



# Weekly Report

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*Venezuela leaves CAN with  
eyes fixed on Mercosur*

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Integration as a goal and as a subject is playing an important role in the formulation and implementation of Venezuela's foreign policy. In the last few years, during what has been called the *Chavista* experience, the country has deepened its international activism, based on a project that proposes a reformulation of the foundation, interests, and goals of diplomacy.

**We are still  
buried under an  
"ideological  
package"**

Between these two positions, there are several and complex alternatives, such as cultural approaches, moderate diplomatic behaviors, environmentalist proposals, the defense of human rights, and supra-state proposals. The Venezuelan government has defined a conflict between these two postures, based on the need to implement a model of political action that is called, both internally and abroad, an "*ideological package*", and that the Administration calls "*Socialism of the 21st century*".

Under these circumstances, the integrationist role of Venezuela has changed, as the present Administration has linked it to a different concept



of foreign policy in Venezuela. This new concept is based on the idea that we are witnessing a change towards a multi-polar world that promotes a nationalist - socialist anti-market economic model, and where the relation between States is given priority over the relation between the States and the markets, which necessarily involves the private sector.

### **Mercosur**

Since the creation of Mercosur in 1991, integration was conceived as a quick way to move forward towards equitable development in a world market that is quickly moving towards globalization. This idea of “*equity and social justice*” that accompanies this integration process is one of the aspects that made the National Government turn the scale towards Mercosur.

### **Hello Mercosur, good-bye CAN**

The southern block has also expanded its borders. Since 1996, Chile and Bolivia have been associated members of Mercosur. In the case of Venezuela, its adhesion occurs after leaving the Andean Community of Nations (CAN), due to disagreements with the free trade agreements signed by Peru and Colombia with the United States in 2006, which had significant economic and social implications.

As was to be expected, this exit from CAN happened without consultation and categorically. That is, it took place in the midst of a procedural confusion lacking firm criteria on the matter, where the main actor was the National Administration, with no proper prior consultation with public, much less private organizations, to evaluate the corresponding international treaties, conventions, and agreements, and its consequences in the economic arena.

### **Domestic political interference in Mercosur**

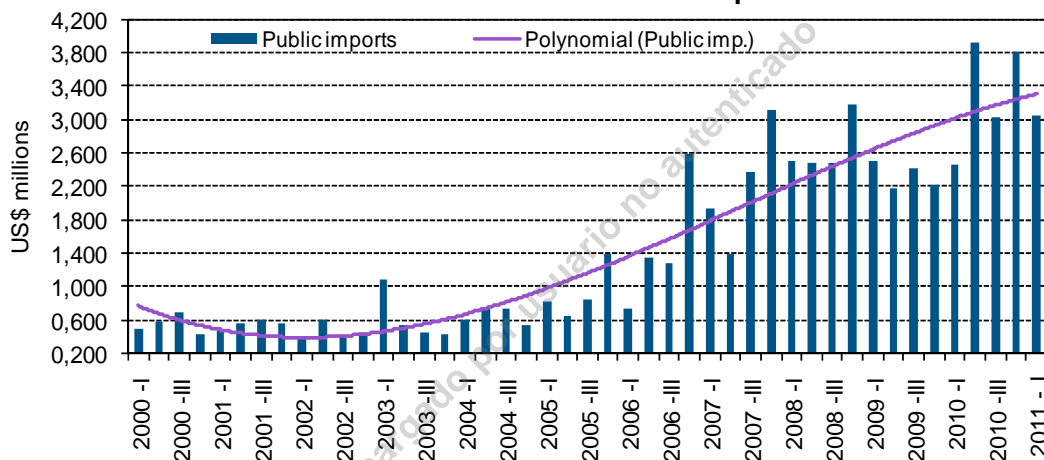
As was to be expected, Mercosur also has to adapt to our socialist model, since in the opinion of the Head of State, it must have a new political and social dimension. As indicated in his statements, he intends to continue strengthening the true South American integration, and contribute with something that is absolutely necessary: “*The Reformatting of Mercosur*”, adding that the group must change its structure, objectives, stress social aspects, and deal with the inequalities between countries, the so called asymmetries, in a fair manner.

In this sense, the Administration stresses that although it isn't proposing “*socialism to Mercosur, and is not going to contaminate it with socialism, or Marxism-Leninism*”, its intention is to foster the idea of giving more presence to the State in the economy, so that the State is an unavoidable presence before the large multinationals, which in its opinion represent the



imperialist model and are vying for disintegration. Our thesis states that the participation of the State will gradually increase imports, thus the State will gradually become a relevant actor in all domestic and international trade negotiations, to the detriment of the private sector.

