



Weekly Report

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WHAT'S GOING ON WITH THE DEBT ISSUANCE IN US- DOLLARS?

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During the last few weeks, a rumor has been growing about an issuance of Republic bonds in US-dollars. This past week, the Central Bank of Venezuela (BCV) recognized the fact that a bond issuance was in the works. But, so far, no issuance has been forthcoming. This Report will look at what has happened with this issuance.

The curse of having an exchange control

Since the current exchange control was implemented in 2003, debt issued in foreign currency, be it in the form of a Republic bond or a PDVSA bond, has become a foreign exchange mechanism. The now well know process of acquiring bonds issued in foreign currency but payable in local currency (bolivars) has become a key mechanism for private sector companies to acquire foreign currency to protect company assets, coverage operations, or finance imports. Since 2009, it has become harder and harder for private sector companies to acquire foreign currency, making them even more dependent on these type of debt issuances, which in effect have become a foreign exchange operation for most companies.



During the first semester 2011, CADIVI has performed about as well as could be expected. The same can't be said about the SITME system. So, considering that CADIVI has practically not approved the liquidation of any foreign currency for repatriation of dividends and royalties, and that there are no legal means by which a company can implement coverage operations for company assets, one can understand the pressure coming from the private sector for an immediate issuance of debt in foreign currency.

According to our calculations at **Ecoanalítica**, first semester 2011 demand for foreign currency by the private sector (including individuals) for the import of goods and services and outgoing capital was at around US\$ 23.42 billion. Of this amount, around US\$16.99 has been covered by CADIVI and/or SITME, in other words, 72.6% of the demand.

Confusion in the market

According to Venezuelan law, every year the Administration has to present a National Budget which defines what the country's revenues and spending will be. It also introduces a Borrowing Law which defines the maximum level of debt that the Administration will acquire during the year which corresponds to the amount budgeted spending that won't be covered by incoming ordinary revenue (oil and non-oil). The 2011 National Budget Borrowing Law set the maximum level of debt allowed to be acquired during the year at VEB 52.2 billion (US\$ 12.14 billion). However, within the framework of the Special Powers Law, a new Complimentary Borrowing Law was recently approved for the amount of VEB 45.0 billion (US\$ 10.47 billion). Consequently, rumors began to spread of an imminent issuance of debt.

Then, a publication in the *Gaceta Oficial* detailing the instruments in bolivars that the Ministry of Planning and Finance was planning to issue for a global amount of VEB 45.0 billion, was interpreted by many as a sign that there was no margin left for placing instruments in US-dollars.

Is an issuance in foreign currency possible or not?

In a recent report on Venezuela, the investment bank, JP Morgan, pointed out: *"We do not believe that the Gaceta Oficial publication dated July 12 prohibits the Republic from carrying out an issuance of foreign debt under the new Complimentary Borrowing Law for VEF 45 billion... Currently, we believe the Republic, in theory, has the legal space to issue more than US\$13.0 billion in foreign bonds during what's left of the year."*

At **Ecoanalítica**, we agree with this statement. The legal framework established a maximum level of borrowing, which this year has been set at



over VEB 97.0 billion, that is to be placed in instruments denominated in bolivars or in another currency. As issuances are made in bolivars (so far this year a little more than VEB 42.0 billion has been placed), the amount of space left for placing an instrument in another currency becomes less, but not impossible. The *Gaceta Oficial* defines the Ministry of Planning and Finance's right to make issuances in bolivars as it sees fit within the framework of the current laws.

The statement released by JP Morgan continues to say: "... the Finance Commission of the National Assembly this week granted the necessary permits which specifically authorize the issuance of Reg S/144A US\$ and / or local debt law in VEB up until the amount of VEB 45.0 billion of the new Complimentary Borrowing Law"

Who will be making the issuance?

As this Report is being written, the *Bloomberg* news agency is reporting that the Republic is preparing to make an issuance (characteristics of the bond were not specified) for an amount of US\$ 3.0 billion denominated in US-dollars in the local market this year and that it will begin to sell them "as soon as next month." The information, states Bloomberg, is from an official within the BCV involved with the placement who asked not to be identified as public statements regarding the placement have not been authorized.

This statement goes along the same lines as what we have published in past Reports, the difference being in the estimated date of the issuance leaked by BCV and Ministry of Finance personnel. What is clear is that the issuance will happen soon.

