



Why the delay in the adjustments? The eternal problem of divvying up the oil rent.

At meetings with investors, Minister Rafael Ramírez has offered a route map that implies implementing a series of economic measures, particularly on the monetary and foreign exchange fronts. Progress on implementing this plan seems to have come to a halt, however. In this weekly report we discuss why.

Oil, always oil

Historically, oil has played an important role in forming Venezuela's political economics. A number of studies have attempted to determine the relationship between oil and democracy in different countries, the most notable being the findings of Thomas Friedman, which argue that the price of crude and the pace of freedom always move in opposite directions in oil rich countries. He called this the first law of petropolitics, and Venezuela is a living example of this.

In many of our reports, we have explained how, in Venezuela, oil has come to be what has been described in literature as the resources curse, which is simply the negative impact that an abundance of natural resources has on the development of a given country. This effect occurs due to the reliance that is generated in the economy from exploiting those resources. The curse manifests itself in different ways: appreciation of the exchange rate, deindustrialization, high levels of debt, overspecialization in production, and high levels of corruption. Public and economic policies (stabilization funds, royalties, transparency in the way resources and institutions are managed) for correcting those distortions do exist; the problem is they are difficult to implement for political reasons. And as Penfold and Corrales explain in *"Dragon in the Tropics"*, reliance on oil not only impedes the search for political solutions to economic problems, but it also causes politics to be more cautious than it would otherwise be because oil increases the opportunity cost of incumbency, a scenario that is somewhat similar to the one that we are observing at the present time.

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Three key examples

This point is relevant at the present time because one of the issues that is preventing the team headed up by Ramírez from moving ahead with the economic measures has to do with the power groups that have been formed around the divvying up of the oil rent. There are three telling examples of this, namely:

- 1. Adjusting the exchange rate via SICAD II:** From the start, Ramírez' team proposed selling the lion's share of foreign currency from oil exports via SICAD II as a mechanism for reducing PDVSA's reliance on monetary financing through the Central Bank. However, the power groups that have been benefitting from the system of sharing out foreign currency via Cencorex perceived this reform as a step towards losing quotas of power and, therefore, they have prevented more foreign currency being sold via SICAD II. The result: the scheme looks as though it has become mired down with no possibilities of increasing the supply of foreign currency in the short term.
- 2. Putting up the price of gasoline:** Quite apart from the political and social implications of raising the price of fuel, one aspect of weight is the sizeable business resulting from fuel smuggling, which is in the region of some 120,000 barrels a day (mb/d). A more realistic price for gasoline would affect the direct and indirect beneficiaries of this practice, and obviously they have reasons for preventing an adjustment of this kind.
- 3. Centralizing foreign currency funds:** At a meeting with investors in London, Minister Ramírez promised to centralize the foreign currency extra-budgetary funds in the hands of the public sector and that **Ecoanalítica** calculates amounted to US\$13,0 billion at the close of May this year. Clearly this would be an extremely positive sign for the market and would strengthen the Republic's position abroad. However, this promise is not a new one. Some months ago it was proposed by Nelson Merentes when he was in charge of things, but the power groups behind the management of those resources did not like the idea and that was one of the reasons why control of the economy was taken out of Merentes' hands. The question is will Ramírez be able to do it?

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Government Resources	May - 2013 (US\$ bn)	May - 2014 (US\$ bn)	Variation (%)
In USD	11.2	13.0	16.1%
FONDEN and National Treasure	5.2	5.4	3.8%
Other Funds	4.9	5.5	12.2%
PDVSA	1.1	2.1	90.9%

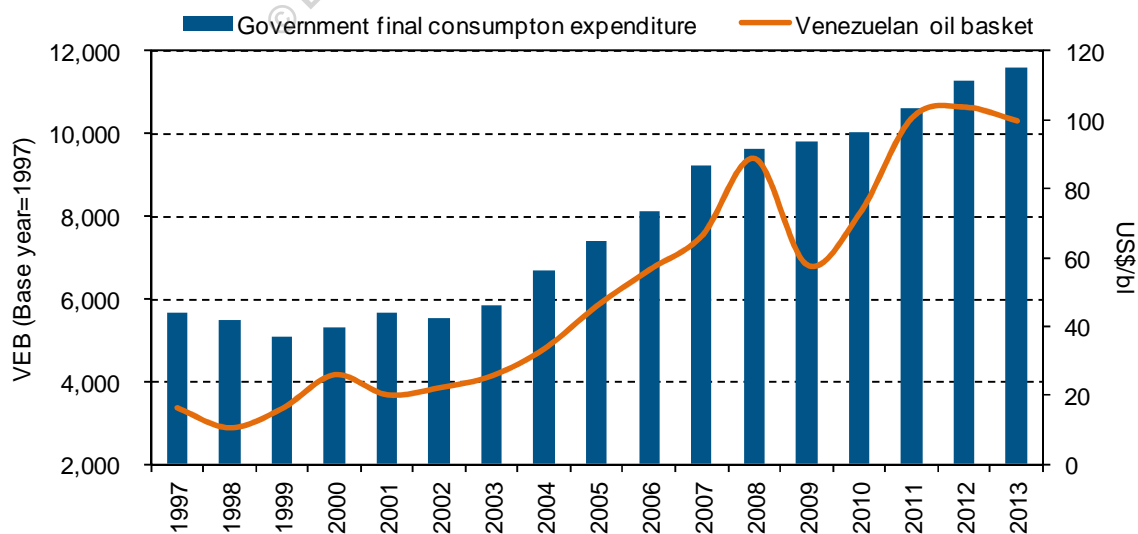
Source: Ecoanalítica

The importance of the institutions

Oil, or more accurately, oil revenues created the conditions and provided opportunities for Chávez to consolidate his power in the presidency and for Maduro to get into office. This would not have been possible with oil revenues alone. For that to happen, certain conditions and institutional factors had to be present.

