



Weekly Report

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*PDVSA: Less and less to give
Part II*

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In this Report we will continue analyzing PDVSA's operation's results which appear in the company's 2009 Year End Report.

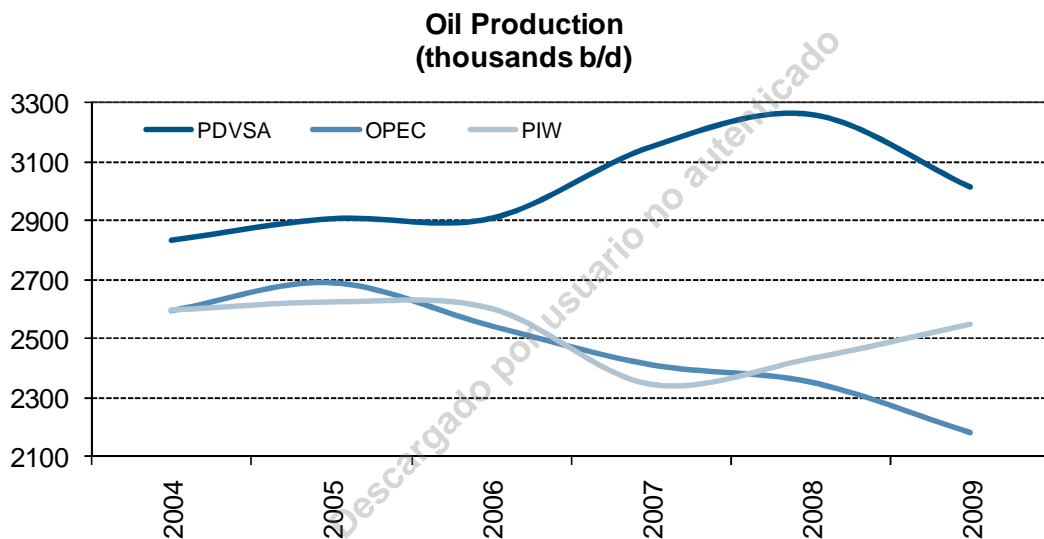
Despite what we said in our previous Report regarding the lack of transparency and contradictions found in PDVSA's financial report for last year, the figures regarding the company's operations (main production) are the ones that have generated the most speculation. This has especially been the case since the General Oil Strike ended in 2003. The fact that a number of different sources within the international oil industry, report Venezuelan oil production figures that are very different from the official figures of PDVSA, leads to economic agents questioning and doubting everything that has to do with Venezuelan oil figures.

**Depending on
the source you
believe**

The very serious discrepancies, which then led to the doubting and questioning of all things related to Venezuelan oil figures began after the General Oil Strike. After the Strike, PDVSA has always maintained that the company's oil production has fluctuated between 3 and 3.4 million barrels a day. Meanwhile, international sources such as Cambridge Energy Research



Associates (CERA), the Centre for Global Energy Studies (CGES), the Energy Information Agency of the US Department of Energy (EIA), the International Energy Agency (IEA), Petroleum Intelligence Weekly (PIW), and Platts have all maintained that Venezuelan oil production has oscillated between 2.0 and 2.7 million barrels a day.



Sources: PDVSA, OPEC, Bloomberg and Ecoanalítica

Up until the year 2002, international sources and PDVSA didn't include condensed and oil by-products as part of the crude oil production figures. Now, PDVSA does include these products in its total Venezuelan oil production figures, while all the other sources continue to release only crude oil production figures. Another point that we have to keep in mind here is exactly what type of production is being included. In other words, is it global production (exports + domestic market), or is it just export production. The fact is that the gap between the figures released by PDVSA and the rest of the sources within the industry has been significantly increase during the last few years, thereby creating even more uncertainty and distrust.

PDVSA says it produces...

During 2009, the average global production of crude oil was at 3.0 million barrels a day (mbd), down from 3.26 mbd registered in 2008. The main reason given to explain this drop was Venezuela's obligation to meet OPEC cutback requirements. But when one looks over 2009 production figures, going month by month, and one finds that the average production figures for the first few months of the year was 150 mbd less than the production of the last months. This means that there were other factors, different factors than



OPEC production cutbacks that played a role in oil production drop, and if you look closely the 2009 Year End Report explains it.