Evolution of Public Sector imports



Sources:BCV and Ecoanalítica

Moreover, it proves the role of Venezuela in two scenarios: first theoretical, proposing a series of conventional ideas inserted in the radical experience of Venezuela's present foreign policy; and second, on the issue of power, regarding the pivotal role of Venezuela in the aspirations of a group of countries to change power structures.

Now then, we must also take into consideration that the movement of Venezuela towards Mercosur breaks with the spirit and practice of the Andean process, and for any Andean country, particularly Venezuela, an oil mono-producer country, the asymmetry is complicated before more developed economies in the southern block, like the Brazilian and Argentinean economies, which are more diversified and have a tradition of production and exports, leaving Venezuela in a secondary role.

**Tariff changes involved with the exit from CAN and the entry into Mercosur**

Since July 4, 2006, all rights and duties acquired by the country in CAN ceased, with the exception of the Liberation Program for the Sub-region, which has allowed us to continue importing and exporting for a period of five years (until April 21, 2011), maintaining the same trade conditions it had, as established in Article 135 of the Cartagena Agreement. This program represents an instrument that allows the creation of a Free Trade Zone, and is formed by a group of actions to eliminate trade barriers.



The most obvious changes that will occur with being part of Mercosur go beyond a simple detour of trade flows, which will no doubt significantly affect Venezuelan productive sectors, particularly in agriculture, livestock, and industry.

Given the several factors that will significantly affect trade exchanges after leaving CAN, the National Government has adopted temporary palliative measures, like the bilateral agreements with Colombia, Peru, Bolivia, and Ecuador. Although these agreements extend the legal status of CAN and preserve the Andean integration and trade, they nevertheless raise questions that must somehow be resolved in the immediate future.

**Adaptation with  
a view towards  
Mercosur**

One of the more relevant issues that must be analyzed from the perspective of Mercosur has to do with tariffs. In Venezuela, as in the rest of the CAN countries, the Andean nomenclature known as Nandina is in force, whereas in the southern block, the common nomenclature of Mercosur is used, known as NCM. Although both nomenclatures originate in the International Agreement on Merchandise Systems of 2002, they have significant differences. In fact, they don't even have a level of correlation to allow the transformation of Nandina merchandise codes into NCM codes.

According to the Mercosur Adhesion Protocol, Venezuela will have to adopt the NCM, and Mercosur's common foreign tariffs. This implies that Venezuela must re-edit its Tariff Code, and go from a code that describes around 6,843 items, to another much more detailed one with 9,750 items.

**Local  
companies at a  
disadvantage**

This change in codes also implies significant changes in the tariffs that the Government will charge for imports from third countries, since the simple average of Mercosur's foreign tariffs is around 10.7%, while that of Venezuela is 12.1%. Thus, by adopting the Common Foreign Tariff of the southern block, Venezuela would be adopting a lower level of protection for its local production.





**Comparison of tariff structure between Venezuela and the Mercosur**

Sector	Venezuela		Mercosur	
	Nº ítems	Average tariff	Nº ítems	Average tariff
Agricultural	1,227	15.3	1,317	11.1
Fishing	107	19.0	169	9.4
Leather and footwear	59	19.0	59	19.8
Wood and paper	302	12.4	337	10.4
Machinery and accesories	1,143	10.2	1,765	12.0
Mineral and chemical products	1,445	6.9	3,051	6.4
Steel and its products	327	10.5	365	12.4
Aluminium and their products	47	12.5	55	11.1
Copper and its products	60	11.2	74	11.3
Others metals and their products	240	10.6	245	11.9
Vehicles and parts	118	16.2	135	16.6
Transport and parts	68	7.6	76	9.7
Plastic and rubber	293	13.1	406	11.7
Textile and clothing	678	18.8	725	18.0
Others products	729	12.2	971	13.3
<b>Total</b>	<b>6,843</b>	<b>12.1</b>	<b>9,750</b>	<b>10.7</b>

Sources: Ministerio de Economía y Finanzas de Ecuador and Ecoanalítica

In this respect, it must be mentioned that Mercosur allows the use of safeguards only during the transition period, which in the case of Venezuela, would be until 2014, but only for products that have been declared as sensitive.

We must also mention that Venezuela would have to abandon the Andean System of Price Bands (Sistema Andino de Franjas de Precios - SAFF), an import price stabilization mechanism that rules agricultural items like rice, palm oil, soy oil, barley, pork meat, powdered milk, white and yellow corn, wheat, chicken parts, and soy beans.