One of the ways in which oil can affect the quality of the regime is by increasing public spending, in particular clientelist spending, which increases in times of plenty but can cut back when revenues fall. Receipt of rent by both the public sector and the private sector fuels corruption and ends up weakening the quality of our institutions.

Government expenditure Vs. Oil prices



Sources: BCV, Menpet and Ecoanalítica

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So, why is there a problem? The fact that there are solid institutions means that an important element exists: accountability, which allows the institutions to fulfill their public functions. In both politics and representative democracy, accountability ensures the legitimacy of government. It is common knowledge that there is scant accountability in Venezuela. In fact, what has happened is that there have been arrangements among the institutions that have allowed certain factions of the government to share out the oil revenues among themselves, as we have seen in the three previous examples. This is a key factor in the present situation, where firm measures need to be taken. There are many who benefit from the status quo, however, in particular the recipients of rent.

Two additional problems

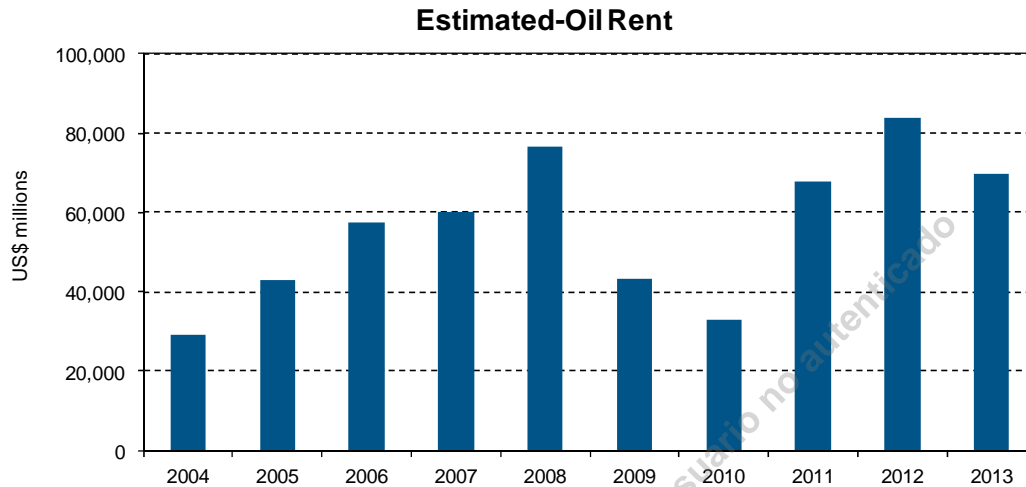
In addition to the problem of the power groups that have formed around the divvying up of the oil revenue and that are preventing decisions from being taken, there are two more elements: first, the weakness of President Maduro's leadership, which is undermining his ability to implement economic measures, and, second, the difficult task of negotiating with the power clusters and other ideological factions that coexist with *Chavismo*. These two factors are crucial for understanding why the reforms are incomplete and why implementing them is taking so long.

Chavismo: exacerbating rentierism

Another characteristic of an oil-dependent country is that a rentierism-led demand is generated by economic agents and that this phenomenon is more pronounced than in other societies. Rentierism is defined as the motivation of social, economic, and political actors to extract fiscal resources for private, not public, profit. This behavior creates a strong bias in favor of implementing policies that protect or favor the recipients of that rent.

Moreover, oil rent is a surplus above and beyond the remuneration needed to carry out productive activity. Put another way, the rent per barrel is equivalent to the differential between the marginal cost of production and the market price. Since it is a surplus, there are no property rights on it, with the result that it generates all kinds of incentives for the different agents to get their hands on it. The rent obtained by the governments of exporting countries gives rise to intense competition over who gets to decide how it is to be allocated inside the country. The absence of formal and transparent mechanisms encourages the discretionary and inequitable use of this rent by the government of the day.

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Sources: MF, Pdvsa and Ecoanalítica

Since staying in power is the objective of any government or political party, avoiding allocating part of the rent based on political criteria is no easy matter. So, the greater the struggle for power, the greater the incentives for the government party to use the rent to avoid its departure. It is common knowledge that this should be a year for implementing a program of adjustments that, while it would have a negative impact on the economy, would correct the distortions on the foreign exchange, fiscal, and monetary fronts. However, few measures have been taken, mainly because certain groups of power within the government are refusing to implement policies that would have a high political cost and would mean them giving up their slice of the cake, which in most cases is a large one.

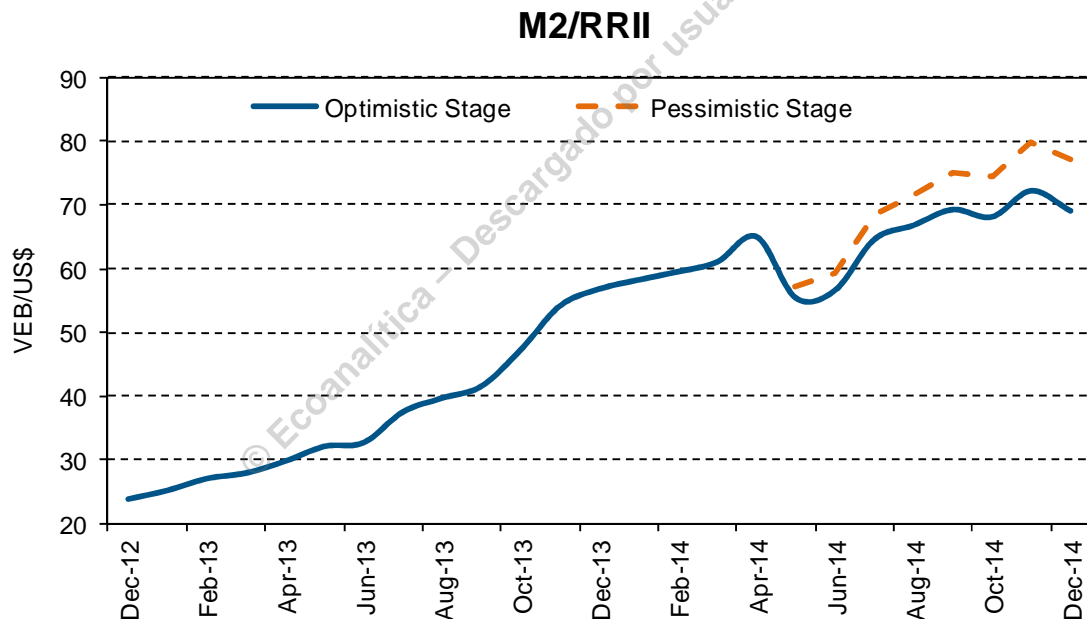
Tick tock...

