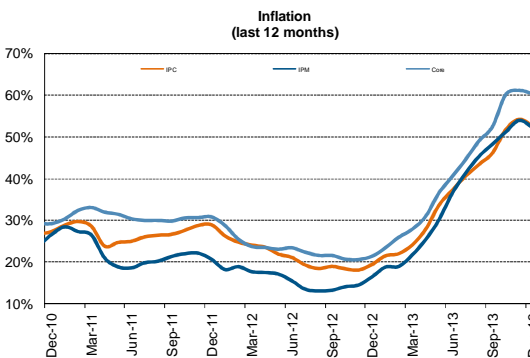
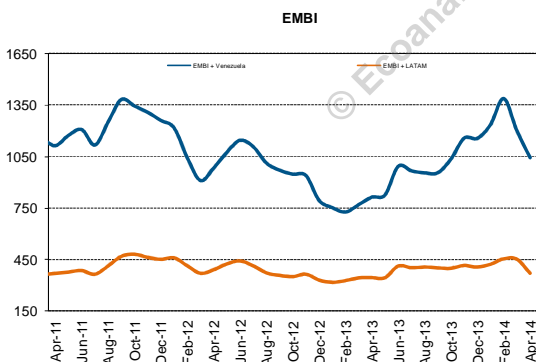
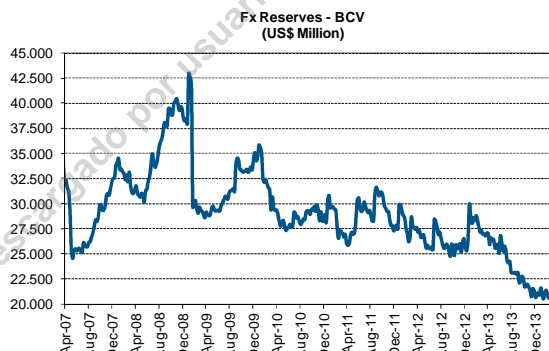
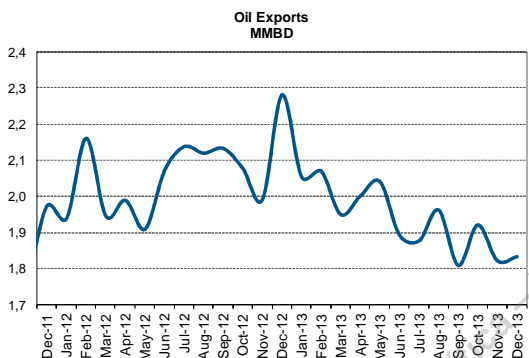
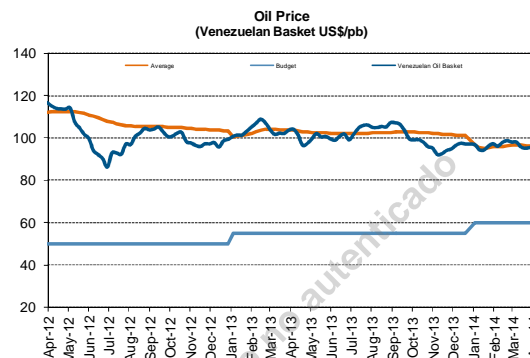
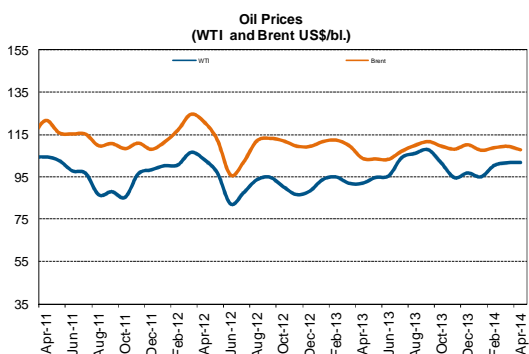
**The legislative agenda, at last.** Five months after being debated and approved behind closed doors by the National Assembly's Board of Officers, the legislative agenda for 2014 has been made public. The agenda consists of 15 bills and includes reforms of the Judge's Code of Ethics, the Act on the Protection of Constitutional Rights, the Law on the Right of Women to a Life Free of Violence, and the Child Protection Act. In addition, there are bills on social security for culture workers, taxes for the island territories of Miranda, recreation, the foreign service statute, and land use planning. The land use planning bill is the one where most progress has been made thus far.

**On the sly.** The 2007 constitutional reform, rejected by Venezuelans in a referendum, proposed the new geometry of power that Hugo Chávez wanted to implement in Venezuela. That structure is now back thanks to the bill on the Planning and Management of the Territory that is in its second debate by the National Assembly, despite criticisms from the opposition and objections to it on the grounds that it is unconstitutional.