The Mercosur Adhesion Protocol establishes that by January 1, 2014 at the latest, the Economic Complementation Agreement No. 50, ruling the relation between CAN and Mercosur will be rendered ineffective. This means that the SAFF will be in force until that date. In fact, one of the heated points in the relation between Mercosur and CAN has been that it rejects SAFF.

**... So we won't lose the habit, we will have to adapt.**

In sum, the adhesion of Venezuela didn't cause a significant discussion regarding entry conditions, and there were no negotiations between the Government and Venezuelan political, economic and civil society actors regarding the foreign and domestic consequences of such decision. It is



clear that this measure shouldn't have excluded its main actors and variables, since it isn't right to take into consideration only the State as a single factor.

The President's leadership, his radical discourse, the control of international decisions by the Administration, and the power that oil provides will continue to blend into a formula that so far had been successful, but that at present and in the future will face several hurdles, like:

- Limitations to Venezuela's interference in the internal affairs of other countries.
- Its economic inability to maintain the rentist scheme, both locally and for international aid.
- The lack of internal participation channels, to make international decisions.
- The poor influence that actors private linked to these matters have.
- The arguable viability of economic and commercial integration schemes based on socialist, endogenous, and protectionist platforms.

### **Strengthening Socialism**

This leads to the conclusion that the entry of Venezuela to Mercosur rather than promoting the diversification of trade partners, and the role of Venezuela in energy, it seems to hold, as its main objective, the strengthening of state controls over the economy, completely ignoring the private sector, and strengthening in turn, the importing character of the Venezuelan economy, in a framework of uneven competition.





## Economic Tips

**Total government spending increased in the first quarter of 2011.** According to official numbers published by the BCV, the total National Government Spending during the first quarter of 2011 reached VEB 64.59 billion, a 40% nominal increase compared to the same period of last year, and an 8.0% increase in real terms. The total income reached VEB 62.06 billion, a 10% growth after discounting the effect of prices in the first quarter of 2011, compared to the first quarter of 2010.

**Basic product basket reached VEB 5,488 in May.** According to the Center for Workers' Documentation and Analysis (Cenda), the Venezuelan Basic Food, Goods and Services Basket (CBT) reached a cost of VEB 5,488 in May, a variation by VEB 193.8, or 3.7% compared to April of 2011, when its cost reached VEB 5,295. The hypothetical household income (2 minimum wages/VEB 2,815) represents a purchasing power of 51.3%, short of VEB 2,674 to acquire the basic basket. A normal household would require almost four minimum wages to cover the basic needs.

**Significant increases in Basic Basket.** Among the most significant increases reported this month were "*Basic public services*," which increased by 12.9% after the adjustment in urban public transportation rates, *foods*, which increased by 5.2% after the increase in the prices of sugar, cereals and byproducts, meats, fish, fruit and vegetables, grease and oils, seeds, oleaginous and leguminous products, tubers, and non-alcoholic beverages,

**The Normative Food Basket reached VEB 1,487 in May.** According to the National Institute of Statistics (INE), the average price of the Normative Food Basket reached VEB 1,487 in May of 2011, a 1.96% variation compared to April. The products with the most significant variations were: In the Meats group: Shank, up by 12.68%; beef liver, up by 11.84%; ground beef, up by 10.34%, flank steak, up by 7.93% and pork meat, up by 6.4%. Powdered milk increased by 9.49%, guava by 7.24% and mayonnaise by 6.17%.

**Most expensive cities...** The study shows that seven out of the eleven study regions present price variations over the national average: Caracas, up by 3.54%; San Cristobal, up by 3.08%; Mérida, up by 3.04%; Ciudad Guayana, up by 2.63%; Maturin, up by 2.46%; Barcelona-Puerto La Cruz, up by 2.37% and Valencia, up by 1.97%. The new minimum wage of VEB 1,407 will allow citizens to acquire 94.7% of the basic food basket measured by INE in May.



**Venezuela's debt to reach US\$126 billion in 2011.** A Barclays Capital report on Venezuela analyzes the nation's debt trend and explains that between 2009 and 2011, the total burden, including commitments in bolivars and USD, of the Republic, Pdvsa and China's loans, will increase to 60.9% reaching US\$126.5 billion. Likewise, in 2012, the total debt will reach 49.3% of the GDP. Over the next twelve months, the Government and Pdvsa will issue a new debt for approximately US\$18 billion, so, by the end of 2011, the nation's debt will represent 14.8% of the exports and the fiscal deficit is projected to represent 10.9% of the GDP and 12.0% in 2012.

**Loans to productive sector up by 35.6%.** According to the Superintendence of Banks, the system's loan portfolio for the productive sector reached VEB 94.24 billion in May of 2011, a 35.6% increase compared to the VEB 69.62 billion registered the same period of 2010. The participation of loans for the productive sector in the banking system's gross loans portfolio went from 43.20% in May of 2010 to 45.62% in May of 2011, a 2.42% increase.