Time is running out for the government for two reasons. The first and most obvious one is an issue we have commented on in previous reports: the excessively slow pace at which the adjustments are being implemented is aggravating the imbalances in the Venezuelan economy, which is showing clear signs of stagflation. The second is that, in 2015, when key elections are to be held –the parliamentary elections–, there will be fewer incentives for the Executive to take measures that imply high political costs. At **Ecoanalítica** we consider that the present economic team headed up by Ramírez has some leeway up until December this year, after which the cost of taking relevant economic measures will be huge.

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Coverage is crucial in times of uncertainty

So far, the unofficial exchange rate has shown a degree of stability. However, two elements are of key importance if that stability is to be maintained over time: monetary financing of the state-owned companies (in particular PDVSA) by the Central Bank and the pending reform of SICAD II that would allow the oil sector to sell foreign currency from oil exports. If the former continues and the latter does not happen, we expect that the gap between the unofficial exchange rate and the SICAD II rate will widen. Our coverage model indicates that while a reduction in the parallel rate to below VEB 68/US\$ looks unlikely at the moment, there are elements that could push it above VEB 80/US\$. So, designing a short- and medium-term coverage strategy is crucial.



Sources: BCV and Ecoanalítica

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ECONOMIC TIPS

Inflation reached 5.7% in May. According to figures published by the Central Bank of Venezuela (BCV), the National Consumer Price Index (Indice Nacional de Precios al Consumidor - INPC) variation for May was 5.7%, or year on year inflation of 60.9%.

Transport had the highest inflation in May. Among the 13 categories studied by the BCV, in May transport showed a higher inflation than the national average, with a variation of 10.1%, followed by restaurants and hotels with 6.9%, food and non-alcoholic beverages with 6.4%, and home equipment with 4.1%.

Geographical results. Of the 11 cities surveyed in May, the greatest variations were observed in Ciudad Guayana with an inflation of 6.9%, followed by Valencia with 6.7%. The areas with the least variation in April were Maturin with 5.3% and Caracas and Barcelona-Puerto La Cruz with 5.4%.

Spike in prices due to guarimbas: According to the Central Bank, cumulative inflation to May came to 23.0%, the biggest increase in prices in the first five months of the year since 1996. In its latest press release on inflation, the Central Bank explained that in "*April and May (prices) continued to be affected by the events of political conflict (...), which partly compromised the production, distribution, and marketing of mass consumption goods and services,*" which was reflected in higher inflation.

That is how analysts see it. According to the latest LatinFocus survey released few days ago analysts expect the economy to contract 1.6% this year, and inflation to close nearly 63.1%. For 2015 the panel of the LatinFocus survey expects an economic growth of 1.4% and an inflation of 48.0%, also forecasts an exchange rate devaluation from VEB 6.3/US\$ to VEB 9.2/US\$.

A new system: The Vice President for the Economy, Rafael Ramírez, explained that among the actions planned for restoring the country's economic performance is addressing the need to "*converge (the exchange rates) into a new foreign exchange system in the short term.*" At **Ecoanalítica** while we do not believe that Ramírez' statements will result in a unification of

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the exchange rates in the short term, we do expect a consolidation of Cencoex and SICAD I in the first three months of 2015.

The debt is under control. According to the Vice President for the Economy, Rafael Ramírez, “Venezuela has maintained an average (foreign) debt that is perfectly manageable, below 4.0% of its revenues.” As for indebtedness via the so-called Chinese Fund, Ramírez gave assurances that more than half the liabilities incurred via this mechanism have already been paid. “US\$24.0 billion of the US\$41.0 billion in financing obtained via this route has been paid, which means that only US\$17.0 billion is outstanding,” he said.

Ramírez has his fallback plan. The Vice President for the Economy, Rafael Ramírez, gave assurances that PDVSA’s and the Republic’s debt bonds with maturities this year will be repaid as planned, whereas a formula for reprofiling the remaining bonds is being defined. Ramírez said that the funds have been budgeted to cover what has to be paid in 2014. “We’re not talking about restructuring our debt, what we’re doing is reprofiling it, and to do that we’re talking to a lot of institutions,” he added

Goodbye to the Irish dream. The president of Cencoex, Alejandro Fleming, announced that, due to crimes of corruption discovered by the Irish Government in several language schools in Ireland, the Venezuelan Government had decided not to authorize foreign currency for English courses in the Republic of Ireland. The measure means that some 648 students will be forced to return to Venezuela, for which Cencoex is to authorize an amount equivalent to EUR 1,000 to cover the expenses resulting from the measure.

As though the devaluation were not enough. Seniat informed customs managers that the charges for processing merchandise through customs are to be calculated based on the exchange rate applied for importing the goods. Henceforth, customs officials will have to verify the amount of the taxable base for calculating customs duties taking into account the exchange rate at which the foreign currency was granted for importing the goods in question (Cencoex, SICAD I or SICAD II).

In a free fall. According to the latest report from Bank of America, Venezuela is going through a deep crisis due to the buildup of distortions in its economy, while the government is implementing economic adjustments too slowly for

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there to be any palpable results. In the opinion of this US bank, the deep recession and spiraling inflation have caused President Nicolás Maduro's popularity to drop to around 30.0%, which has depleted his political capital for implementing further economic reforms.

