



Weekly Report

Year 9, Number 20
Week V, May 2013

The evolution of SUCRE's operations

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On November 26, 2008, within the framework of the III Extraordinary Summit of the Heads of State of ALBA and Ecuador, the members agreed to create a monetary zone and to establish a common monetary unit called the "SUCRE". The Monetary Unit for Regional Compensation of Payments (SUCRE) is a mechanism that serves to channel international payments that stem from reciprocal trade operations between member countries. The system is based on the use of a virtual monetary unit (the SUCRE), denominated XSU, to register trade operations exclusively between the central banks of member countries. Local payment for said transactions (payment to exporters and/or importers) is carried out in the respective local currency of the member countries involved in the transaction.

The by-laws which govern the mechanism which uses the SUCRE were established on October 17, 2009; and the first official transaction using the SUCRE was carried out on February 03, 2010 between Cuba and Venezuela for an amount of XSU 108,000. Since then the SUCRE has been used by almost all the member countries: Bolivia, Ecuador, Cuba,



Nicaragua and Venezuela (recently Uruguay signed a petition to be included in the SUCRE mechanism) to negotiate products such as: dump trucks, refrigerators and washer machines, goods for the fishing industry, palm oil, soya oil, and paddy rice.

SUCRE's Timeline



Sources: BCV and Ecoanalítica

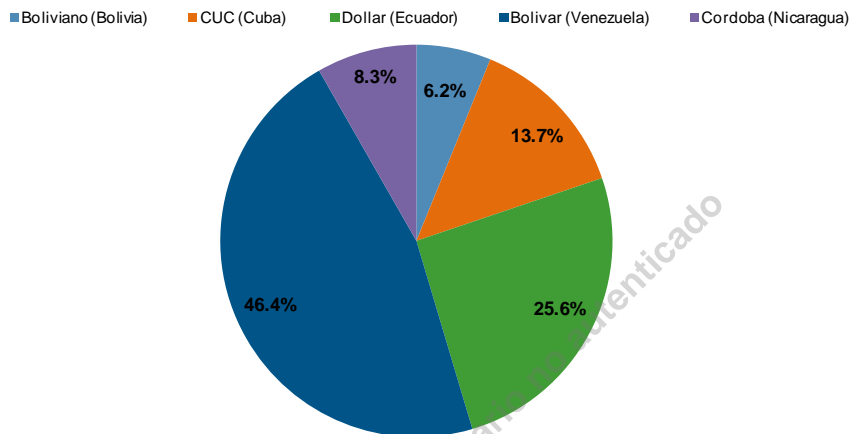
How is the value of the SUCRE determined?

The value of the SUCRE depends on the money basket which is made up by the local currencies of the ALBA member countries which signed-up for the SUCRE Treaty, in other words: the *boliviano* of Bolivia, the Cuban *peso*, the Nicaraguan *córdoba*, the Venezuelan *bolívar*, and the Ecuadorian dollar.

The percentage that the currency of each State represents in the money basket corresponds to the relative weight its economy has and the volume of trade it carries out with the other member countries (export and import). The portion of each local currency that makes up the value of the SUCRE takes into account each country's respective GDP (30%), extra-regional trade (30.0%), and inter-regional trade (40.0%). The Venezuelan *bolívar*, for example, makes up 46.4% of the money basket.



Participation in the Exchange Basket of the Local Currencies

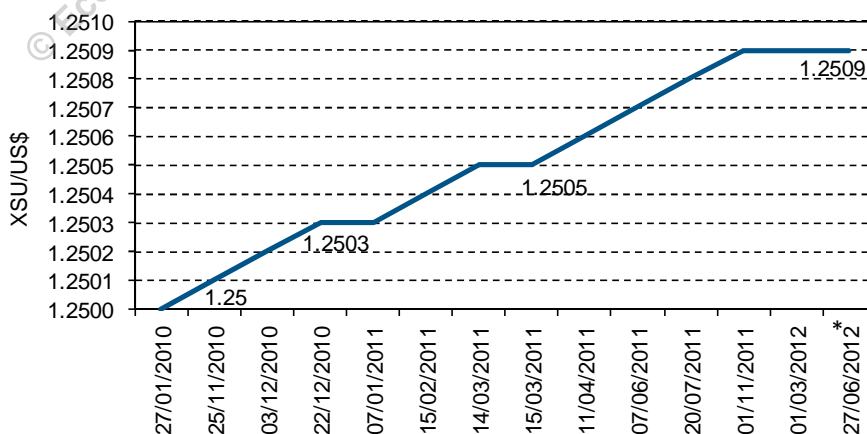


Sources: Sucre and Ecoanalítica

What's the exchange rate?

The SUCRE is a virtual currency, in other words, there are no bills or coins printed or minted. It's a virtual currency that allows member countries to carry out trade operations without having to use the US-dollar, though the US currency is still the currency of reference. The initial exchange rate was pegged at: 1XSU= US\$1.25, currently the exchange rate is at 1XSU= US\$1.2504. How this exchange rate has evolved between 2010 until 2012 is presented below.