**Venezuela renews Chinese Fund credit line.** The Venezuelan Government renewed its credit line with the Chinese-Venezuelan Joint Fund, meaning that the Administration received a new loan from the China Development Bank for US\$4 billion. Of the 69 projects financed with these resources, 8 are for the basic industry, 2 for housing, 11 for transportation and communications, one for education, 31 for agriculture, 2 for the environment, 5 for science and technology and 9 for electric energy.

**New supplementary appropriations.** The National Assembly's Finance and Economic Development Commission authorized four supplementary appropriations for a global amount of VEB 2.48 billion for the college education sector. The president of the aforementioned parliamentary instance, Ricardo Sanguino, stated these resources would be used to increase the number of students receiving scholarships and to raise their coverage. It will also be used to help salary debts with the teaching, administrative and working staff in all universities throughout the nation.

**Interest rates.** The lending rate for the second week in June was at 18.28%, increased by 0.21 perceptual points compared to the previous week. Time deposits also were decreased by 0.26 perceptual points to reach 14.56%, while the passive has not submitted any variation significant since January 2010, placing well at 12.61%.

**International reserves.** International reserves increased 0.9% going from US\$30.67 billion during the second week in June to US\$30.95 billion during the third week in June. Compared to the same period last year, international reserves have creased by 5.5%.



**Monetary liquidity.** Monetary liquidity in the second week in June increased 2.6% compared to the previous week settling at VEB 324.2 billion. The M2 has creased 31.0% year-on-year.

**Sitme figures.** So far this year, US\$3.75 billion have been negotiated through the Integrated System for Foreign Currency Transactions (Sitme), averaging US\$34.2 million a day, with an implicit exchange rate of 5,3VEB/US\$. Last week the traded amount reached US\$149.7 million, US\$11.7 million more than last week when braided US\$138.7 million.

## Oil Tips

**Production slightly up...** A slight increase in Venezuelan crude oil production was reported, reaching 2.82 mb/d in April, after having registered 2.81 mb/d in March, according to information provided by the Minister of Energy last June 14. Also, Venezuela stated its crude oil and oil byproduct exports reached 2.56 mb/d in May, compared to the 2.22 mb/d reported in April.

**Will production increase?** Recently, the minister of Energy and Oil and president of Pdvsa, Rafael Ramirez, stated the national production would be increased by 50,000 barrels per day this year. This would represent approximately 10% of the 500,000 barrels per day produced by semi-public companies, as he asked its partners to come up with "*remediation plans*" to increase production immediately.

**Serious crisis mitigated by oil prices.** According to Noel Alvarez, president of Fedecamaras, the Venezuelan economy might be growing, but not in a sustained manner. The oil income supports public spending and public spending, as an important component of the Gross Domestic Product (GDP), increases, thus inflating the GDP.

**Fuel guaranteed for thermoelectric generation.** Rafael Ramirez stated: "*we have taken all the precautions t cover the fuel demand,*" in order to guarantee energy supply. Nearly 100,000 barrels per day are currently used to meet this goal.

**Oil GDP to be measured by the incidence of the oil income.** Even though the Venezuelan GDP was used by the National Government for more than five years as evidence of a healthy economy, the contraction in productive areas, including the oil



industry, has urged the creation of an index based not only on what the authorities consider to be *“capitalist parameters.”* Rafael Ramirez said: *“we have been working with the Central Bank of Venezuela (BCV) to create a satellite account able to measure the incidence of the oil income.”*

**Price policy!** The Venezuelan Oil GDP contracted by 1.8% during the first quarter of 2011, reaching its lowest level since the Pdvsa strike in 2003. Ramirez stated the GDP result was *“measured in terms of (production) volume, and we have a price policy, not a volume policy.”*

**Oil exports down.** Venezuelan oil exports dropped by 6.3% in 2010, reaching 2.32 mb/d, caused by an increased domestic consumption and a decreased production. It has decreased even more in 2011, with exports averaging 2.21 mb/d during April.

**Japanese loan.** Pdvsa signed a loan for US\$1.5 billion from the Japan Bank for International Cooperation (JBIC), to be used in the expansion of the refineries of Puerto La Cruz, Santa Ines and El Palito. The intention is for refineries to be able to process Venezuelan crude oil, and generate more volume. The Japanese embassy advisor in Caracas, Takashi Kondo, stated Japan would *“receive 3 million barrels of Venezuelan light crude oil per year for 5 consecutive years.”*

**Not afraid for the verdict.** Minister Ramirez assured Pdvsa was *“ready to face any results”* in the arbitration processes against ExxonMobil and ConocoPhillips.