You don't say! The president of the National Statistics Institute (INE), Elías Eljuri, admitted that clearly there are food shortages and that what most angers people is having to stand in numerous queues or go to one store after another to get the products they need. Eljuri claimed that the causes of the shortages have to do with the "economic war," the smuggling of goods out of the country, and domestic hoarding.

Interest rates. The lending rate for the fifth week of May was at 16.3%, up by 0.1 percentage points (pp) compared to the previous week. The time deposit rate was at 15.0%, up by 0.3 pp 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 0.8%, going from US\$22.5 billion during the fifth week of May to US\$22.7 billion during the fifth week of May. Compared to the same period last year, international reserves have decreased by 15.1%.

Central government expenditure. On May 30th according to figures from the NTO primary spending was VEB 13.8 billion, which means an increase of 139.4%; when it is compared to the same period last year. So far this year, the primary expenditure accumulates VEB 315.4 billion 83.4% more than the same period last year.

Monetary liquidity. Money liquidity (M2) increased 0.8% in the first week of June from the week prior, to settle at VEB 1.4 trillion. The M2 has increased 75.9% in relation with the same period last year.

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Supply through SICAD II (US\$ MM)					
Day	Total daily	Public Sector	(%)	Private Sector	(%)
6/9/2014	51.6	50.4	97.7	1.2	2.3
6/10/2014	48.5	47.0	96.9	1.5	3.1
6/11/2014	45.0	44.1	98.0	0.9	2.0
6/12/2014	40.3	38.7	96.0	1.6	4.0
6/13/2014	41.0	39.7	96.8	1.3	3.2

Sources: Ecoanalítica

OIL TIPS

Ramírez: We're not going to exploit shale oil. Following the news that PDVSA was thinking of exploiting non-conventional hydrocarbons, Oil and Mining Minister Rafael Ramírez gave assurances that PDVSA's objective is to continue exploiting conventional crude. "*We don't have a policy of exploiting shale oil or lutite gas,*" he said, although he did admit that tests in Lake Maracaibo have shown that exploiting this type of hydrocarbon is feasible. What they are really looking to do is to go to great depths to exploit natural gas.

Venezuela with no response capacity. In a context where greater demand in the second half of the year (2S2014) is forecast, Venezuela does not seem to have sufficient muscle to generate more production that would permit it to take advantage of a drop in supply in the oil market or the increase in global oil consumption forecast by the International Energy Agency (IEA), despite the reductions in production posted by other OPEC countries, such as Iran and Libya.

Production is up. According to OPEC, Venezuela has pumped some 2.85 million barrels a day (mb/d) of crude in 2014, about 100 b/d more than the average of 2.74 mb/d for the first five months of 2013. More than five years ago, Venezuela lost its production floor of 3 mb/d and its production of crude has fluctuated between 2.70 mb/d and 2.85 mb/d since then. Meanwhile, PDVSA has not managed to move ahead with its production projects in the Orinoco Oil Belt, which should raise its production from the present 1.2 mb/d to nearly 4 mb/d within the space of five years.

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We are to export, despite the deficit. Venezuela is getting ready to start exporting gas to Colombia as stipulated in the contract between the two countries, under which Colombia has been exporting some 200 million cubic feet a day (cf) since 2007, despite the fact that Venezuela continues to have a gas deficit and that the sector's largest projects (Mariscal Sucre and Rafael Urdaneta) are still not producing. Ramírez reiterated two weeks ago that they will use the gas it is hoped to collect from PDVSA's Eastern Division to cover the dispatches to Colombia.

Oil supplies receive another blow. On Tuesday, June 17, Iraq's largest refinery, Baiji, was closed down and its foreign personnel evacuated, according to refinery officials. Militants of the Al Qaeda splinter group Islamic State in Iraq and the Levant (ISIL) captured the second largest city in Iraq last week and took control of Baiji, one of the three refineries in Iraq that only processes oil from the north. The other two are located in Bagdad and in the south and are being operated under strict government control.

The IEA says there's nothing to worry about. The IEA discards the possibility that the escalation of violence in Iraq will affect the country's oil production in the short term, provided the conflict does not spread, although it is pushing up the prices of crude. Iraq produced 3.37 mb/d in May, compared to 3.32 mb/d the previous month, and is the second OPEC producer after Saudi Arabia and ahead of Iran and Kuwait.

US shale oil will be the major change. According to its annual Medium-Term Oil Market Report, although the IEA considers that the United States' successful experience with shale deposits is unique, it forecasts that other countries will contribute 650 kb/d of this unconventional oil in 2019. Canada is expected to contribute 390 kb/d of that amount, Russia 100 kb/d, and Argentina 90 kb/d.

Slower demand. As for world oil demand, the IEA calculates that it will grow at an average of 1.3% a year over the next five years to 99.1 mb/d. Going into greater detail, it explains that oil consumption is going to post a point of inflection in that period, after which growth will start to slow down due to high barrel prices, environmental concerns, and also to the existence of cheaper alternative energies.

Mexicans will be able to invest in their industry. Among the novelties brought about by Mexico's energy reform is the creation of an oil industry

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investment fund that will allow people to invest directly, with a minimum investment of US\$1,500, explained Deputy Juan Bueno Torio at the Energy Reform Encounters forum. At the event, the chairman of the Senate Energy Committee, David Penchyna, said that the changes in Pemex's tax regime are to take the state-owned oil company's finances out of the hands of the Secretariat of Finance and Public Credit and so that Pemex will have the capacity to compete with the other private companies that come to Mexico.

International oil baskets. At closing time on June 13th in the New York Stock Exchange, the price of the WTI was US\$104.5/bl, growing by 1.8% when compared to the reported the previous week. The Brent decreased by 1.3% when compared to the previous week, to reach US\$110.2/bl.