Exchange Rate of SUCRE



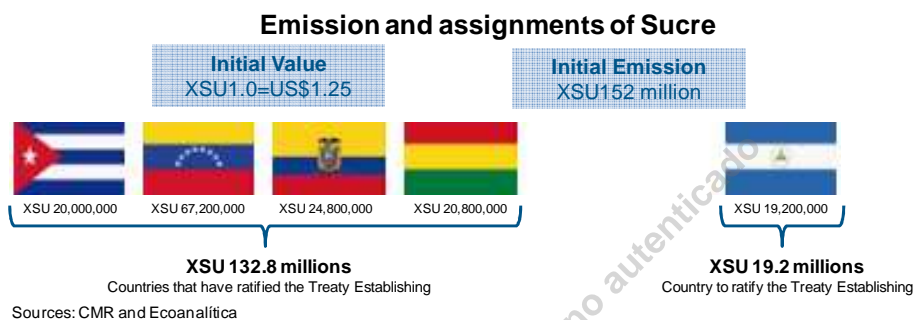
Sources: SUCRE and Ecoanalítica

*Last official data available

In 2010, the initial issuance of XSU was for 152 million. At the moment the Treaty was ratified, 132.8 million was granted to the countries that participated in the ratification process the SUCRE Treaty (Venezuela,



Ecuador, Cuba, Bolivia), and 19.2 million to Nicaragua, which had yet to ratify the Treaty.



Which types of operations are admissible, and which aren't?

According to the instructions issued by the Central Bank of Venezuela (BCV) that govern transactions using the SUCRE (updated last in March 2012), operations that may be channeled through the SUCRE mechanism are any goods and services that are included on a list issued by competent national organizations from any of the member countries. At **Ecoanalítica**, we believe that this is the biggest obstacle one faces in using this mechanism. If your company is not on the list of "competent national organizations" then it will be impossible for you to use the mechanism.

Payments that will be carried out through the SUCRE can be made using the following instruments: Payment vouchers, letters of credit or documents of credit and any corresponding letters backing the trade operation issued by authorized operative banks.

Of the operations that are not admissible, Venezuelan authorized operative banks may not use the SUCRE mechanism for the following operations:

- Any kind of discount operation.
- Payments corresponding to personal transfers abroad.
- Trade operations for goods and services and financial operations or any other related operations that stems from a country that is not a member of the SUCRE Treaty.

Rules that govern imports

Phase 1 requires that a company register into the foreign currency administration system, in other words, request to be registered into the Rusad. Once the registration process has been processed and approved,



CADIVI will deliver the resulting certificate of registered importer to the authorized operative bank in Venezuela, which in turn will give the Venezuelan importer the certificate to process the Foreign Currency Authorization (AAD).

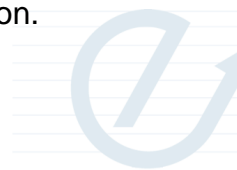
Phase 2 deals with the payment process through the SUCRE mechanism which is described in the following steps:

1. Venezuelan importer and foreign exporter agree to transaction.
2. Venezuelan importer fulfills requirements for transaction before the authorized bank.
3. Authorized bank requests AAD from Cadivi.
4. Cadivi issues AAD to authorized bank.
5. Authorized bank issues payment instrument and requests confirmation.
6. The exporter's authorized bank accepts payment instrument.
7. Authorized bank issues BCV an initial import notification.
8. Authorized bank registers the operation in the SIP-SUCRE, authorizing the debit from its deposit account in bolivars.
9. The BCV registers the respective operation in Central Chamber for Payment Compensation (CCCP).
10. The agent bank for the Central Chamber for Payment Compensation debits the account in SUCREs that the BCV keeps with the Central Chamber for Payment Compensation and credits the SUCRE account of the Central Bank of the exporting country.
11. The Central Bank of the exporting country credits the exporter's authorized bank with local currency equivalent to the value of the transaction.

The exporter's authorized bank pays the exporter in local currency.

Total SUCRE operations since 2010

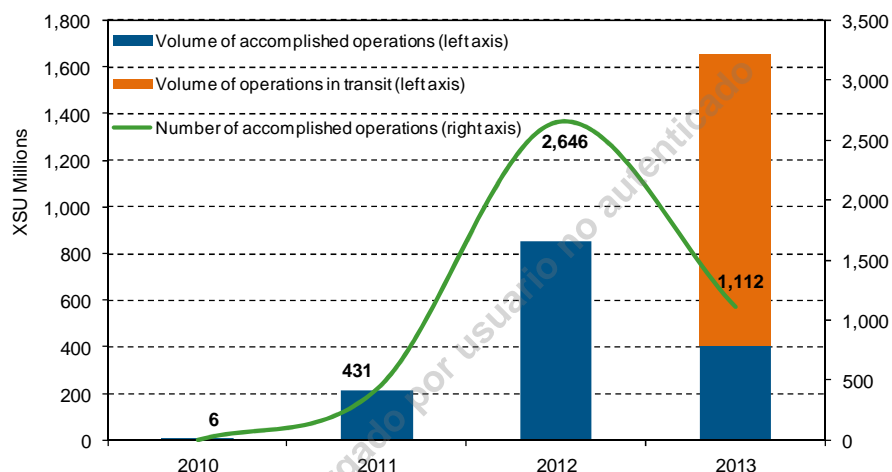
In 2010, there were a total of 6 SUCRE operations totaling XSU 10.11 billion (US\$12.63 billion). In 2011, this increased to 431 operations equaling XSU 216.13 billion (US\$ 270.33 billion). According to the balance presented by Eudomar Tovar, president of the Regional Monetary Council (CMR) for the SUCRE and current president of CADIVI, operations have increased by 520.0%, going from 431 in 2011 to 2,645 in 2012. In terms of the volume of SUCREs transferred, the increase was 13.0% in 2012. The goal set was to do business for XSU 750 million in 2012, and the year closed out at a total of XSU 851 million, equivalent to US\$ 1.10 billion.