**International oil baskets.** At closing time on June 17 in the New York Exchange, the price of the WTI was US\$97.1/bl, a significant fall compared to the US\$100.2 reported the previous week. The Brent increased by 0.1% to reach US\$117.01/bl, compared to the previous week's US\$116.9/bl.

**Local oil basket price.** The Venezuelan oil basket price increased last week, closing at US\$104.3/bl on Friday June 17, a 0.3% increase compared to the US\$104.0/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$97.30/bl.





## Business Sector Tips

**Venezuelan Government to incorporate more megawatts for electric generation.** The National Administration will incorporate a total of 9,172 megawatts to the nation's electric generation system between 2011 and 2012, including new and rehabilitated equipment. The number can be broken down into 5,987 megawatts in new units and 3,184 megawatts in rehabilitated units.

**... Electric system being reinforced.** The National Government keeps working on correcting maintenance problems in the nation's power transmission systems and the goal is to incorporate 177 new power transformers to renew the basics of these mechanisms. The National Electric Corporation (Corpoelec) plans to build a new substation capable of generating 10 MW in the state of Barinas.

**Electric system depends on multilateral loans.** 50% of the resources required to improve the national electric system's generation and transmission will come from applications introduced at multilateral organizations. The Government is still waiting for the authorization of the funds.

**...Among these loans are:** four to be authorized by the Andean Development Corporation for US\$1.2 billion and 2 more loans from the Inter American Development Bank for US\$600 million, out of which only US\$6 million have been executed, for a total of US\$1.8 billion.

**Energy savings measures to impact housing plan.** The National Government plans to build 150,000 housing units this year, generating more demand for supplies and services. But the authorities announced energy rationing measures which will impact the progress of these new projects.

**Public banking system increased Government financing by 73%.** With the latest debt issuance, the public banking system's portfolio will own treasury bills and bonds for VEB 42.49 billion, and its center of activity, more than private loans, is government financing.

**Banco Agrícola de Venezuela.** Banco Agrícola de Venezuela (BAV) has granted, including social and universal banking, 12,082 loans for VEB 1,219,807 so far this year, destined to improve the quality of life of its clients and promote the agricultural activity.



**Banking system to contribute with VEB 22 billion for the Housing Mission.** The National Government is working on designing a mechanism for the banking system to disburse funds for VEB 22 billion, nearly US\$5 billion at the official exchange rate, this year, to contribute with the Housing Mission.

**Ministry of Finance issues bonds for public banking system.** The Ministry of the People's Power for Planning and Finance announced the start of a special National Public Debt bond offer for up to VEB 10 billion focused on the main entities of the Public Financial System. The resources obtained with the sale of these bonds will be used to pay the National Public Debt and finance the tax administration of the fiscal year 2011.

**Venezuela to pay debt to Colombian suppliers.** Venezuelan importers will cancel debts for a little over US\$718 million to Colombian suppliers after being authorized by the Central Bank, so was confirmed by the Colombian Minister of Foreign Trade, Sergio Diaz Granados. The debt is expected to be completely paid off soon.

**Polar requests increase to corn oil price.** Empresas Polar issued a statement explaining the manufacture of its corn oil, Mazeite, requires imported raw materials and the regulated price is not enough to cover production costs.

**Construction companies raided.** The Public Ministry confirmed the raiding of construction material companies Hierrobeco, Piameca Aluminios and Maploca, as part of the ongoing investigation for alleged irregularities in the distribution of supplies produced by Sidor and Orinoco Iron.

**China is Venezuela's second commercial partner.** The relationship between Venezuela and China is the most important alliance developed by the National Government, said the Minister of Trade, Edmee Betancourt.

**Colombia to supply energy to Venezuela.** Actions were taken yesterday afternoon to activate the electric connection between Zulia and the Colombian Guajira through which Colombia will provide energy to Venezuela.

**Government establishes MPSP for beef.** *Official Gazette N°39,698* sets the maximum public sale prices (MPSP) and maximum sale prices for producers and wholesalers of beef products: 1Kg Prime cut beef, VEB 22.74; 1Kg second grade beef, VEB 15.38; 1Kg third grade beef, 13.12; and producer level prices were set as follows: standing livestock at VEB 7.10; slaughtered, VEB 13.67 and VEB 14.36 for wholesalers.





**Second round.** According to statements issued by Vice President Elias Jaua, tomorrow will start the second phase of the Housing Mission, which contemplates visiting the homes of those who enrolled in the plan and organizing sector assemblies of which members will be in charge of identifying abandoned lands where housing units will be built.