We have listed some of the reasons that we believe that oil production continued to drop, or as stated in the Year End Report: the main obstacles were:

- *Delays in payments to goods and services supply companies and the subsequent effect on cash flow this had, which led to the delay and/or cancelation of supplies, which in turn affected production.*
- *Significant drop in crude oil production by a group of mixed companies in order to meet OPEC cutback requirements.*
- *Cutbacks in the budget for investments and spending which has led to some drilling rigs and equipment being left in a state unable to operate. This has significantly affected the production levels in 2009.*
- *Problems supplying dissolvent to the mixed companies: PETROCEDEÑO, PETROPIAR and SINOVENSA.*
- *Some of the mixed companies in the western region and the Maracaibo Lake area were affected by a lack in natural gas supply due to continuous breakdowns in the natural gas plant's compressors owed to their being obsolete and for lack of maintenance.*
- *The transition process derived from our carrying out our economic sovereignty through the nationalization of Natural Gas Compression Plants and Aquatic Operations as well as the condition these assets were in impacted production.*
- *Electric power outages.*
- *Problems with the re-negotiation of finished products contracts with suppliers which represented fewer quantities of resources and activities, thereby affecting production plans.*

Export figures released... are they what they are?

According to the 2009 year End Report, oil exports were at 2.73 mbd (including crude oil, products, and liquid natural gas), down by 5.7% from what was registered in 2008 (2.9 mbd). This export figure is considered to be much too high by a number of analysts and in no way in accordance to reality.



As we have stated in previous Reports, PDVSA is very much aware of the situation regarding its production figures and that is why as of a year ago it has hired the independent British company, Inspectorate (one of the world leaders in inspections and evaluation of the production of commodities), to quantify the net volume of Venezuelan oil exports (crude oil + by-products) in order to clarify all the doubts surrounding its public figures. Based on the information of that report, the PIW, one of the 6 secondary sources used by OPEC to keep track of its members oil production statistics increased its estimate of Venezuelan oil production by 0.5 mbd, from 2.05 mbd in January 2009 to 2.57 mbd in February 2009, and the yearly average to 2.56 mbd.

Furthermore, in the statistics released by the EIA are the oil import figures of the OECD countries which include crude oil, oil by-products, condensed products, and liquid natural gas; and not just the crude oil figures which it usually references. So, oil imports coming from Venezuela to developed countries 2.07 mbd during the 2004-08 period. While last year, the average recorded during the first three quarters was at 1.79 mbd, if we consider exports to Petrocaribe member countries, South American allies, India, and China. This reshuffling of clients has had an impact on PDVSA financial statements. Accounts receivable have been steadily increasing and according to our estimates, more than 65% of them are from Petrocaribe member countries. This means that we are exchanging “good playing clients” for “clients with good intentions but a lousy payment history.” All in all, PDVSA figures are still far from transparent with plenty of inconsistencies.





Venezuelan oil exports to OECD countries (MBD)

	Total	Europe Countries	Canada	Japan	United States	Other
2004	2,140	0,144	0,060	0,013	1,554	0,368
2005	2,197	0,211	0,058	0,012	1,529	0,386
2006	2,139	0,309	0,032	0,009	1,419	0,369
2007	2,040	0,248	0,049	0,005	1,361	0,377
Q108	1,765	0,236	0,025	-	1,152	0,352
Q208	1,851	0,285	0,032	-	1,191	0,342
Q308	1,872	0,264	0,031	-	1,234	0,343
Q408	1,818	0,314	0,039	-	1,185	0,280
Q109	1,847	0,275	0,045	-	1,201	0,326
Q209	1,831	0,315	0,045	-	1,158	0,312
Q309	1,692	0,274	0,061	-	1,057	0,299

Sources: OECD and Ecoanalitica

Production drops, but we continue to increase certified reserves

PDVSA has been very efficient in certifying reserves. In 2009, certified reserves increased by 40,388 mbd reaching a total of 209,859 mbd and become the country with the second largest quantity of verified reserves. It sounds like a paradox that a country makes an effort to prove it has a lot of reserves while it is producing (extracting) less and less, but this is not necessarily the case. For example, if you have significant amounts of certified oil reserves (crude oil proven to be there); it will be a lot easier to attract investors. The oil business is full of risks, but knowing that the presence of oil has been proven (certified) is one less risk to contemplate. Even considering all the political uncertainty surrounding doing business in Venezuela, it is still much more attractive to do business here, having reserves certified, than in another country offering much better conditions and less uncertainty but that doesn't have proven reserves.