For 2013, the BCV expects that SUCRE transactions will be at around XSU 1.70 billion (US\$ 2.0 billion) and that Nicaragua will begin to use the mechanism starting around January 15.

Sucre's Operations



Sources: Sucre and Ecoanalítica

Of the total amount of payment operations in 2011 for imports, 83.6% were for Venezuela. Imports in Ecuador and Bolivia reached 15.9% and 0.39% of the total respectively. Cuba participated with 0.0006% of total trade, but it exported 0.96% of total exports using the SUCRE mechanism. Ecuador exported for a total value of XSU 175.95 billion while Venezuela exported for XSU 35.55 billion.





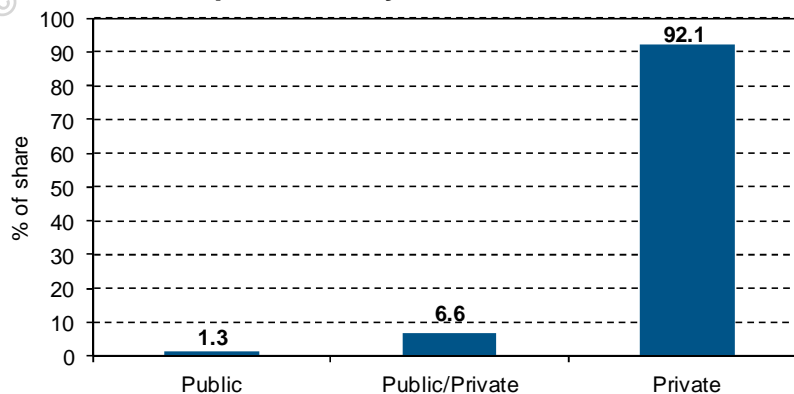
Imports by country			
Country	2010 (XSU)	2011 (XSU)	Interannual var.(%)
Bolivia	89,823	840,820	836.1
Cuba	108,000	12,181	-88.7
Ecuador	3,774,124	34,505,528	814.3
Venezuela	6,135,685	180,773,151	2,846.3
Total	10,107,632	216,131,680	2,038.3

Exports by country			
Country	2010 (XSU)	2011 (XSU)	Interannual var. (%)
Bolivia	4,241,680	5,550,262	30.9
Cuba	-	2,082,408	-
Ecuador	1,963,839	175,947,698	8859.4
Venezuela	3,882,124	32,551,313	738.5
Total	10,087,643	216,131,681	2042.5

Sources: CMR and Ecoanalítica

With respect to the distribution of payment operations carried out through this mechanism by institutional sector, since its beginning to February 2013, private sector companies made-up 92.1% of the total value issued, while the public sector was at 1.3%. The rest were mixed companies (public-private). In 2012, over 300 companies used the mechanism, and so far this year 182 companies have used it. All of them are from the private sector.

Operations by Business Sectors



Sources: SUCRE and Ecoanalítica

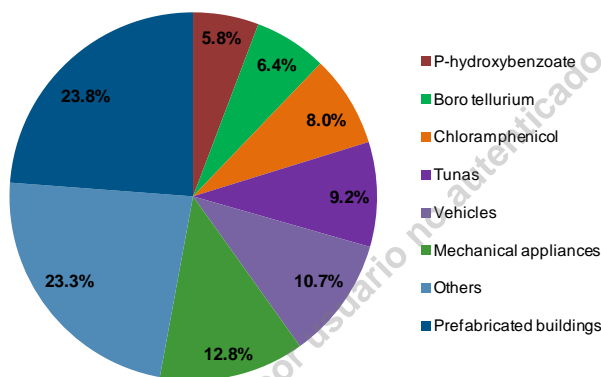
What items are being traded through this mechanism?

The ten main items traded through the SUCRE were: tuna, cars, granulated urea, raw soya oil, sodium, sodium carbonate, refrigerator and washer machines, calcium carbonate, mechanical machines, laptops,



footwear, sodium sulfite, prefabricated construction items, products, and textile products. This represents approximately 83.3% of all payment transactions last year.