And PDVSA?

PDVSA's situation is much more critical. On the one hand it has all its oil industry investment obligations in projects, old oil fields and new oil fields, and especially the Orinoco Oil Belt. Then there are all the non-oil industry projects and the fiscal pressure being put on the company by the Administration. Consequently, PDVSA is always hungry for resources.

It's true that sources within the state-run oil company have hinted that the company is probably considering bilateral loans with "allied" countries than issuances, but at *Ecoanalítica* we still believe that in the last quarter of the year an issuance in US-dollars payable in bolivars for an amount between US\$2.5 and US\$3.0 billion by PDVSA is not out of the question.

Beyond the issuance

Here are some things to keep in mind. For our local clients, we recommend that you participate in this issuance even without knowing the



specific details of the issuance. Why? There are two reasons: 1. This is a legal means of acquiring foreign currency; and 2. With the implicit exchange rate these will be “cheap” Us-dollars. The important thing is to take the necessary precautions in terms of liquidity given the short time span. We also believe the Administration, now more than ever, given Minister Giordani positioning with President Chávez out of the country, will be very selective as to who they allocate the foreign currency bonds to: with most of the bonds going to strategic sector companies and the public banking system. We don't expect natural persons to receive bond allocations over US\$12,000.

Makes no sense

The last few foreign debt issuances have included paying a rather high coupon price, which of course makes its future service cost more expensive. The main reason this happened was to keep the implicit exchange rate at around VEB5.3/US\$ which is SITME's exchange rate (high end). The Administration and the BCV must face the fact that an adjustment in the SITME exchange rate (increase its exchange rate) would allow them to carry out an issuance at a lower coupon price in current circumstances. A devaluation of the SITME exchange rate, in our opinion, would have almost no political cost because the subsidy system is covered by CADIVI (foods and medicines) at the VEB 4.3/US\$ rate. It doesn't make any sense to carry out an expensive issuance to artificially maintain an exchange rate (SITME) at a low level which only affects 15% of imports.

The exchange control has outlived its usefulness

Beyond the fact that this bond issuance in US-dollars is desperately needed by the private sector, it's clear that timely bond issuances to alleviate market pressure as this one about to be placed, can't continue. Venezuela's has almost reached the limit of debt it can responsibly acquire, and servicing this debt has become dangerously expensive, as well as the country's high risk perception. The country needs a new exchange policy that is not sustained by public borrowing. It's high time the Administration review the exchange mechanism and lower foreign debt. But one must be realistic, and with a presidential election coming up next year, we don't believe the Administration will make any of these reforms. But sooner or later, with or without Chávez, these changes will have to be made.





Economic Tips

Collection of Seniat higher than expected. The total revenue in the first half of the year stood at VEB 67,400 million, a goal established of 38.2% compared to the amount established in VEB 48,800 million. During the month of June the fund was VEB 12,400 million, exceeding its stated goal in 41.8% for the sixth month of the year.

Seniat increased its revenue in the first half. In the first half of 2011 the collection of Seniat increased 11.0% in real terms over-year basis. This represents VEB 19,520 million more than in the same period last year. Meanwhile, the tax (income tax) grew 3.0% in real terms in the first half of 2011. This fact suggests recovery by companies.

Unemployment rose in June. According to the monthly report prepared by the National Statistics Institute (INE), the unemployment rate stood at 8.6% in June, representing a variation of 0.2 percentage points compared to the same period in 2010. These data indicate that at the end of the first half of the year 1,145,498 people are unemployed, while in May the number was 1,106,321 Venezuelans.

More extra credit. The National Assembly in the *Official Gazette* No. 39,715 of July 18 authorized 18 additional credits for a total of VEB 6,524.94 to different agencies Computers Commitments and Payments and Affiliated Entities. The Government has received so far VEB 46,000 million by additional appropriations, representing an increase of 22.1% over the original budget of VEB 204,200 million.

ECLAC more optimistic than the Government. Eclac revised Venezuela's economic growth outlook for 2011 from 2.0% to 4.7%, projecting a 3.5% expansion for 2012. According to the report, the expansion will also positively affect the region's employment, so the unemployment rate is also expected to go from 7.3% reported in 2010 to 6.7% and 7.0% in 2011. At *Ecoanalitica*, we estimate a 2.7% expansion for 2011 and a 3.6% for 2012.