Local oil basket price. The Venezuelan oil basket price closed at US\$98.1/bl on Friday June 13th, increasing by 0.7% when compared to the reported the previous week. The annual average price of the Venezuelan oil basket is US\$96.7/bl.

BUSINESS SECTOR TIPS

Talking was useless. A communiqué issued by the National Auto Parts Business Chamber (Canidra) said that the dialog between the government and businessmen has progressed very little and has produced few concrete results. *"The little progress made was timid, with scant impact and no expectations of continuing over time,"* it explained. The Chamber also stressed the need to pay attention to the sector: *"The shortage of auto parts in Venezuela is a reality that authorities, businessmen and consumers are equally aware of. It's a serious, grave and demanding problem..."*

Even the large companies are stopping production. Empresas Polar's "super-containers" plant (Carabobo) has stopped the production of containers for the second time this year owing to the lack of raw materials. According to information provided by the labor union, the plant only had aluminum for manufacturing cans for beverages and the government owes suppliers approximately US\$549 million. It is worth noting that this shutdown puts the jobs of 250 direct employees at risk, which is why representatives of the company are calling on the government to intervene.

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At least some are staying. The Ministry for Aquatic and Air Transport and the National Civil Aviation Institute (INAC) have granted operating permits for six airlines (Iberia, Varig, Tame, Insel Air, and the local airlines Transaéreo and Transcarga Intl Airways). However, according to the Airlines Association of Venezuela (ALAV), 16 out of the 25 international airlines have still not signed the agreements submitted by the government because they are not convinced about the plans for making outstanding foreign currency disbursements.

Fewer tickets, fewer employees. The executive vice president of the Venezuelan Travel Agencies and Tourism Association (Avavit), Sandra Gonzales, said that the travel agencies are in a really complicated and critical situation due to the fact that they are unable to sell air tickets. As a result, it is not surprising that travel agencies are making staff cuts. Gonzales also explained that there has been a considerable reduction in the supply of tickets, a situation she puts down to the outstanding debts that the government has with the international airlines.

New airfares very soon. The Minister for Aquatic and Air Transport, Hebert García Plaza, announced that the Executive is to publish a regulatory order with the parameters that will be used to determine the dollar cost of air tickets. He said that, when the regulations are published, the airlines will have five business days in which to submit the airfares to the INAC. On Thursday, June 12, García Plaza held a meeting with airline representatives at which a number of issues were discussed, besides airfares.

We'll have to use artificial sweeteners. Due to the erratic dispatches of inputs (fertilizers and agrochemicals), sugarcane producers in Portuguesa state forecast a drop in production for the next sugar milling season. *"We're in a critical situation; what we need to do is to raise a flag to call for help... we have low inventories for meeting producers' demands."* Sugarcane producers' representatives claim that they have sufficient inventories to cover around only 30.0% of fertilizer requirements and that agrochemical stocks are extremely low.

At a snail's pace. In May, the government picked up the pace at which housing was been built. Even so, making the housing target this year will be difficult. The Minister for Housing, Ricardo Molina, said that 594,000 housing units have been completed since the Venezuela Great Housing Mission

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started in 2011. That number includes the 46,000 homes completed this year, which is equivalent to only 12.0% of this year's target (400,000 homes).

This time it's not the workers. Operations at Siderúrgica del Orinoco "Alfredo Maneiro" (SIDOR) have been shut down, this time not because of a labor dispute or demands by its workers, but due to the lack of spare parts and inputs, according to the state-owned company's labor director, Rafael Tizamo. He explained that the three trucks for loading the new slag pots are not working, which means a reduction in liquid steel production of between 5,000 and 6,000 tons.

Favorable changes. The president of the Real Estate Chamber of Venezuela, Aquiles Martini, said that, following the entry into force of the Commercial Premises Rentals Act, business in shopping malls has started to pick up and that the new law also allows the State to intervene only when there are differences between owners and tenants. Martini added that, moreover, the Chamber has the amendment of the Housing Rentals Act on its agenda.

WORLD ECONOMY TIPS

License to spend. In a communiqué, the Chinese Government stated that it is to continue carrying out large-scale infrastructure projects to maintain the steady growth of its economy and to try to mitigate the effects of unstable global demand and the slowing down of foreign investment. Peking has already ordered local councils to spend their entire budgets for the year by the end of June in a bid to boost the economy, whereas central government spending grew by 15.8% (yoy) in May.

You scratch my back and I'll scratch yours. The countries in the Eurozone are to allow the European Stabilization Mechanism (ESM) –a bank bailout fund- to recapitalize banks in difficulties, once they have used up at least 8.0% of their liabilities to absorb capital deficits. According to Jeroen Dijsselbloem, who chairs the meetings of Eurozone finance ministers, the instrument could be activated in the event that a bank fails to raise sufficient capital from private sources and if the ESM member country is unable to undertake recapitalization on its own.

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A boost from illegal activities. According to the new criteria for calculating the GDP of the European Union's member countries established by the European Court of Accounts, which will now include illegal activities such as prostitution, drug trafficking, and smuggling, Spain's GDP would increase by between 2.7% and 4.5%. The new method of calculation would also make it possible to reduce the fiscal deficit by 0.25 of a point of GDP and the debt by 4.0 points of GDP.

Positive outlook. The Bank of Japan decided to keep its monetary policy unchanged and revised its assessment of growth in overseas economies upward, signaling confidence that Japan will be able to meet its price target without additional stimulus. The Bank of Japan currently has a YEN 70 trillion (US\$688.0 billion) a year asset purchasing policy that seeks to expand the country's monetary base, aimed at pushing up prices and encouraging domestic credit.

Lower taxes for companies: Unofficial sources have said that the Japanese Government could gradually cut the income tax paid by companies to less than 30.0%, starting next fiscal year. In Japan, company tax is 36.0% for large companies. Members of the private sector and the Economic Cabinet have proposed cutting the rate to 25.0%, bringing it into line with the international standard.