Conclusion

At *Ecoanalítica*, we believe that in the short term, oil production and exports will most likely continue to drop. This will be due to the fact that most of the investments made in the industry have been in the Orinoco Oil Belts, with any returns expected still quite a bit in the future; and PDVSA will continue to have to meet demands in areas not related to the oil industry; and more fuel will have to be redirected to generate electric power.



Economic Tips

Seniat collection. The National Customs and Tax Administration (Seniat) indicated that non-oil tax revenues held in the first five months of the year were VEF 39.5 billion, which translates into a real variation of -2.8%. This amount represents a 31.4% exceeded the goal set for that period.

More unbundled. In the information published by the Seniat we can see that with regard to Value Added Tax (VAT), it registered a real increase of 11.4%, while for the Other Internal Revenue the actual change was more moderate, reaching 2.8%. However, in regard to income tax and customs revenue, there was a contraction of 17.7% and 11.2% respectively.

The regulations may change. According to an article printed in the newspaper El Mundo on June 29, the Central Bank of Venezuela (BCV) is looking into the possibility of modifying the regulations which govern the participation in the new Integrated System for Foreign Currency Transactions (Sitme) so that transnational companies may also participate in the new system in order to acquire foreign currency to pay earnings to branches. It's expected that the mechanism will be through issuances earmarked for those companies only, and if this measure is approved it will go into effect in the medium term.

Municipal taxes spearhead revenues. Wilfredo Ramos, superintendent of the Autonomous Service for Tax Administration (Semat), stated that Chacao and Baruta municipalities have made great strides in tax collection, with 71.3% of tax revenue coming from economic activities in Baruta while in Chacao the amount reaches 78.6%. Ten years ago, tax collection due to these same activities reached only 53.2% for Baruta and 73.7% for Chacao.

Real Estate taxes. Ramos also stated that urban real estate tax collection in Chacao and Baruta do not affect municipal tax collection so much since they have dropped considerably going from 3.4% to 1.5% in Chacao and 9.1% to 1.8% in Baruta between 2001 and 2009

40% for salaries. The national Assembly has authorized supplemental appropriations which have increased the National Budget to VEF 177.40 billion, thereby surpassing the initial Budget by around VEF 18.0 billion. Of this amount, around 40% has been



earmarked for salaries and pensions in order to cover the wage increase implemented in 2010.

May unemployment figures. According to figures released by the national Statistics Institute (INE), unemployment closed the month of May at 8.1%, down slightly from April which was at 8.2%. INE president, Elías Eljuri, stated that these figures show a tendency for the labor situation to be stabilizing. However, unemployment is up if compared to the same period last year.

Formal sector employment figures. INE figures show formal sector employment at 53.4% and informal sector figures at 46.6%.

Venezuela, a country of opportunities. The World Bank of Human Opportunities index (2010 edition) places Venezuela as 5th on the list of Latin American and Caribbean countries best able to offer necessary basic services needed to develop a productive life, scoring 89 out of 100 on the index. Venezuela placed behind Chile (95), Uruguay (92), Mexico (90) and Costa Rica (89). The index points out that Venezuela needs 18 years to diversify services to all the population, while the continent will require 37 years to extend services to all its inhabitants.

Sitme figures. To date, around US\$360 million have been negotiated through the new Integrated System for Foreign Currency Transactions (Sitme), averaging US\$27.4 million a day, with an implicit exchange rate of VEF 5.3/US\$.

Interest rate. The lending rate for the third week in May was at 18.4%, up by 33 base points compared to the previous week. Time deposits and savings rates were at 14.6 and 12.6%, respectively. This reflects an increase of 2 base points drop for time deposits while savings remains steady.

International reserves. International reserves dropped by 1.0% going from US\$27.91 billion during the second week in June to US\$ 27.63 billion during the third week in June. Compared to the same period last year, international reserves dropped by 7.6%.

Monetary liquidity. Monetary liquidity for the third week in June was up 0.3% compared to the previous week settling at VEF 240.05 billion, and up by 1.8% in nominal terms and down by 11.2% in real terms compared to the same period last year.