Caracas, most expensive city of Latin America! According to Mercer's 2011 International Cost of Living Survey, Caracas is the fourth most expensive city of Latin America, right behind Sao Paulo, Rio de Janeiro and Brasilia. The capital of Venezuela jumped 49 positions in the ranking to reach number 51, mainly due to inflationary pressures. The exchange rate in Venezuela has remained constant at VEB/US\$ 4.30 plus a capital control, so the general inflation is over 25% and the food inflation exceeds 34.4%.



Immediate increase of mandatory reserves. According to the president of the Central Bank of Venezuela (BCV), Nelson Merentes, the 6-point increase to the mandatory reserve rate for financial institutions not participating in the Housing Mission becomes effective immediately. With the adjustment, banks not participating in the special Government plan to build homes will have to freeze 23 out of every 100 bolivars received from deposits as reserves. Banks participating in the program will receive a three-point discount, and the money released will be handed to the Government through the purchase of certificates to be issued by Banderas.

Domestic Debt Placement. The BCV, acting as financial agent for the National Government, released VEB 500 million in Treasury Bills, the same amount released the previous week. They also released National Public Debt Bonds (DPN) for VEB 1.12 billion, VEB 82 million less than last week's VEB 1.2 billion.

Law of Costs does not intend to attack private sector. The Executive Vice president of Venezuela, Elias Jaua, assured that the Law of Costs and Fair Prices, to become effective Tuesday, July 19, has no intention to attack the private sector, but looks to confront speculation. He assured that the law of costs would establish clear rules to determine sanctions as well as stimuli. Producers, importers and retailers will be obligated to collaborate with the investigations.

Government turns to public entities' dividends. This year, the Government went back to the expansive policy of spending, and its need to maintain it has led to an expansion of financing sources and they are not only using parallel funds, but also public companies' dividends and official entities' revenues. *At Ecoanalitica*, we estimate a government spending close to US\$80 billion in 2011, and even though a fiscal deficit is expected, we are sure the gap will get bigger with the indebtedness and parallel funds, guaranteeing expansion at the end of the year.

The revolutionary government of Hugo Chavez has tripled social investment. According to the minister of Planning and Finance, Jorge Giordani, social investment has tripled in Venezuela over the last 10 years. In the previous forty years of Democracy, the number was US\$100 billion, while US\$350 billion have been invested during the revolution.

Minister Giordani rules out tax exoneration for public institutions. According to the minister of Planning and Finance, *many State institutions are proposing not to pay VAT and Income tax, but many ministries, Mayor and Governor offices do demand many resources, and these resources come from Seniat and Pdvsa,* therefore, I rule out the exoneration of taxes to public institutions.



More money for Fonden. Jorge Giordani announced that Petróleos de Venezuela (Pdvsa) would inject between US\$10 billion and US\$15 billion to Fonden. These funds will be used to finance social and productive projects, and add up to the US\$1.5 billion BCV recently granted to the out-of-budget fund.

Interest rates. The lending rate for the second week in July was at 18.30%, increasing by 1.61 perceptual points compared to the previous week. Time deposits also were decreased by 0.14 perceptual points to reach 14.54%, while the passive has not submitted any variation significant since January 2010, placing well at 12.61%.

International reserves. International reserves increased 0.1% going from US\$30.26 billion during the second week in July to US\$30.28 billion during the third week in July. Compared to the same period last year, international reserves have increased by 7.7%.

Monetary liquidity. Monetary liquidity in the second week in July increased 0.1% compared to the previous week settling at VEB 334.8 billion. The M2 has creased 30.2% year-on-year.

Sitme figures. So far this year, US\$4.34 billion have been negotiated through the Integrated System for Foreign Currency Transactions (Sitme), averaging US\$34.3 million a day, with an implicit exchange rate of 5,3 VEB/US\$. During the first week of July the amount traded reached US\$173.8 million, US\$32.84 million more than last week when braided US\$141.0 million.