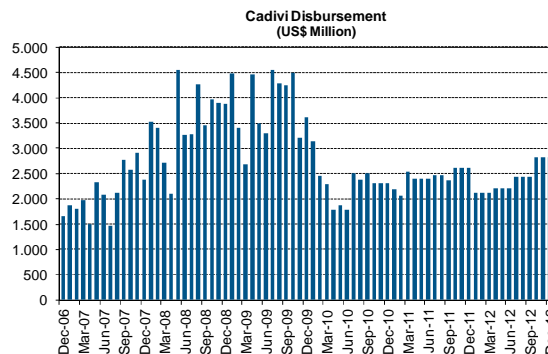
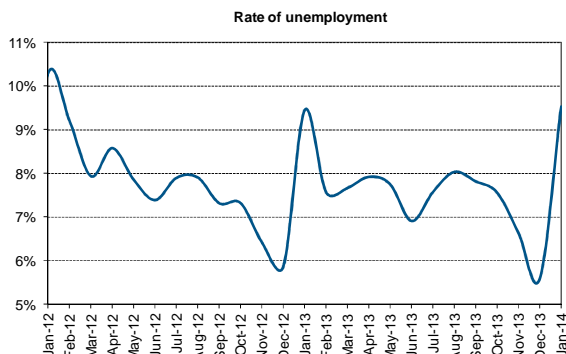
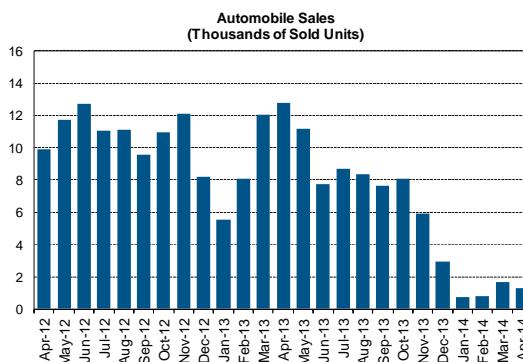
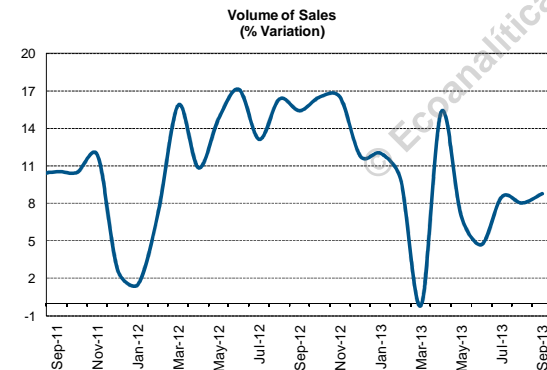
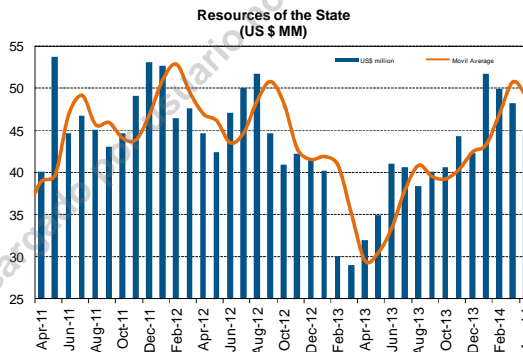
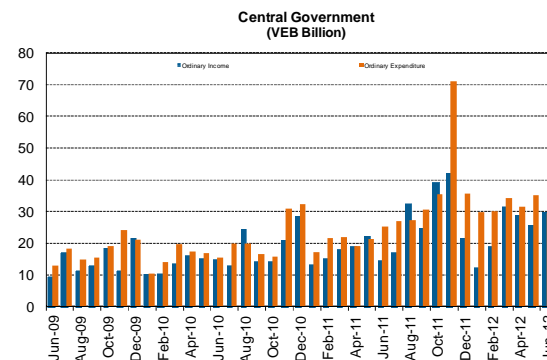
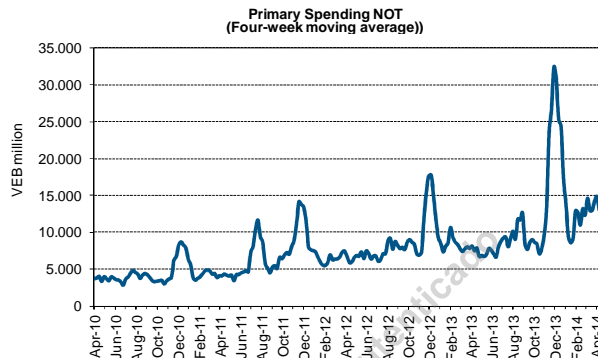
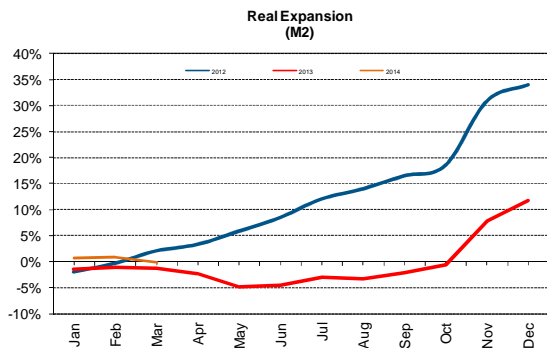
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**ECONOMIC OVERVIEW**



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