Oil Tips

Petropar's auditors keep complaining about Pdvsa. The Auditing, Accounting and Consultancy Firm (Audicon) in charge of auditing the Paraguayan oil company Petropar kept complaining about the business conditions established with Pdvsa for the Petrocaribe agreements. The firm concluded the fuel purchase contracts with Pdvsa "did not offer comparative advantages for the local oil company (Petropar)..." "To compare, on the first quarter of last year, Pdvsa charged US\$ 84.54 per cubic meter of premium fuel, while during the same period, the fuel supplier Vitol charged only US\$ 47.06, which allows us to interpret the commercial phenomenon." Also, Pdvsa's delayed payment interest rate is 18% while most suppliers charge only 3%.

11 Helmerich & Payne (H & P) drills nationalized. The minister of Energy and Oil, Rafael Ramirez, announced the expropriation of 11 drills owned by the US Company Helmerich & Payne, currently shut down due to Pdvsa's lack of service payment. The National Assembly already declared all 11 drills as public utility assets. According to official statements, the drill owners refused to discuss service rates with Pdvsa and preferred to maintain the drills inoperative, so the State proceeded with the nationalization. According to H & P spokespersons, on June 14 Pdvsa owed nearly US\$43 million due to drilling services in 2009, reason why they decided to shut down activities until a payment was made.

Pdvsa to absorb all 600 Helmerich & Payne workers. According to information provided by Pdvsa representatives, 600 workers will be incorporated in the nationalization process of 11 Helmerich & Payne drills, which "will result in an increase of crude oil and natural gas production." According to official statements, Pdvsa unsuccessfully tried to negotiate service rates with H & P for almost a year, a time during which drills were kept inoperative.

Ramirez doesn't rule out further nationalizations in the oil industry. The president of Pdvsa, Rafael Ramirez, also declared he didn't rule out further nationalizations in the oil services sector, in other words, they will expropriate any company that shuts down production due to delays in service payments by Pdvsa. The price to be paid for H & P's expropriated drills, as well as for the five Wilson drills expropriated from the company Petroboscan, located at the Boscan field, Zulia state, will be the book value, that is, only the value of the expropriated assets, not the company's.

Citgo issued bonds for US\$300 million and processed loans for US\$1.8 billion. Just as expected, Pdvsa's US affiliate, Citgo, was able to issue bonds for US\$300



million in foreign markets but with a 11.5% coupon. Pdvsa's affiliate was also able to process loans for a total of US\$1.8 billion, US\$750 million payable over three years, US\$350 million over five years and US\$700 million over seven years.

Pdvsa processed a loan for US\$1.5 billion. Petroleos de Venezuela was granted a loan by the China Development Bank Corporation and Banco Espirito Santo for US\$1.5 billion, payable over three years with a grace period of nine months.

Pdvsa did not meet its investment goal of 2009. Pdvsa's 2009 memory and accounts established an investment goal of US\$17.09 billion. However, as of December 31 of 2009, the year's accumulated investment reached US\$15.42 billion, including both oil-related activities (US\$13.21 billion) and non-oil-related activities and the food sector.

Maracaibo Lake's oil spill affects over a thousand fishermen. The Governor of the Zulia state, Pablo Perez, publicly complained about the National Assembly's failure to blame Pdvsa for the oil spill that affects over a thousand fishermen in several sectors of the state. Pdvsa offered to indemnify only 400 fishermen. Beaches are being cleaned by staff hired by Pdvsa, but according to the press, the oil company still hasn't made any efforts to stop the spill.

Petrocaribe supplies 39% of its member countries' needs. As of May of 2010, Pdvsa was supplying 97,600 b/d of crude oil and byproducts to Petrocaribe member-countries, a 97% increase compared to its exports to these nations in 2005 when the agreement was signed.

BP has spent US\$2.65 billion to clean the oil spill. According to BP, so far the oil company has spent US\$2.65 billion to clean the oil spill at the Gulf of Mexico. BP plans to create a relief well to stop the spill, a procedure in which the oil well's pressure is released by perforating from the surface. BP executives expect to finish the procedure by the first half of august. The spill has almost reached Florida's beaches, where over 400 meters of beach have had to be closed.