Oil Tips

Pdvsa keeps acquiring debt. Petróleos de Venezuela (Pdvsa) just added US\$4.5 billion to its debt in the first semester of 2011. Last Thursday, July7, Pdvsa paid US\$2.45 billion for the expiration of Petrobono 2011, issued in June of 2009 for US\$3 billion. Minister of Energy and Oil and Pdvsa president, Rafael Ramirez, announced the operation to honor the expiration of Petrobono 2011, and stated *“there’s no doubt we will honor our commitments.”*

Contributions to Housing mission projects come from oil revenues. Pdvsa designated VEB16 billion to execute Housing Mission Venezuela projects. The



Venezuelan Government is willing to use all of its available resources, so the plan will receive contributions from Pdvsa, debt issuing revenues and parallel funds, as well as the mortgage portfolio and the Mandatory Housing Savings Fund.

Italian loan for Pdvsa on its way. The Italian oil company ENI is to lend Pdvsa US\$2 billion to develop the mix-capital companies Petrojunin, in block Junin 4 at the Orinoco Oil Belt and Petrobicentenario, which will build a refinery with a capacity to process 300,000 barrels per day and produce diesel mainly for Europe. US\$500 million will be used to install a 500 Mw electric generation plant in the Peninsula of Paria, which will provide electricity to the refinery.

Expectations from the Italian-Venezuelan project. On July 17, Rafael Ramirez, president of Pdvsa, and Paolo Scaroni, president of ENI, signed the financing agreement for this *"integrated production and refining project,"* as Ramirez branded it. Pdvsa and ENI expect the heavy crude oil project Junin 5 to begin an early production of 50,000 barrels per day in 2012, to reach a volume of 240,000 barrels per day by 2018.

Orinoco Oil Belt projects at full speed. 2012 is marked on Pdvsa's calendar as a key period in which the first early production barrels need to be extracted from the different projects being executed in the Orinoco Oil Belt. Ramirez said they have been *"creating structures"* within the legal framework in the form of *"special contracting committees"* to speed up the development and construction works in the different blocks of the Orinoco Oil Belt. The organization devoted to the Oil Belt has moved to site to meet the goal of producing 4 mbl/d. Pdvsa's interest in speeding things up is congruent with foreign companies' interest in beginning to produce crude oil and, therefore, revenues.

This time, the market's volatility produced high prices. During last week, volatility was the main characteristic of the oil market, leaving the main markets with high numbers. The decrease in US commercial crude oil stock, and the high purchase volume from futures contracts were the main factors that contributed with the increase of oil prices.

International oil baskets. At closing time on July 15 in the New York Exchange, the price of the WTI was US\$96.5/bl, showing stability, compared to the US\$96.42 reported the previous week. The Brent increased by 4.4% to reach US\$118.08/bl, compared to the previous week's US\$113.8/bl.

Local oil basket price. The Venezuelan oil basket price increased last week, closing at US\$105.75/bl on Friday July 15, a 2.0% boost compared to the US\$103.76/bl of



the previous week. The annual average price of the Venezuelan oil basket is US\$98.28/bl.

Business Sector Tips

Loans portfolio grew in the first semester. According to the Banks Superintendence's 1S2011 report, the financial sector's loans portfolio has reached VEB207.64 billion, a number that, after deducting the effect of prices, translates into a 10% increase, compared to the same period of 2010. Loans destined to strategic sectors (agriculture, microenterprises, mortgages, tourism and manufacture) have increased their participation in the portfolio from 43.62% in June of 2010 to 47.20% in June of 2011.

First round of prizes and punishments. All five resolutions to reduce electric consumption by 20% came into effect last July 15. The measures cover the whole nation, though with different reduction or increase percentages and consumption peaks, depending on the region. The penalties for those who don't reduce consumption by at least 10% include 200% increases in the following bill.

Regions are not only fighting electric blackouts. Regions are not only experiencing the daily blackouts included in rationing plans to prevent damages to the National Electric System and other fortuitous interruptions due to eventual malfunctions, but they're also under the new plan of prizes and punishments to force a reduction in energy consumption nationwide.

Sidor's production up. Siderúrgica del Orinoco (Sidor) reported a production of 1.47 million tons of liquid steel in the first semester of 2011, 154% more than the 576,000 tons produced the same period of 2010.

...however, Sidor's situation makes it difficult to manufacture construction supplies. The National Government is confident in its ability to build 140,000 homes in the next six months, however, the lack of supplies caused by basic industries' poor performance make it quite difficult for the government to achieve that goal.