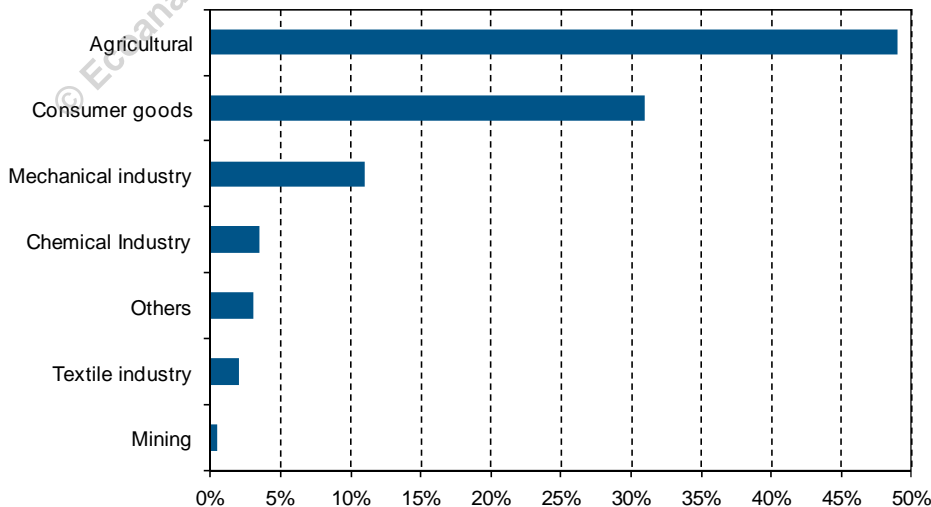
SUCRE's Main Traded Items



Sources: Sucre and Ecoanalítica

So far this year, most of the transactions carried out through the mechanism this year have been for agriculture items (49.0%), followed by consumer goods (31.0%), and items for the mechanical industry (11.0%).

Transactions Carried Out by Economic Sector in 2013



Sources: Sucre and Ecoanalítica

The future of the SUCRE

Since it was created, the SUCRE has come to play a bigger and bigger role in terms of imports for Venezuela, especially due to the increased restrictions and delays one has to deal with when going through CADIVI.



However, at **Ecoanalítica**, we don't consider the SUCRE mechanism a way out for most company, since first of all, you have to be on the list of companies approved to use the system. But, companies that are already in the CADIVI system, this may be an attractive alternative, especially due to CADIVI delays in liquidating foreign currency requests that have been approved.

But, one has to keep in mind that the SUCRE system also has its problems given that CADIVI is still part of the SUCRE mechanisms foreign currency approval sequence, requiring that companies have to register in the Rusad and wait for the AAD to be granted before being able to proceed with the transaction.

Keeping this in mind we recommend that you evaluate this mechanism, especially if your business operation is being channeled through Ecuador. We expect that transactions through this mechanism will continue to increase in the future, especially that now Uruguay will be entering the Treaty. Until now, we still are waiting for an alternative mechanism for companies that cannot access to Cadivi or systems such as SUCRE.

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Economic Tips

Credit purchases. The risk rating company Moody's estimates that due to shortages, Venezuela will acquire many loans abroad, thus multiplying the debt acquired during the administration of deceased President Hugo Chávez. According to Moody's, Venezuela could become indebted through bonds issued by the state oil company Pdvsa, to try to reduce the supply issues in the economy.

Sicad overloaded. The reactivation of Sicad could come with significant changes, among them eliminating the modified Vickery method that established different prices to each approved offer, and tending more towards the Vietnamese method, with a single average exchange rate. President Nicolás Maduro announced a few weeks ago the reactivation of the auction system, despite the poor expectations in the market about its return.

Blockages will be eliminated. Nelson Merentes, Minister of Finance, informed that Sicad will be reactivated soon, and it will include small and medium companies, and perhaps also individuals. Merentes also said that those companies that are not registered in Cadivi may participate in the auction mechanism, and that they are "*analyzing*" the letter of credit system of Sicad to make the necessary changes and expedite the assignment of dollars.

Back to 2009. According to Edmée Betancourt, President of the Central Bank of Venezuela (BCV), the domestic production apparatus requires between US\$3.0 billion and US\$3.5 billion to operate. Betancourt's estimate assumes that imports will be around US\$39.0 billion, that is 26.8% less than what was imported last year, and very similar to the US\$39.6 billion in foreign purchases in 2009.

US\$20.0 billion for "briefcase companies". Edmée Betancourt, President of BCV, underscored the "*cracks*" in the present exchange rate system, due to the proliferation of "*briefcase companies*". "*The amount of hard currency assigned last year was significant, but there are also significant amounts of hard currency for briefcase companies*", said Betancourt, who said that last year US\$20.0 billion were assigned to a sort of artificial demand for dollars, unrelated to production activities.

Hard currency needs must be "planned". The Venezuelan Government has proposed to plan the hard currency assignment by sector, as a solution to the issues presented by the work groups, to avoid delays and irregularities. "*We don't put a*



name to the budget; what we want is to understand the hard currency needs by planning the requirements by sector and company, to be able to meet them, said Carlos Farías, Vice-minister of Industry.