**Administration board to be appointed for Vivex.** *Official Gazette N°39,698*, dated June 17, appoints the following people as members of the temporary administration board to take over movable and real estate properties: Luis Cabrera, president, Annelys Subero, Rossana Silva, Yeant Sabino and Alejandro Guevara, directors.

## World Economy Tips

**IMF reduces US economic projections.** This Multilateral organization estimates the US economy will grow by 2.5% this year and another 2.7% in 2012. In April, the IMF had predicted expansions for 2.85% and 2.90% for each respective year. The fund stated the US deficit outlook in 2011 had improved at some extent due to a higher-than-expected tax collection.

**United States creates 54,000 jobs in May.** According to the US Bureau of Labor Statistics' farming payrolls report, 54,000 jobs were created in May of 2011, the lowest number since September of 2010, while the unemployment rate went from 9.0% in April to 9.1% in May.

**US: Inflation slightly up in May.** The good news about the 0.2% CPI increase in May is that it was the smallest monthly increase reported since November. The bad news is, quarterly, prices went up at a rate of 4.6% y/y, also the strongest since mid 2008. The underlying price inflation also increased. The core CPI increased by 0.3% and 2.5% on a three-month basis, the strongest fall since April of 2009.

**China: best BRIC-country in terms of inflation.** Despite early-year concerns, China's inflation has behaved better than that of some other emerging countries. Out of the BRIC countries, Brazil, Russia, India and China, the latter has the lowest inflation rate. China's inflation has remained under control thanks to the vigorous efforts of monetary authorities to cool down the economy. The main interest rate has increased by 50 basic points, going from 5.81% in January to 6.31% in May, and the mandatory reserve rate for large deposit institutions (banks) has increased from 19%



in January to 21.5% in early June. The inflation has also slowed down, with a 5.3% appreciation of the Yuan vs. the USD between June, 2010 and today.

**And the economy picks up.** China's industrial production and retail sales weakness reported in April reverted in May. After falling by 0.6% in April, compared to March, industrial production picked up 0.5% in May. Consensus expected a progressive decrease. The deceleration in the growth of retail sales, from 2.5% in March to 1.0% in April, was followed by a 1.5% increase in May.

**Also willing to help Europe grow.** The Chinese Minister of Foreign Affairs said the Asian nation had already taken a series of proactive measures to boost Chinese-European relations and economic cooperation, such as the purchase of euro bonds.

**Euro zone: Trade loses momentum.** The commercial flows of the euro zone have lost some momentum, but the deficit of the entire zone keeps growing. The growth of imports exceeds the growth of exports in periods of 12 and 6 months, but has yielded some ground over the last three months. It's still too early to tell whether the trend is shifting towards a deficit reduction. However, the underlying exports and imports trend for manufacture suggests there is a growth deceleration and it might affect imports. This suggests a gradual contraction of the region's domestic demand.

**Brazil maintains inflation goal for 2012.** According to the director of the Central Bank of Brazil, Alenxandre Tombini: *"with the economy growing, we will turn inflation back to its goal of 4.5% by 2012,"* however, as of May, the inflation exceeded the upper limit of 6.5% set by the Government, making it unlikely for the number to drop to its center goal of 4.5% next year. On another note, Brazil's economy is expected to grow by 4.0% in 2011.

**Peru's exports would border the US\$50 billion in 2013.** A stronger participation of exports in the Peruvian economy is expected for the next few years, promoted, mainly, by copper and zinc. By the year 2012, exports are expected to reach US\$45.5 billion, while the projections for the end of 2011 aim to US\$42.92 billion.

**Uruguay's inflation to converge at the goal.** According to the president of the Central Bank of Uruguay, Mario Bergara, the nation's range of inflation goals for 2011 is between 4.0% and 6.0%. Inflation is still the main risk for sustainable growth in Uruguay, as inflation expectations are close to the Government's upper limit. Uruguay's GDP grew by 6.8% in the first quarter of 2011, compared to the same period of 2010.





## Political Tips

**Inappropriate use.** According to statements issued by the Vice president of the Republic, Eilas Jaua, due to the low price of the Venezuelan electric service, people have given an inappropriate use to electric energy. For that reason, he said, *“it is necessary to take measures to regulate the demand.”* The official clerk took the opportunity to denounce that the collapse of the electric service was caused by sectors interested in generating destabilization in the nation.