Business Sector Tips

Obstacles to import are not set only by Cadivi. According to the newspaper El Mundo, private companies' delay to carry out food sector product imports is not the sole responsibility of the Currency Administration Commission (Cadivi) due to the



obstacles set by them to request and allocate foreign currency, but also of all the difficulties that need to be overcome to receive the import licenses imposed by the ministries of Agriculture and Lands, Health and Nutrition, which, though managed by a single entity that channels the information, only receives requirements three times per week and for a period of two hours each day, from 11:00 am to 12:00 pm and from 4:00 pm to 5:00 pm. This delays food imports from arriving to Venezuela for approximately 90 days.

Cadivi authorizations for the Telecommunications sector. Cadivi and the National Telecommunications Commission (Conatel) said the Telecom sector has used a total of US\$355.2 million between January 1 and June 21 of 2010, representing a 70.8% increase compared to the same period of 2009, when only US\$207.9 had been authorized. Breaking the amount down, it is possible to observe that US\$329 correspond to ordinary imports; US\$4.3 million to purchases via the Latin American Integration Association's (Aladi) Payment and Reciprocal Credit Agreement; and US\$21 million to the acquisition of intangible goods.

However... Despite this announcement, the president of the Telecommunication Service Companies' Chamber, Carlos Sanoja, said there is a fear of the sector's cooling down due to a lack of currency, since, just as other sector representatives have stated, the currencies authorized by Cadivi are not enough and the Foreign Currency Security Trading System (Sitme) is not a solution for companies in this business, with an estimated US\$2.5 billion to cover the local demand. He also said these currencies that have been liquidated correspond to applications introduced in 2007 and 2008. The sector's companies used to trade in the swap market to acquire USD, since Cadivi's delays made it impossible to pay suppliers or import equipment.

Cadivi changes the rules again. Cadivi modified the rules to request foreign currency for traveling and remittances. Users now need to submit only one folder with the documents required and present only one additional document consignment act which shall be sealed by the authorized exchange operator and returned to the user for control and filing. Users are also required to submit a 150%-300% zoomed photocopy of their Id. This change was introduced because, according to some representatives of the institution, this was one of the system users' most common complaints.

Supply shortage of home appliances. According to the president of Consecomericio Falcon, Andres Eloy Navas, major and minor appliance imports decreased by 48.9% during the first semester of 2010, compared to the same period of 2009. He indicates the main reason for this contraction is the fact that the sector has had many difficulties to obtain foreign currency to import at the official exchange rate.





CVC makes its appearance. Official Gazette number 39,452, makes official the creation of Corporación Venezolana de Café (Venezuelan Coffee Corporation, CVC), attached to the Ministry of Agriculture and Lands, and in charge of managing, developing, coordinating and supervising the State's activities regarding the coffee sector, including production, processing and distribution of the product and byproducts.

Under debate. The National Assembly's Finance Commission is currently discussing the possibility to transform the Caja Venezolana de Valores (Venezuelan Securities' Safe Box, CVV) into a public entity, since, considering securities operations are to be focused on the Government, this would be the most convenient action. The Law of Stock Market draft, approved in a first discussion, does not contemplate this change. However, the Assembly expects to subject this draft to a second discussion and to consult it with the Administration and the National Securities Commission (CNV).

Communal companies will not pay taxes. The Communal Economic System Law draft, currently under review and discussion at the National Assembly, contemplates that social-productive organizations, also known as communal companies, mentioned in said law, will not pay taxes, or registry duties. And, in case of reporting a surplus, these funds will need to be reinvested in the community.

Consecomercio reported results. Consecomercio published its Situation Survey, reporting an annual decline of 29.4% in the sales of trade and services sector, for the first quarter. The most affected services identified in the report are: Bureau of Customs with a drop of 38%; Telecommunications and supermarkets sector with 37%; Mechanical workshops with 35%; Auto parts with 34%; Automotive with 32%; Franchises with 28%; and bakery with 18%. It also notes that 76.3% of respondents were unable to imports in the first quarter, 83.5% indicated that they do not go to Cadivi to acquire foreign currency and that by making the requests, only 27% received as required.

World Crisis Tips

G20: Developed countries commit to reducing deficit to half by 2013. The G20 summit was celebrated in Toronto, Canada last Sunday, and the main topic of discussion was fiscal issues. The European Union, led by the Prime Minister of Germany, Angela Merkel, defended the point of reducing the public deficits of developed countries to sustainable levels in the long term, in order to avoid new



episodes such as Greece's sovereign debt crisis and to restore the confidence of foreign markets in other countries with large deficits such as Spain, Portugal and Ireland.