The Government expects an “impressive” growth. After participating in several meetings with the private sector, Ricardo Menéndez, Minister of Industry, said that we must prepare for the “*impressive economic growth of the next six years*”. According to Menéndez, in the beginning of the year there was a slight drop, but they are already working to strengthen the national production system.

The Government needs resources. The Ministry of Finance will make a special offer of bonds to public financial entities for VEB15.0 billion to accelerate the placement of securities. Up to early May, the finance ministry had already placed 65% of the issues planned for this year, trying to follow the same debt strategy of 2012. The higher pace of domestic indebtedness by the Central Government is a clear sign of the need for more resources.

Domestic debt doesn't stop. According to data of the Ministry of Finance, the domestic debt of the Central Government during the first quarter of this year was US\$48.76 billion, a 13.6% increase compared to the same period last year, and a 17.9% drop compared to the figure for December 2012.

And foreign debt didn't increase. According to data of the Ministry of Finance, the foreign debt of the Central Government during the 1Q2013 was US\$45.51 billion, a 4.4% increase compared to the same period last year and a 0.2% increase compared to the figures for December 2012. In the last years, the Government's indebtedness policy was geared to increase the domestic debt, keeping the foreign debt close to US\$40.0 billion.

Greater debt, lower GDP. If the total debt of the Central Government remained at the levels of 1Q2013, the Debt/GDP ratio would be 30.7%, at the end of 2013, 3.3% more than in December, 2012, due to the lower dynamism of the economy and the drop of GDP in dollars, due to the devaluation.

Interest rates. The lending rate for the fourth week of May was at 14.4%, down by 1.9 percentage points (pp) compared to the previous week. The time deposit rate was at 14.5%, without variations compared to the previous week, while the passive rate has not experienced any significant variation since November 2011, placing well at 12.5%.

International reserves. International reserves went up by 1.03%, going from US\$25.68 billion during the third week of May to US\$25.95 billion during the fourth



week of May. Compared to the same period last year, international reserves have increased by 0.5%.

Central government expenditure. On Friday May 24th according to figures from the National Treasury Office (ONT) primary spending was VEB 7.37 billion, which means a decreased of 31.3% when compared to the previous week when it was VEB 10.72 billion; when compared to the same period last year we observe an increase of 15.2%. So far this year the cumulative expenditure in real terms (measured in 2007 prices) is VEB 45.604 million, with a variation (y/y) of 3.1%.

Monetary liquidity. Monetary liquidity (M2) increased 1.9% in the third week of May compared to the previous week, settling at VEB 790.97 billion. The M2 has increased 65.6% in relation with the same period last year.

Oil Tips

OPEC will meet. Oil markets are waiting this week for the Ministerial Meeting of OPEC in Vienna, to establish their joint supplies of crude oil for the second semester of the year. OPEC estimates that oil consumption will increase next quarter to around 90.14 million barrels per day (mb/d), and to 90.87 mb/d in 4Q2013, from 88.66 mb/d. Ministerial Conference No. 163 is called for Friday, May 31. The issue is whether OPEC will change or maintain its production levels.

Venezuela wagers for price. Venezuela will propose OPEC member states to maintain the present production level to defend the price of oil. In April, the twelve member states of the cartel pumped 30.45 mb/d, 177 thousand barrels per day (kb/d) more than in March, revealing less discipline to maintain the total production limit in force of 30 mb/d.

Oil opening? With cash flow restrictions, and increases in debt and in accounts receivable, Pdvsa has tied in credits for US\$9.0 billion with foreign companies that will provide fresh capital to meet the industry's investment needs for the next months.

Chevron already disbursed. Pdvsa received on Monday, from US company Chevron a credit for US\$2.0 billion for a plan to increase crude oil production in the joint Project Petroboscán, in the western part of the country. Petroboscán, located in Zulia, 60% owned by PDVSA, and the remaining 40% by Chevron, produces around



107,000 barrels per day (kb/d) of heavy crude oil, with a plan to increase it to 127 kb/d bpd by 2019. The credit will have an interest rate of Libor plus 4.5 points, and the disbursement will be in stages, up to 2026, said Reuters.

Russia's visit: Petromonagas will increase production. During a high level visit of Russia to Venezuela last week, one of the main topics of discussion was the mixed Russian-Venezuelan company Petromonagas, which will increase the production of extra heavy crude oil from 140 kb/d to 160 kb/d, as informed by Minister Ramírez during a visit to the José Antonio Anzoátegui Industrial Complex in Barcelona, together with the President of Rosneft, Igor Sechin. He said that the production of the mixed company will be boosted with an investment of US\$3.62 billion.

Russia's visit: PetroVictoria is born. Among the agreements signed between both nations is the creation of a mixed company called PetroVictoria, and a loan for US\$1.50 billion to the *Corporación Venezolana de Petróleo* (CVP) for its participation. The bi-national company will develop two blocks in the Orinoco Oil Belt, and expects to produce 120,000 barrels in 2016, with the goal of reaching 400,000 in two fields in the Orinoco Oil Belt. As part of the agreements to create PetroVictoria, Russia will also pay a participation bond for US\$1.10 billion.