Government full steam ahead to reach Great Housing Mission goal. A total of 34 agreements were signed by the National Government with public and private companies to guarantee the supply the construction materials necessary to build



153,000 homes this year. The vice president of the territorial area, Rafael Ramirez, stated this represents a VEB5.8 billion investment for cement companies, Sidor, Sidetur and private companies.

Great Housing Mission has enough funds. The funds authorized by President Hugo Chavez in Ministers' Council (VEB 14 billion and US\$1.7 billion) will allow the construction of 96,366 additional homes, out of which 40,000 correspond to Pdvsa, the People's Power and Mission Ribas.

Labor conflicts continue in Toyota. The Toyota plant in the Sucre state is still suffering from labor conflicts. Carlos Farias, member of the Toyota workers' union (Sintratoyota) said they were claiming labor benefits.

Electric sector workers also protest. Electric sector workers denounced yesterday that 50% of the sector's single collective labor agreement clauses were not being met. They claim they presented the Ministry of Energy and Mines with these problems on March 21 and so far, no answer.

State expansion translates into shortage of basic products. On April 2, 2009, the minister of Planning and Finance, Jorge Giordani, anticipated "*socialism has been built from shortage,*" and now, two years later, in July of 2011, the Venezuelan economy has proved him right with constant shortages in electric energy, construction materials, domestic gas, fertilizers and basic food products.

Bakeries' production at 50% due to shortage. Bakeries' production has decreased in the last few months due to the lack of supplies, as not only wheat flour is in short supply, other products such as sugar and fat byproducts are as well.

Venezuela's receptive tourism grew 10% in the first semester of 2011. Yesterday, minister of Tourism, Alejandro Fleming, announced Venezuela's national and international tourism campaign, as the summer vacation season gets closer and closer. According to his statements, "*as of June of 2011, Venezuela's growth in receptive tourism, that is, foreign visitors, has reached 10%.*"

Banco del Tesoro and Sofioccidente merge. The Superintendence of Banks (Sudeban) authorized the full acquisition of Sofioccidente, Banco de Inversion, C.A.'s shares by Banco del Tesoro, C.A by *Resolution N° 201.11* published in *Official Gazette N° 39,714* of July 15, 2011.

Administrators appointed for companies under full audit. The Superintendence of Banks (Sudeban) appointed the administrators of the companies Grupo Financiero



Canarias de Venezuela currently under audit process by *Resolution N° 058.11* published in *Official Gazette N°39,714* of July 15, 2011.

Banco Agrícola de Venezuela's stock capital increased. The reform to the Law regulating the operation of Banco Agrícola de Venezuela reduced the financial institution's scope of action, rating it as specialized, setting a stock capital increase.

Drug product price increase is imminent. The price control of drug products established since 2003 has put pharmaceutical companies in a "serious situation," warns the Chamber of the Pharmaceutical Industry (Cifar). The problem is mainly affecting laboratories that manufacture products in Venezuela. The pharmaceutical sector thinks a review of the price control is imminent.

World Economy Tips

China: moderates its inflation. Controlling the money circulation and boosting the availability of consumption goods might be the answer instead of turning to price control measures, said an advisor for the People's Bank of China in a statement published last Tuesday, to help decrease the inflation, which reached a 3-year high in June.

US could activate conversations about global trade. The president of the World Bank, Robert Zoellick, has called the members of the World Trade Organization to double their efforts, as "the world needs a global growth strategy and opening trade drives growth," he said. Leading the actions, US negotiators could consult China and then incorporate India and African nations, all interested in an agreement regarding Doha, in benefit of a global trade opening.

Warning about US credit rating. The rating agency Fitch still believes there will be an agreement about the debt limit before the term stipulated by the US Treasury Department, and reiterated that if the US didn't raise the debt limit by August 2, it would place the nation's "AAA" rating in negative review, meaning it could be degraded within six months.

Asian stock markets stabilize but remain vulnerable. An atmosphere of stability reigns in Asia, but the euro has debilitated it, so investors might continue to cut their exposure to risky assets in light of the threats of default in the US and Europe.



European shares close at 4-month low. European shares dropped on Monday, July 18, led by banks. This occurred due to concerns over this week's euro zone ministers' meeting not being able to approve a second rescue package for Greece and doubts on the latest evidences of financial solvency.