Obama: Fiscal austerity will jeopardize the recovery. The Governments of US and emerging countries that participated in the G20 Summit are afraid that the European measures might have a negative impact on the global economic growth, thus increasing the risk of a double dip. Here in *Ecoanalítica*, we believe the stimulus packages approved during the crisis should be maintained until consolidating long-term global growth thus allowing the recovery of labor markets. Fiscal adjustments should be made only in the nations where they are really necessary, such as the case of Greece.

US growth revised low. US GDP growth during the first quarter of 2010 was once again revised weaker, with a final growth of 2.7% (SAAR, seasonally adjusted q/q annual rate) while last month's preliminary number had been 3%, and a previous report had indicated 3.2%. The number was below consensus expectations of 3%. In average, a 3% growth is expected for the second quarter of 2010.

US consumer confidence index declines. During June, the Conference Board's consumer confidence index went down by 15.6% compared to the previous month, to reach only 52.9 points, down from 62.9 in May. Consumers' assessment of the present situation dropped by 14.4%, to reach 25.5 points, while the expectations about the economic situation in the next six months decreased by 15.8%.

Conference Board indicates less growth in China. The Conference Board considerably reduced its estimation of China's leading indicators from an estimated 1.7% growth to only 0.3% for April, after having grown by 1.2% in March. The firm said the dramatic change was due to a miscalculation in the previous estimate.

US Stocks fall, Dow Jones under 9.900 points. The strong decrease of US consumer confidence and the expectations of less growth than previously expected in China caused Asian, European and US stocks to stagger. Industrial stocks were the most affected, since they are the most dependent on China's demand.

US home prices increase. During April, Case and Shiller's home price index, published by Standard and Poors, increased by 0.4% (seasonally adjusted) compared to the previous month, after having dropped by 0.1% and 0.2% during February and March, respectively. This index that includes home prices of 20 of US main cities has increased by 3.8% compared to April of 2009, but is still 29.1% below its peak registered in May of 2006 when the real estate bubble started to deflate.



Deflation accelerates in Japan. During May, the Japanese consumer price index reported a 0.4% drop compared to the previous month, after having contracted by 0.1% both in April and March. We can observe how the rate at which prices fall has accelerated comparing the y/y inflation rates: The CPI reports a -1.1% variation compared to May of 2009, while the annual rate of the last six months is -2.3% and the annual rate of the last three months is -2.4%.

Japan retail sales decrease. During May, Japan retail sales decreased by 2% compared to the previous month (seasonally adjusted), being this the first m/m fall since December of 2009, and the biggest one since February of 2005. This, along with the constant fall of consumer prices, is a reflection of the Japanese domestic demand's weakness.

Japanese Prime Minister proposed balancing fiscal accounts. Despite the weakness of Japan's domestic demand, the new Japanese Prime Minister, Naoto Kan, committed to restoring his nation's fiscal health for which he plans to implement a program to achieve fiscal balance in 10 years. The program was well received by Moody's, which indicated these actions supported the stable outlook of the Japanese debt's Aa2 rating. Japan's sovereign debt is 94% under the possession of Japanese investors and pays an average yield of barely 1.1%, so we at **Ecoanalítica** believe the fiscal efforts should be towards expanding the aggregate domestic demand, to allow them to overcome deflation instead of pursuing the goal of fiscal balance.

Political Tips

Request for the Extradition of the Zuloagas. On June 29 of 2010, Jose Gregorio Morales, First National Attorney, decided to accuse the Zuloagas of the alleged commission of the crimes of usury and conspiracy, based on articles 143 and 144 of the Law for the Defense of People in the Access to Goods and Services and article 288 of the Venezuelan Penal Code. Thereafter, the Public Ministry requested the extradition of Guillermo Zuloaga and his son Guillermo Zuloaga Siso, while the Zuloagas' Attorney, Perla Jaimes, claims she has been denied access to the case's files and consulting act.

Mezerhane's residence raided. On Monday, the CICPC applied securing and raiding measures to the residence of Nelson Mezerhane, carrying out an inventory of all of his goods to keep them from being sold or moved.