If growth doesn't disappoint: The credit rating agency Moody's forecasts that the majority of Spain's autonomous communities will regain full access to the bond market in the next two to three years, as long as economic growth in Spain does not disappoint and the communities keep their budgets in balance by 2017. Moody's points out that, while it is likely that the Spanish Government will continue to provide the regions with liquidity over the next few years, the improvement in the fiscal position and investor perception will result in the composition of the regions' debt shifting towards higher levels of market borrowing.

Lower growth for Latin America: The World Bank revised its 2014 growth forecast for Latin America and the Caribbean downward to 1.9% from its April estimate of 2.3%. It based its new forecast on the weakness of the US economy in the winter, lower growth in China, and a recent increase in taxes in Mexico. Nevertheless, the World Bank expects that the region's economy will pick up in 2015 to 2.9%, supported by a strengthening of the developed economies and with improved prospects for exports.

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The canal will be ready in 2016. The administrator of the Panama Canal Authority (PCA), Jorge Quijano, stated that the expansion of this interoceanic route could be ready in January 2016, after a millionaire surcharge dispute and a strike that interrupted work on the expansion early this year. With the expansion of the canal, valued at US\$5.25 billion, the PCA plans to double the movement of cargo between the US coast and the Asian markets, currently in the region of 300 million tons a year, by 2025.

A vote for peace: President of Colombia Juan Manuel Santos was reelected with 50.9% of the votes in the second round of the presidential elections, beating his rival Oscar Iván Zuluaga, who obtained 45.0% of the votes. Santos' reelection is viewed as vote of confidence for the peace process that the Colombian Government is engaging in with the Revolutionary Armed Forces of Colombia (FARC), which started in November 2012.

POLITICAL TIPS

First of all the authorities have to be renewed. The governor of Miranda state, Henrique Capriles, said that the priority, before considering a recall referendum, reform, constituent assembly, amendment or resignation or any other way of opening up the way to a new government, is the renewal of the directors of the National Electoral Council (CNE), since all democratic options necessarily involve elections of some kind. Capriles reiterated that he does not believe in antidemocratic methods, which, moreover, could worsen the current political crisis in Venezuela.

ALBA is with Maduro. ALBA's Political Council expressed its support for President Nicolás Maduro after the alleged attempts to overthrow him, according to Venezuela's Foreign Minister Elías Jaua following a meeting in which several ministers of member countries took part. Jaua said that the foreign ministers understood the presentation about the armed violence, plans for a coup d'état, and attempted assassination in Venezuela during the first months of the year.

Now they're accusing his wife. The chairman of Táchira State Legislative Council, Omar Hernández, announced that a petition for an action for the enforcement of rights had been filed against the mayor of San Cristóbal,

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Patricia Gutiérrez (the wife of former Mayor Daniel Ceballos, who is currently being held for trial) on the grounds that she is promoting actions by violent groups. In the opinion of President Nicolás Maduro, this action is due to the fact that the mayor "*came (to office) promoting violent groups*" that tried to take the residence of the present governor, José Vielma Mora.

The highest level of repression in 25 years: According to the report "*Venezuela 2014: Protestas y Derechos Humanos*" (Venezuela 2014: Protests and Human Rights) presented by Provea, in February and May, repression of demonstrations by the Nicolás Maduro administration resulted in the highest number of people arrested during protests in the past 25 years. Provea reports that the government's iron hand policy in dealing with the protests resulted in 854 people injured and wounded between February and May, an increase of 270.0% compared to previous years.

Congratulations neighbor! President Nicolás Maduro congratulated his counterpart Juan Manuel Santos, who was reelected as President of Colombia in a second round of voting. President Maduro reiterated that the Venezuelan Government and the people of Venezuela are ready and willing to collaborate in the interests of peace in Colombia and to make every effort so that tranquility is achieved for all Colombians. "*It seems that the Colombian people have clearly taken the path of peace,*" added Maduro.

There's no hiding the obvious. According to the Democratic Unity Alliance, the authorities at the Central Bank and the National Statistics Institute have deliberately delayed publishing the inflation figures in the hope that people will not realize how serious the economic situation is. The Unity Alliance forecasts that 2014 will close with inflation of 70.0% due to repressed inflation that is considerably higher than anticipated by the Executive and considers that the inspections and occupations of companies and commercial establishments being carried out by the government to contain prices are to blame for the economic situation the country currently finds itself in.

Something fishy: In a denouncement made to the secretary general of the United Nations (UN), Ban Ki-moon, President Nicolás Maduro claimed "*there's an American hand*" behind the crisis and social protests that Venezuela is facing. According to unofficial sources, Maduro and Ban met briefly in private during the G77 and China Summit, an opportunity the Venezuelan President took to complain to Ban Ki-moon about US

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intervention, which, in his opinion, implies an attack on Venezuela's sovereignty and stability.

They start out lean and end up fat. The governor of Miranda, Henrique Capriles, called on the Central Government to “*leave its bubble*” and travel the length and breadth of the country to “*get to know the needs of the people.*” “*So far, I haven't seen the first street government measure (...). They don't know what it's like to get their shoes dirty. That's why they arrive lean and leave fat.*” Capriles insists that the country is about to plunge into an abyss, which is why he considers that “a change” is needed. “*What doesn't work gets changed, and that's it (...). There's no reason for the people to put up with a bad government,*” he added.

When the institutions get involved in election campaigns: According to the 2013 Report and Accounts of the National Telecommunications Commission (Conatel), the election campaigns last year meant that the agency had to deploy an “extra institutional effort” that apparently prevented it from continuing with its regular plans. According to the report, “*the political event 'December Regional Elections' required an extra institutional effort in order to support the election campaign,*” although no explanation of what that involved was given.