Still looking out for Greece. The market is expectant over the meeting of Thursday, July 21, between the main leaders of the European Union to discuss a second financial aid package for Greece. The absence of an agreement so far, and the possibility of banks having to contribute with their share in a restructuration of Greece's debt has raised concerns among investors.

Latin American currencies to operate low this week. This happens as the region awaits clearer signs regarding the debt crisis in Europe and the US budget problems. *"Currencies have passed psychological boundaries, used to purchase USD again,"* said Sergio Tricio, chief of Studies of Forex Chile.

Brazil's stock index falls. Brazil's main stock market index closed below 59,000 points on Monday for the first time since May of 2010, dragged by a global wave of sales driven by the debt problems in Europe and the US. Meanwhile, the local currency, real, reported a 0.25% depreciation.

Mexican stock market down due to global fears over euro zone crisis. The Mexican stock market fell by 1.04% last Monday, stroke by investors' fears of a complication of the euro zone and US debt problems, while a technical move and a good fundamental outlook refloated the peso, which recovered early losses and closed with a modest 0.09% increase.

Paraguayan parliament promotes budget expansion. The budget expansion projects proposed by the Paraguayan Congress, without the participation of the Executive Power, through the Ministry of Finance, reach figures of US\$82.1 million. They warn that, in the fiscal and financial fields, the Ministry of Finance is obligated to ensure the mid-term fiscal sustainability, to correct the budgetary rigidity and not expand it, and especially, to increase the availability of financial resources.

Colombia says royalties will prioritize investment in less privileged sectors of the population. The initiative was announced on Monday, July 18 by the president of Colombia, Juan Manuel Santos. The objective is to finance and develop projects meant to improve the nation's competitiveness and contribute with its economic and social development.





Argentina growing one day at a time. Argentina's economic activity grew by 8.1% y/y in May, said the government last Monday, for a result that exceeded analysts expectations for the powerful South American grains exporter. They reported an 8.9% cumulative growth in the first five months of the year, compared to the same period of 2010, and a 9.1% growth in the last twelve months, compared to the same period of last year.

Peruvian economy grows in June. Peru's economy grew by more than 6% in June, a lower rate than in the previous month due to a deceleration of private investment, said the ministry of Economy, Ismael Benavides, last Monday, according to the Andean state agency. Economists have said the private investment growth decelerated to 13% from nearly 30% between January and May.

Bolivia's foreign debt reached US\$3 billion. The president of the Central Bank of Bolivia (BCB), Marcelo Zabalaga, said last Monday that, as of June of 2011, the nation's foreign debt was US\$3 billion. The authority explained that the increase was due to the different loans received by the Government, especially for the construction of roads.

Political Tips

The economy will be under control. On July 14, during a broadcasted Council of Ministers, President Chavez signed and authorized the new Law of Protection and Defense of the Economic Rights of People in the Access to Goods and Services, Costs and Prices, a long name that means the Government will decide all prices of products considered as essential (food, medicine, etc.), by way of a system with which they will establish and regulate production, marketing and distribution chains of any kind of product or service.

More resources for the development of different social projects. During last Thursday's extraordinary Council of Ministers celebrated in Miraflores, President Hugo Chavez authorized resources for the acquisition of 6,025 machines coming from China to strengthen the Great Housing Mission Venezuela.

More and more resources authorized by Chavez. On July 14, President Chavez authorized VEB 546 billion and US\$163 billion to execute highly important works in 2011 and 2012, including processing plants for meat, milk and soy oil.



More funds... Chavez authorized a credit line for VEB 42 billion and US\$3.5 billion to startup the urban expansion project Algodones del Orinoco in Los Teques, Miranda State, which will manufacture school and military uniforms.

Resources are not only authorized via the President's Law of Special Powers. Chavez authorized the Law of Nutrition, by which 3 million workers of companies with less than 20 employees will receive the benefit of a food bonus in cash, and the reform to the Farming Bank Law (BAV), to make the Farming Bank *"available for the people by opening offices and access instances throughout the nation."*

Chavez appointed new chiefs to the Military House. Before traveling to Havana, President Chavez made a number of appointments in strategic positions within the Venezuelan military forces. Chavez appointed General Ornella Ferreira as the new Chief of the Military House, and Division General Elvis Sulbaran as commander of the third division in Fuerte Tiuna.