Russia's visit: foster gas. One of the agreements signed by Pdvsa and Rosneft is to evaluate and develop opportunities for Russia to participate in the gas and condensate exploration and development project in reservoirs in the Gulf of Venezuela, to see how Rosneft may participate in the Mariscal Sucre project, phase II, in reservoirs in Río Caribe and Mejillón; Blanquilla, in La tortuga, and Róbaló in the Gulf of Venezuela.

Russia's visit: Let more Russians come! Pdvsa will carry out the Russian-Venezuelan Oil Congress in the last quarter of the year. *"In this event, we want to invite Russian companies to come to the country, with all their production capacities"*, said Rafael Ramírez.

Abreu e Lima still under discussion. Petrobras is still negotiating Pdvsa's participation as shareholder in the Abreu e Lima refinery¹ in Brazil, said on Wednesday the President of the Brazilian state oil company, María das Graças Foster. According to Foster, Pdvsa's share in the refinery was discussed earlier this month during a visit to Brazil of Venezuelan President, Nicolás Maduro. *"We are*

¹ The 230,000 kb/d refinery in Recife, in north east Brazil, was launched in 2005 as a symbol of the strategic alliance between Brazil and Venezuela. However, eight years later, Pdvsa hasn't given its agreed share of 40.0% and Petrobras has already built, by itself 75.0% of the project.



building the refinery without Pdvsa...however, if the question is whether we would like to have Pdvsa as partner, the answer is yes", she added.

International oil baskets. At closing time on May 24th in the New York Stock Exchange, the price of the WTI was US\$95.5/bl, a 0.5% decrease compared to the US\$94.9/bl reported the previous week. The Brent increased by 0.3% to reach US\$103.7/bl, compared to the previous week's US\$103.4/bl.

Local oil basket price. The Venezuelan oil basket price closed last week at US\$100.6/bl on Friday May 24th, a 0.3% decrease compared to the US\$100.4/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$102.3/bl.

Business Sector Tips

Approach between producers and the government. Planning is the key element that will drive and foster economic development in the country, said on Thursday the Vice-minister of Intermediate Industries, Carlos Faría, during the opening of the National Meeting of the Production Sector of Venezuela, which has been occurring in Caracas since Monday, May 20. In the first meetings, entrepreneurs presented their concerns, problems, and possible solutions, which were taken into consideration by officials of different public institutions, like the Ministry of Labor and Cadivi.

Government puts its eyes on importers. Carlos Farías, Vice-minister of Industries, considers that the delays in assignment non-national production certificates may be caused by the consultations that institutions must make given the high amounts of hard currency requested. "For some reason we still don't understand, large amounts of hard currency are being requested for processes we know don't require them, and that makes things slow down", he said. He estimates that in the next few weeks, the situation could be normalized and the response times could be shortened.

The elimination of some procedures for imports under evaluation. At the technical work group installed with the health sector, Minister of Trade Alejandro Fleming said that besides issues accessing hard currency, which he qualified as temporal, there is the streamlining and even the elimination of some procedures for imports and exports. He said that they are making a full evaluation by sector, to identify which are necessary and which could be "waived" to facilitate the process for the companies.



To protect the national medication sector. Within the framework of the "National Meeting of the Production Sector of Venezuela", there were meetings between Government representatives and health sector representatives, with the massive attendance of pharmaceutical companies, laboratories, medical equipment companies, and others. According to Alejandro Fleming, Minister of Trade, the goal of the Administration is to privilege the domestic production of medications, to supply the domestic market and later for export purposes.

According to entrepreneurs, this goal is difficult to reach. The goal was welcomed by the entrepreneurs present, but some said that the goal seems "unrealistic" considering that the national production of medications and products is minimal, and there are shortages of many items, given that delays in the delivery of hard currency is 300 days in many cases.

Plastic Industry: between Cadivi and the Lott. Hugo Dell'Oglio, President of the Venezuelan Association of Plastic Industries, informed that the sector is reporting an average of 250 days of delays to receive hard currency. "We have delays of up to 400 days in some companies", and added that they have an accumulated debt of US\$500 million. The present inventory of resins, said Dell'Oglio, covers 30 days. He said that the Organic Labor Law negatively impacted production, which has dropped 10.0%. He also said that absenteeism has increased up to 20.0% in some companies.

The State invests again in CVG. Carlos Osorio, President of the Corporación Venezolana de Guayana (CVG), said today that the huge investment of the government of Nicolás Maduro to increase the production of the entity "will start yielding results very soon", which will help develop the region and the country. "We are investing the whole CVG system more than US \$2.40 billion to strengthen the system.

Give me my sugar. Tribunal No. 6 of the Penal Judicial Circuit of the State of Aragua, approved the immediate release of the 8,520 tons of refined sugar that were retained four months ago from Pepsi Cola Venezuela. In a communiqué, the company indicated that "they proved the transparency of their processes, by showing that there was no hoarding, since the sugar was acquired, imported, nationalized, stored, and transported with the cooperation of the Ministry of Food, to be used exclusively as input to manufacture juice and soft drinks. This didn't affect the supply of the product for domestic use".