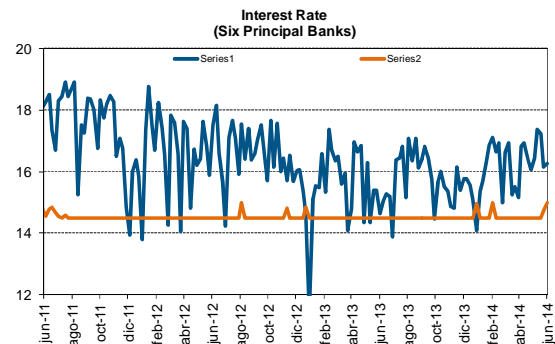
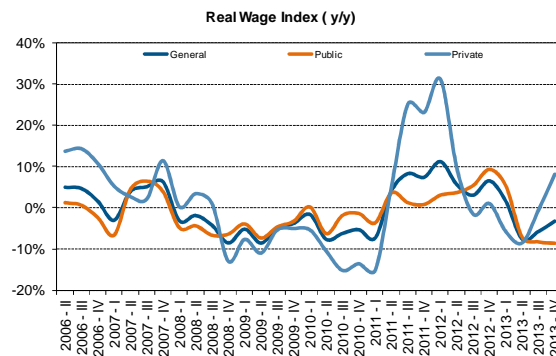
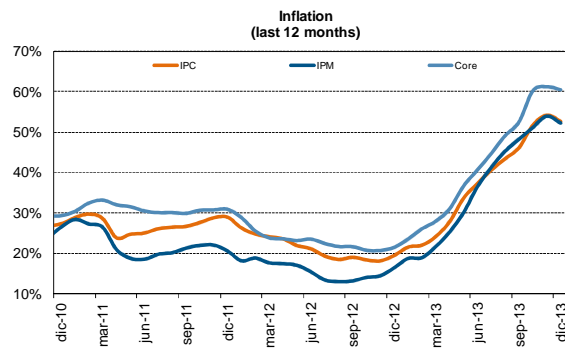
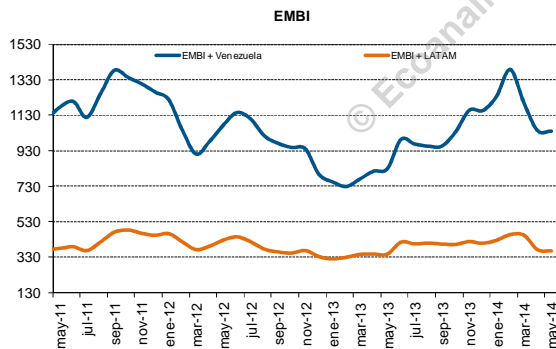
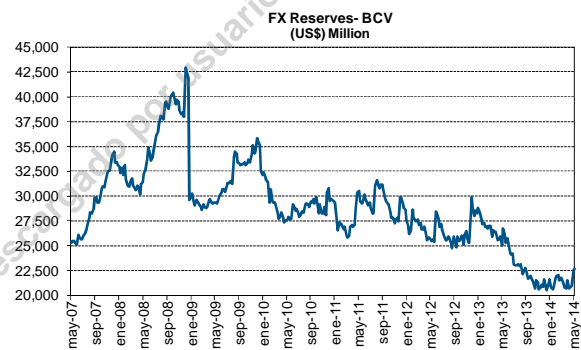
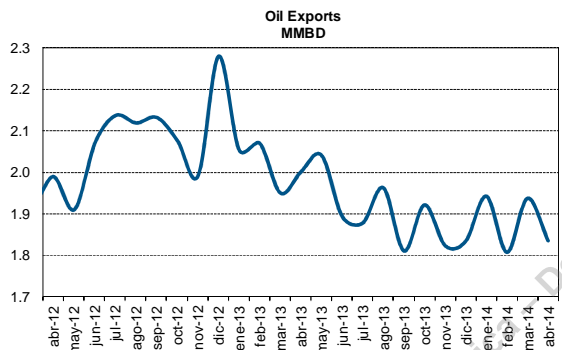
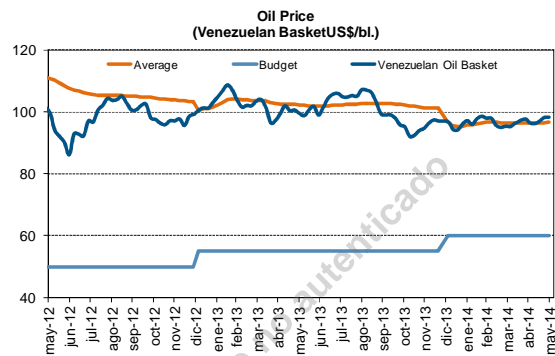
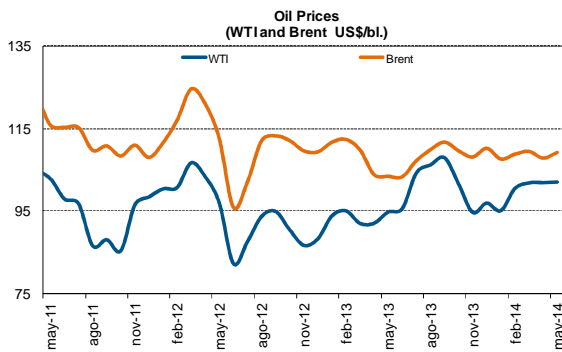
LEGISLATIVES TIPS

Totally absurd: The Commercial Premises Rentals Regulation Act has given rise to concerns among owners and tenants in the country's main shopping malls, who have said that two of the three mechanisms approved are inapplicable until the Fair Prices Superintendency (Sundde) establishes the method for determining the value of the commercial premises.