**Government urges not to waste electricity.** According to the recent statements issued by the minister of the People’s Power for Electric Energy, Ali Rodriguez Araque, *“it is imperative for all Venezuelan citizens to contribute and collaborate with the campaign against wasting electric energy in order to improve the nation’s energy efficiency.”*

**Electric failures will end in December.** The Vice minister of Electric Development, Argenis Chavez Frias, guaranteed that the nation’s electric problem would be fixed by December of 2011. He said they were working on a corrective and progressive maintenance plan to recover the stability of the Venezuelan electric system.

**Explain the reasons for the blackouts.** Roberto Enriquez, president of the political party Social Cristiano Copei, asked the General Comptrollership of the Republic to present a report of the investments made in the Venezuelan electric system. *“We demand the appointment of penal responsibilities for those running the process of updating the nation’s electric system. It is unacceptable that the stages offered to update the plants and dams have not been met, and after an investment of more than US\$1 billion, Venezuelan citizens still have to put up with electric failures.”*

**Government needs to assume responsibility.** The Governor of Táchira, Cesar Perez Vivas, said the National Government needed to face the electric situation without eluding its responsibilities, as now they blame it on *“sabotage,”* when the real cause is lack of investment and management in the sector.

**It is cynical to accuse Venezuelans of the electric problems.** In the opinion of Latin American Parliament Representative and Coordinator of Movimiento al Socialismo (MAS), Nicolas Sosa, the National Government has crossed the line on the electric issue. *“Today they are so cynical as to blame the electric crisis on Venezuelan citizens’ being spendthrifts.”*



**Health system should be accessible.** Minister for Health, Eugenia Sader, talked about the health situation in Venezuela. *“We are improving the whole national public health system by making it more accessible to the people.”* *“Savage capitalism does not care about people’s health,”* she added.

**Attorney General supports Health Minister.** Private clinics and insurance companies should not ask for clearance or any other requisites to users to provide medical attention, said the Attorney General of the Republic, Luisa Ortega Diaz last Tuesday. *“Health is a fundamental human right and it should not be used for business.”*

**National Assembly asked to study Chavez’s absence.** Maria Corina Machado, NA representative for the opposition block’s coordination board, stated they would request a parliamentary debate for the nation to know what’s happening in regards with the President’s physical health and when he plans to come back, as they consider the President’s request for an indefinite permit to be unconstitutional.

**PPT rejects President ruling from Cuba.** The political party Patria Para Todos (PPT) assured President Chavez was using his current health status electorally and questioned the fact that so far there have been no serious medical reports explaining his situation.

**Official jurists consider debt law to be unconstitutional.** Official block analyses coincide in denying a power vacuum, but lawyers look for a formula to justify the promulgation of the Law of special indebtedness by President Chavez from Cuba, as they fear it may be unconstitutional and, in consequence, object of absolute nullity. The situation would have to be solved in the Supreme Court of Justice, according to a group of official block constitutional lawyers.

**Make no mistake!** *“The legitimate, constitutional and legal president in full exercise of his faculties is Hugo Chavez, period, no discussion,”* said Executive Vice president Elias Jaua. *“Make no mistake with me, right-wingers, I am a man of honor raised with the values of loyalty, friendship and principles, and I will defend the constitutional rule of President Chavez with my own life. And I am not alone; I have the people and the Armed Force behind me.”*

**Governor of Bolivar not afraid of investigation.** The governor of the Bolivar state, Francisco Rangel Gomez, assured he was not afraid of being investigated by the authorities for the accusations made by the Bolivarian Iron-Steel Workers Front. Bolivarian workers accused Governor Rangel of being involved in the *“steel bar smuggling mafias.”*



**Planning to double oil production.** The national coordinator of Voluntad Popular, Leopoldo Lopez, proposed to double the Venezuelan oil production progressively over the next 4 years until generating 6 million barrels per day as a mechanism to support peace, wellbeing and especially progress for the Venezuelan people. Lopez presented last Thursday in Anzoátegui the proposal of Voluntad Popular called “*la Mejor Venezuela.*”

**Psuv with some fractures.** The official block has evident fractures in 7 of the 16 states where it rules: Anzoátegui, Bolívar, Falcón, Monagas, Portuguesa, Sucre and Vargas maintain internal feuds motivated mainly by the 2012 election. 22.2% of the nation’s electoral record belongs to these states.

## Legislatives Tips

**Sports goods and services to be declared public utility.** The Organic Law of Sports grants the President the faculty for directing, planning and managing all sports-related goods. The normative, approved in first discussion by the National Assembly, strikes out private companies sponsoring teams and clubs, federations and sports institutes that organize competitions. According to the law, everything will be centralized by the State and supervised by the Ministry of Sports.

**Sports’ Law in second half.** The draft of the Organic Law of Sports and Physical Education will be subjected to second discussion in an ordinary session of the National Assembly scheduled for June 21, as was announced by the vice president of the parliament, Representative Aristobulo Isturiz.