ABA will be faster. Nicolás Maduro, President of the Republic, announced that Cantv's internet service, known as "Acceso a Banda Ancha" (ABA), will be six megabytes, making it much faster. "The new ABA will have six mega, to have the



strength and speed that our country requires. There is a special plan to expand services", he said during a meeting with Cantv workers, seven years after its nationalization. The service would go from one megabyte to six, making connections faster. He also announced that the plan "one computer per home" will be expanded.

World Economy Tips

China has huge reserves. China has become the country with the largest reserves of foreign currency in the world, with a stock of US\$3.4 billion, so commercial deficits will no longer be a concern for the Asian giant. The composition of the hard currency reserves is secret, but information given by *Securities Journal* a few years ago revealed that it was 65.0% US dollars, 26.0% Euro, 5.0% pound sterling, and 3.0% yens.

The new "communist" China. China will keep liberalizing its interest rates and making its currency, the Yuan, respond to market forces and be more convertible this year, as informed by the Government of that country. "*We will constantly foster reforms geared to the interest rate market, and gradually expand the floating range both for deposits and for credits*", indicate the economic guidelines for this year, published in the web page of the central government.

Germany searching for amnesty between the EU and China. German Chancellor Angela Merkel said that she will use the economic influence of its country to prevent the EU from imposing punitive taxes on some Chinese products. The reaction comes after the European Commission proposed a special 47.0% tax on solar panels and mobile telephones from China, after accusing the Asian giant from artificially lowering the price of those products, harming European manufacturers.

Paying in advance. European banks will return EUR 8.12 billion early, for the emergency loans they received from the European Central Bank (ECB). The banks borrowed more than EUR 1 billion in loans from the ECB at three years in December 2011, and February 2012, of which the first payments are due in January 2015. Advance payments reveal a faster than expected recovery of the banking system.

Europe requests more controls. The three largest economies of Europe (the United Kingdom, France, and Germany) requested stronger laws to prevent companies like Google, Apple and Amazon to avoid taxes in a region where many



countries are reducing public spending and firing workers to reduce the deficit and domestic debts. Representatives of the three countries lamented the impact that corporate tax evasion has caused, after the appearance of several cases implicating US companies.

Spain, not so bad after all. Despite promising reforms, the Spanish economic crisis will continue, unless new sources of growth emerge, according to the British publication *The Economist*. Likewise, the publication considers that lowering the cost of debt and controlling spending in autonomous regions is a good sign for the Spanish economy, as well as the fact that the country still has two extra years to lower its deficit below 3.0%.

Why play differently when you are winning. After the good results observed in the first quarter of the year, the Bank of Japan (BOJ) decided to maintain its monetary policy stable, despite the fact that one member of its Board of Directors proposed to return to the 2.0% inflation target in the midterm. The decision implies continuing the expansion of the monetary base at an annual pace of between YEN 60 and YEN 70 billion (US\$585.0 billion and US\$682.0 billion).

Brazil with solidarity. Dilma Rouseff, President of Brazil, annulled the US\$900 million debt of 12 African countries, to promote economic relations with the region. Among the countries with the largest debt is the Republic of Congo, with US\$353 billion, followed by Tanzania, with US\$237 billion. Besides this measure, Brazil recently created an agency to support investment in industry and development in Africa and Latin America.

Farewell public transportation tax. The elimination of the tax that passengers pay for public transportation throughout Brazil was declared by Guido Mantega, Finance Minister of the country. The elimination of the tax known as Pis/Confins aims at reducing inflation by controlling the rise in consumer prices. The high inflation has affected the trust of companies and consumers.

Political Tips

Municipal elections for the end of the year. The National Electoral Council (CNE) has three tentative dates for the upcoming election of majors and municipal councils, which have been postponed four times due to the death of former President Hugo



Chávez and the ensuing presidential elections. The possible dates for the municipal elections are: November 17, 24, and December 1.

PSUV already thinking about the municipal elections. Diosdado Cabello, First Vice-president of PSUV, said that so far they have not planned the method that they will use to select the candidates for the upcoming municipal elections, however, he didn't rule out holding primary elections, although using a "mixed method" that combines primaries in some entities, and consensus in others.

"The economic model isn't working". Henrique Capriles, Governor of Miranda, considered that the excessive controls imposed by the government are "obstacles for national growth". "The state's economic model places filters everywhere. Not even our flag is made in Venezuela, it comes from abroad", said Capriles during the formal activation of the program "Banca Mirandina for progress", aimed at financing and empowering entrepreneurship for the inhabitants of rural areas in Miranda.

Another record for Maduro. Julio Borges, representative for Mesa de la Unidad (MUD), said that every figure published by national organizations confirm the "total economic disaster we have been suffering since last December, when Nicolás Maduro took charge of the Government". Borges underscored the 6.4% increase in the value of the National Food Basket in April, "a new inflation record is constantly set since this failed model, ill-called revolution, started", said Borges.