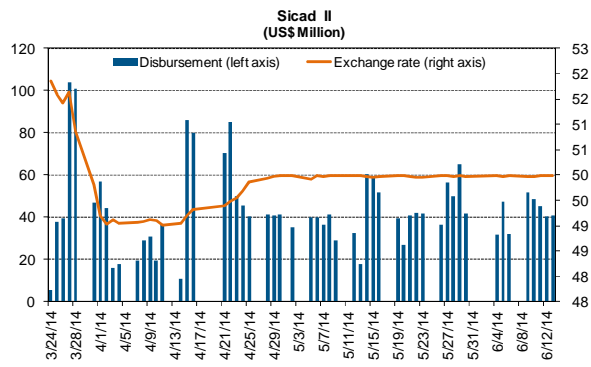
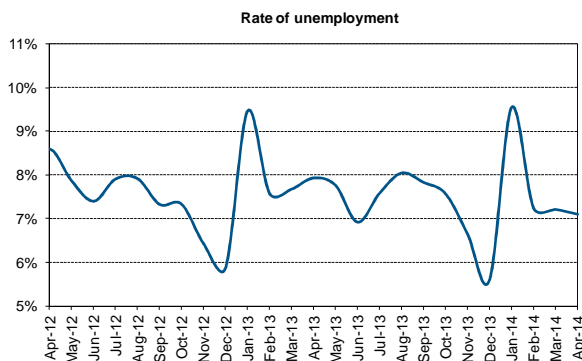
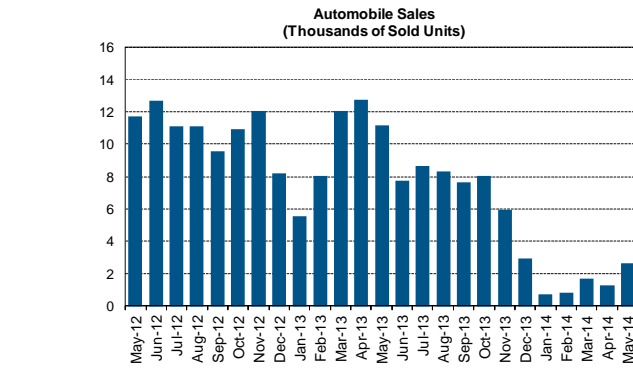
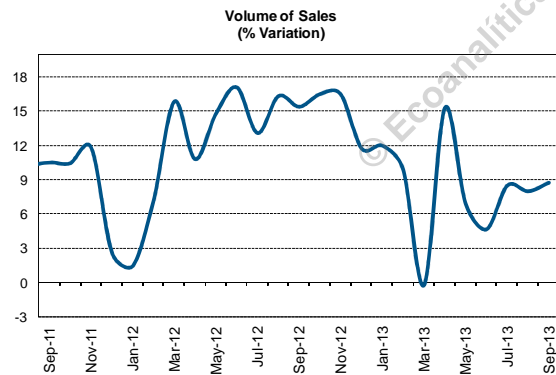
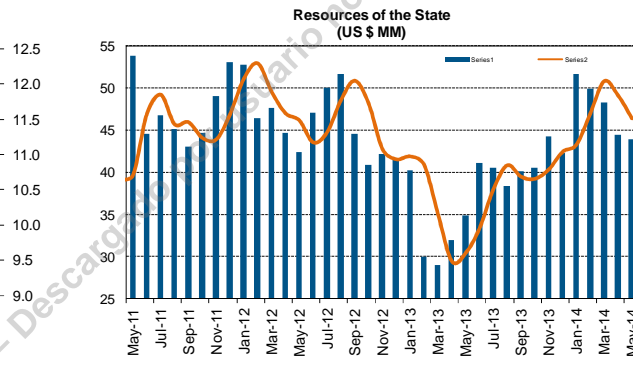
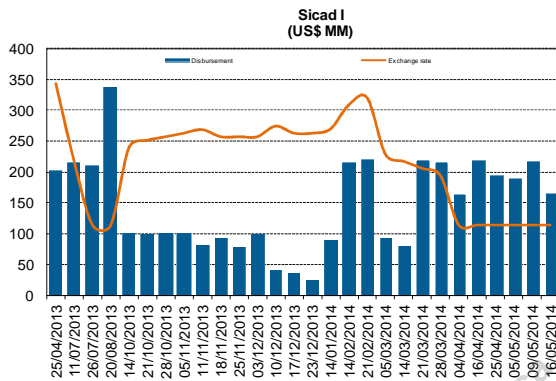
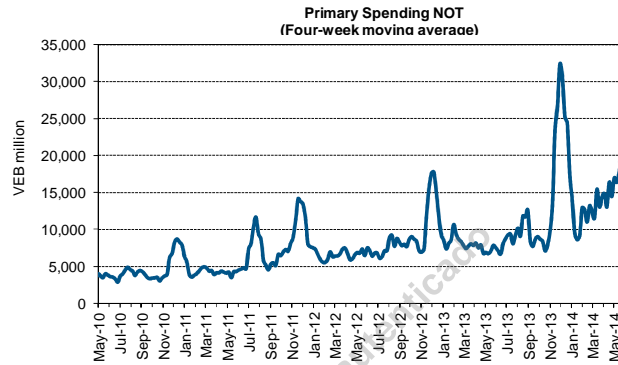
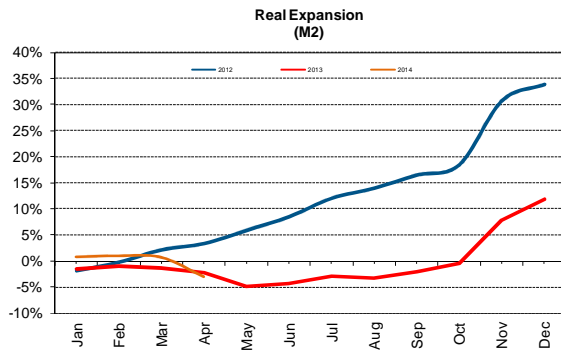
Only two laws in six months: The National Assembly has gone through several stages since the start of the legislative period 2010-2014. In 2011, when the National Assembly was chaired by Fernando Soto Rojas, the goal was to pass a total of 28 laws. In 2013, when Diosdado Cabello took charge, they decided to work with an open agenda, so as “*not to disappoint.*” Now in 2014, six months have gone by and the agenda of issues that are to be debated has still not been made public and those that have been debated are issues that have simply come up, such as the Military Registry Act and the

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