**What does the law of sports bring?** The most innovating elements include athletes’ direct participation in the election of sports representatives in federations, social security for athletes and maternity protection for sportswomen. Hildegar Morillo, president of the Athletes’ Commission, explained that this draft was born after intense debates with athletes and different sports sectors.

**And out president is still away...** The National Assembly ratified the authorization for President Chavez to remain absent from national territory. On Tuesday, June 14, the National Assembly ratified, with 94 votes in favor, the constitutionality of the authorization given to the President of the Republic to stay abroad.



**Riots in El Rodeo to be investigated.** The National Assembly's plenary session voted for starting an investigation on the events occurred in the penitentiary center El Rodeo I, in the Miranda State. The proposal was presented by Congresswoman Yelitza Santaella, president of the National Assembly's Cults and Penitentiary Regime Commission. This commission will work along with the Ministry of the People's Power for Internal Affairs and the Public Ministry.

**Actions against media disinformation campaign.** Representatives for the United Socialist Party of Venezuela (PSUV) will take actions to face the disinformation campaign held by opposition media over the situation developing at the El Rodeo I and II penitentiaries. So was informed by Yelitza Santaella, president of the National Assembly's Cults and Penitentiary Regime Permanent Commission: *"We are condemning a plan orchestrated by the Venezuelan opposition along with some mafias installed in these centers to destabilize the precincts."*

**"Steel bar" case.** The National Assembly's Comptrollership Commission will propose the opening of an investigation on the case of steel bar smuggling in Bolivar. The representatives for the Democratic Unity Table (MUD), Andres Velasquez and Rodolfo Rodriguez presented this proposal to *"investigate from an instance other than the National Administration in order to determine political responsibilities."*

**Don't forget the law against forgetting.** The National Assembly's Plenary Session will begin the debate over the draft of the Law Against Forgetting and Impunity on June 21. The objective of this law is to reinstate the rights of people missing, tortured or deceased during the governments of the Pact of Punto Fijo.

**Energy Law for late June.** It is expected for the National Assembly to start discussing the Law of Efficiency and Rational Use of Energy the last week of June, according to estimations made by Congressman Luis Acuña, president of the NA's Energy and Oil Commission. Acuña indicated the project should be approved before the end of the first period of ordinary sessions, on August 15 of 2011.

**What does the Law of Efficiency and Rational Use of Energy bring?** The objective of this draft is to raise awareness in the population over the rational use of natural resources. *"We want Venezuelans to change their wasting culture for a conservative culture,"* said Luis Acuña. The Commission made a first review of the draft so that representatives could present their proposals on the instrument.

**Work committees for law of disarmament.** The Presidential Commission for Disarmament and Weapon and Ammunition Control approved last Thursday, June 16, the creation of work committees to study and evaluate the application of measures provided to disarm the people. The minister of Internal Affairs and Justice,



Tarek El Aissami, reported that during the second meeting, the mixed commission agreed to create a committee to study weapon and ammunition import, production and commercialization mechanisms.

**What does the law of disarmament bring?** Among its applications is the recording, destruction and auditing of weapons confiscated by law enforcement agencies. It will follow up on police and private security companies' weapons and ammunition records, evaluating the issuance of gun bearing permits and restricting gun-bearing in certain public spaces.

**Requesting more regulations for the private sector.** The public health sector has requested the National Assembly to reform bills regulating private medicine practice. It is necessary to restructure the Law of insurance companies and formulate proposals generating more forceful actions against *"the mercantilism of Venezuelan private medicine."*

**National Assembly against commodification of health.** The National Assembly is committed to working with the Bolivarian Government to modify and create the necessary laws to guarantee free health service, decent hospitals and at the same time fight the mafias turning Venezuelan citizens' health into a business. Congressman Dario Vivas stated, *"We will not rest until we put an end to this speculation, until we incarcerate those making our people's health a business and desecrating the practice of medicine."*

**Public consultation of Law against discrimination.** The Vice minister of Indigenous Peoples for the Urban Areas, Aloa Nuñez, said the nation's ethnic communities have already advanced in the public consultation of the Organic Law against Racial Discrimination approved in first discussion by the National Assembly. *"We just provide a space for people to participate and express their ideas,"* she stated.

**Discussions about the Tenancy Law continue.** Tito Oviedo, member of the National Assembly's Administration and Services Permanent Commission stated that the new tenancy law *"is not a law against property,"* and said *"arbitrary evictions involving judges and police officers should never more occur in Venezuela."*





**ECONOMIC OVERVIEW**