New owners, new editorial line. Henrique Capriles, Governor of Miranda, said that he was informed by members of private channel Globovisión that "the new Board of Directors ordered that it won't go out live". Capriles thanked "the great team of workers of Globovisión" and expressed his solidarity during the period to change the programming of the channel, with its new shareholders.

Now it isn't Globovisión, it is CNN. Nicolás Maduro, President of the Republic, accused CNN of promoting a coup in Venezuela through its Spanish news channel, as part of a "psychological warfare" of the media against his government. "CNN in Spanish is a channel at the service of destabilizing, openly calling for a coup in Venezuela", said Maduro.

Now it is Mardo's turn. Richard Mardo, N A representative accused by the Public Ministry for tax fraud and money laundering, claimed to be the victim of plots in judicial entities with political purposes. "I will prove the country how they use power to prepare scams", said Mardo, adding that he will go to the TSJ for a public hearing of which he wasn't notified, and found out about it through the media.





Mario Silva's recording will be investigated. *"I have instructed Attorney Gineira Rodríguez to start an investigation about the alleged recording of Mario Silva"*, said Attorney General Luisa Ortega Diaz via Twitter. The recording shows (according to opposition spokespersons) the voices of Mario Silva and Aramis Palacios, Cuban intelligence officer, talking about power struggles among high officials of the present Government.

More than a machine. Diosdado Cabello, President of the National Assembly (NA), and first Vice-president of the United Socialist Party of Venezuela (PSUV), said that they will try to transform the party from *"a machine type party, to a mobilizing party, that interacts with government activities"*. Cabello also informed that in June there will be a plenary to plan the re-launching of *"house to house"*, re-open registration in the party, and coordinate the party congress, planned for 2014.

Venezuela-Bolivia relationship stronger. The presidents of Venezuela, Nicolás Maduro, and Bolivia, Evo Morales, signed this Sunday the Joint Declaration of the bilateral meeting between them, to close the 2nd Meeting of the Bolivia-Venezuela Joint Integration Commission. The meeting tackled issues like health, education, communication, sports, defense and security, culture, tourism, energy, hydrocarbons, mining, industry and trade, agriculture and food, science and technology and political relations.

Maduro popularity deteriorates. In the latest public opinion survey conducted by Variances between 4th and 16th of May, the acceptance on Maduro's figure decreased from 51.0% to 46.5%, while the displeasure increased 42.0% to 48.8%. However, Capriles's image improved in the last two months; the displeasure decreased from 52.0% in March to 45.3%, while the pleasure passes from 42.0% to 48.5%. In relation to the approval of Maduro's governance decreased eight pp, and the negative evaluation of the official management worsened by 6.4 pp to stand at 47.4%.

A different result. Under the assumption if a presidential election was right now, the winning candidate would have been Henrique Capriles with 52.0% and 48.0% would have obtained Nicolas Maduro, according to the latest survey by *Varianzas*. The gap is four points for the candidate of the Democratic Unity Table (MUD), and this trend continues there will be a larger gap in favor of the governor of Miranda.





Legislative Tips

Open to private entities? Representative Biagio Pilieri, member of the Media sub-commission of the National Assembly (NA), announced after a meeting with the participation of authorities of the National Association of Journalists, the National Union of Press Workers, and Civil Association “Espacio Público” and his sub-commission, that he will request access to the Assembly for the press, which presently only receives the channel of the NA.

Motorcycles also regulated. The Bill on the Purchase and Sale of New and Used Domestic and Imported Vehicles will not only include private cars, but also passenger transportation vehicles, cargo vehicles, and motorcycles, among others. The only vehicles outside the law would be vehicles for collection and for sports.

Is a single law enough? The Permanent Commission on Interior Policy of the NA, installed a special sub-commission headed by representative José Javier Morales, in charge of preparing a report to reform the Vehicle Theft Law, together with the competent government entities. According to the representative, this reform goes in hand with the Gran Misión A Toda Vida Venezuela.

What about women? Luisa Ortega Díaz, Attorney General of the Republic, went to the NA to introduce an appeal defending women. She also proposed adding “femicide” as a crime in the Organic Law on the Right of Women to Live a Life without Violence, a crime that according to the Attorney General “is contemplated in some Latin American countries”.

Not more than one fifth. Although the law regulating car prices only authorizes a 10% profit, Alejandro Fleming, Minister of Trade said that “a reasonable profit for the automotive sector should not be over 20%”. He also said that a higher profit would be “an aberration”. This statement was given at a meeting of automotive industry representatives with the Government.

NA will discuss whether to open up to the private press. Representative Biagio Pilieri, member of the Media Sub commission of the NA, said that in the next few days he will request a modification of the Internal and Debate Regulation, specifically articles 56 and 66, since they violate agreements signed by the country with the UN and the OAS, as well as articles 57 and 58 of the Constitution, since they restrict press access to the Assembly.



ECONOMIC OVERVIEW