Labor Mission accelerates transition to socialism. The start of the Great Labor Mission Venezuela is scheduled for the second quarter of 2011. So was reiterated by President Chavez during a telephone contact with the State TV station Venezolana de Television, stating voluntary work and solidarity are the principles *"to create, to accelerate the creation of the spiritual bases of socialism."*

Expropriations are now announced on Twitter. President Hugo Chavez announced on his twitter account @chavezcandanga the forced acquisition of the rice processing plant Llano Alto, located in Calabozo, Guarico State. *"I now authorize the forced acquisition of the Rice Plant 'Llano Alto' in Guarico. Let's go, workers, marching towards socialism!"* he wrote.

New Farming Bank Law. President Hugo Chavez announced on twitter that on July 13 he had authorized the new Farming Bank Law to grant more benefits to this productive sector. The reform transformed the bank into a specialized institution.

Presidents to re-launch CAN with Venezuela in sight. The presidents of Bolivia, Colombia, Ecuador and Peru will re-launch the Andean Community in the summit of July 23 in Lima, after the *"deep institutional crisis"* lived in 2007 with Venezuela's withdrawal, but with hopes of having this nation back, said secretary general Adalid Contreras.

New candidate to the opposition's primary election. Last Sunday, July 17, Congresswoman Maria Corina Machado announced her participation in the primary presidential election of the Democratic Unity Table. In her speech, she mentioned



Venezuela was in both a “*dilemma and a challenge*,” and this made her present herself to this primary election.

Finland to close embassy. On Sunday, July 29, Finland will become the second country to close its embassy in Venezuela, claiming budgetary reasons. Ambassador Mikko Pyhälä will continue to serve as itinerating ambassador from for Venezuela and the Caribbean from Helsinki, and leaves several social projects as legacy and the increase of bilateral commercial bonds as a pending activity. IN five years, however, the ambassador has not received a hearing with Chancellor Nicolas Maduro.

Legislatives Tips

Law of Energy Use authorized. On July 13, the National Assembly’s permanent commission for Energy and Oil unanimously authorized the draft to the Law of Rational and Efficient use of Energy.

National Assembly authorized President’s trip without return date. The National Assembly, in extraordinary session, authorized President Hugo Chavez’s request to travel to Cuba to receive chemotherapy and continue with his cancer treatment.

Laws of the People’s Power. Congressman Julio Chavez, member of the National Assembly’s Media Sub-commission, announced that this next July 28 and 29 would start a plan to spread and debate the laws of the People’s Power in different areas of the nation. “*Knowing the law will develop, deepen and consolidate the People’s Power, as a fundamental premise for the construction of the historical socialist project in Venezuela.*”

Law against mobile phone theft. The special commission of the national assembly working on the issue of mobile phone theft and similar crimes established agreements with Conatel and telephone operators to prevent this kind of crime. The draft will be presented Wednesday, July 20, and will be subjected to a public consultation process over a period of 30 days.

Organic Law of Peace Justice. On Tuesday, July 19, the National Assembly’s plenary session will begin discussing the draft to the Organic Law of Peace Justice, being prepared by the Permanent Commission of Internal Policy. The normative



establishes the procedures to be followed to solve conflicts, warranties and governing principles, and makes reference to judges' faculties, attributions and the way in which they shall report to the community and municipal authorities.

Support to Law of Community Media. The Parliament's permanent commission for the People's Power and Communication Media organized an event with citizens' participation to promote support to this legal instrument.

Defending national sovereignty. In a room full of authorities of all five Public Powers: Executive, Legislative, Judicial, Electoral and Moral and the Citizen's Power, as well as National Assembly Representatives and other members of the Executive Cabinet, was read the People Power's patriotic commitment to defend national sovereignty in the Federal Legislative Palace to commemorate the oath of loyalty to the independence cause of 1811.

Lawsuit against the National Assembly? According to a spokesman for Parliament retirees, Rafael Garcia, the work of NA representatives will be assessed by the Supreme Court of Justice (TSJ), the same organization that admitted a lawsuit for legislative omission. The Constitutional Courtroom decided to process the lawsuit introduced by Garcia against legislators for not having dictated the Law of Social Security, especially in relation to retirement pensions and the health system.

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ECONOMIC OVERVIEW