New US Ambassador in Venezuela. The President of the United States, Barack Obama, appointed Larry palmer, a experienced diplomat, as the new US Ambassador in Venezuela. However, this decision must be reaffirmed by the American senate. In the past, Palmer was in charge of the Embassies of Honduras and Ecuador, and worked in the Embassies of the Dominican Republic, Uruguay, Paraguay, South Korea and Sierra Leona.

Venezuelan Government unwilling to talk to the US. According to the Assistant US Secretary of State for Latin America, the US relation with Venezuela “is the hardest one we have right now,” since the Venezuelan Government is unwilling to talk to the US.

El Aissami asked for a rectification. The last report of the United Nations Office on Drugs and Crime (Unodc) indicates that over half of cocaine shipments destined to Europe intercepted between 2006 and 2008 came from Venezuela. However, Tarek El Aissami, in representation of the Venezuelan Government, asked for the numbers to be rectifies, since he considered them to be a distortion of the country’s reality.

GIS indicates Venezuelans consider Chavez to be positive. In its June report, the Social Research group (GIS) indicated that 60.9% of Venezuelans consider the Chavez administration as a positive one, with the highest level of approval located in stratum D and E, where he reaches 62.5% and 68.3%, respectively. This value represents a 3% increase compared to the previous month, mainly influenced by how the country’s electric problem has been handled.

National Assembly started a public consultation process for the Electric System Law. This week, the National assembly started a public consultation process for the Organic Law of the National Electric System and Service, which established the electric services as a human right and not a merchandize as well as the State’s dominium over the electric service, and contemplates the diversification of energy sources, especially mentioning thermoelectric and eolic energy.

National Assembly began discussions of the Organic Law of Communal Economic System. According to the president of the Parliaments Citizen Participation Permanent Commission’s Sub-commission of Public Administration and the People’s Power, Representative Augusto Montiel, this new law aims to promoting the development of social, popular and family and community economy, as well as to promoting projects boosted by communal groups to satisfy collective needs. In article 50, the law establishes bartering as one of the modalities of the alternative supportive exchange system.





Vecchio: Law of Communal groups aims to strike decentralization. The political leader of Voluntad Popular, Carlos Vecchio, along with members of different communal councils of the Metropolitan Area and the Miranda State, said the law of communal groups, approved in first discussion by the National Assembly, aims to strike decentralization, since it grants more power to the President of Venezuela, thus damaging the position of municipalities and State Governments.

Radonski also rejects Law of communal groups. The current Governor of the Miranda State, Henrique Capriles Radonski, rejected the possible approval of the Organic Law of Communal Groups, and says it's a very similar copy of the one rejected with the constitutional reform draft of 2007 and people are not being consulted now, but the law is being approved in first discussion by the National Assembly. He also said this law looked to give more power to the Chavez Administration, thus centralizing power even more.

Comptroller did not report. According to Luis Ortega Diaz, Venezuela's Attorney General, the National Comptroller, Clodosbaldo Russian, never informed him of the irregularities he knew about regarding the import, storage and distribution of food by Productora y Distribuidora de Alimentos (Pdval). However, the National Comptroller said he had been investigating the issue of food handling by public companies for two years, and that the National Assembly had been warned.

Rafael Correa to meet Chavez in Caracas. The President of Ecuador, Rafael Correa, will travel to Caracas next July 5 to hold a meeting with President Hugo Chavez. Correa will also participate in a National Assembly especial session to celebrate the declaration of independence of July 5 of 1811.

Reports of corruption between Argentina and Venezuela continue. Juan Carlos Moran, Argentinean congressman, denounced that Venezuelan public clerks received a profit of US\$13 million by extracting US\$ from a trust fund signed on April of 2004 by President Chavez and Nestor Kirchner, US\$ they then sold in the Venezuelan parallel market and replaced with currency purchased at the official exchange rate.

Syrian President visited Venezuela. Bashar al-Assad, Syrian president met with President Hugo Chavez in Caracas as part of his tour of Latin America. The Syrian president praised Chavez's political position against the world, with special reference to the Venezuelan president's position on the conflict in Gaza. After the meeting, President Chavez asked the Minister of Transport and Communications, Francisco Garces, for the creation of a merchant fleet to transport the products that Venezuela exports and imports to and from anywhere in the world but especially Syria.



ECONOMIC OVERVIEW

