

## What brings the end of the quantitative easing?

In recent years, the economies of Latin America have benefited to some extent from the United States' expansive monetary policy. However, given the imminence of a change in direction of the Federal Reserve's (FED) policy, emerging countries, specifically Latin American countries, are expecting that there will be repercussions.

Since 2008, the FED has been implementing an economic stimulus package with the purpose of jump starting the depressed US economy. However, in view of the United States' recovery and the strengthening of its job market, the FED has announced a reduction in the amount of debt it buys each month.

### How does quantitative easing work?

Before going into how the ending of the program will affect the region, we will briefly explain how the FED's monetary policy affects the economy. Quantitative easing is a program consisting of the mass purchase of debt bonds that was developed with the purpose of increasing money in circulation and also of encouraging consumption.

In 2009, the unemployment rate in the United States was nearly 9.0%. Since then, the FED has been purchasing bonds and assets at a frantic rate, which led to a drop in reference interest rates, since, given that there was a voracious buyer of bonds, the interest offered to make an issue attractive did not have to be that high. This had the effect of pushing down the interest rates for the general public and, as a result, the applications for credit increased.

The demand for loans led to an increase in private capital investment, which had an impact on the generation of jobs and also boosted consumption. However, while low interest rates encourage bigger loans, greater investment and growth, they also overheat the economy and bring inflation, which, in turn, increases pressures so that, sooner or later, interest rates go up. For that reason, any central bank, and particularly

Year 10. Number 28. Week IV  
July 2014

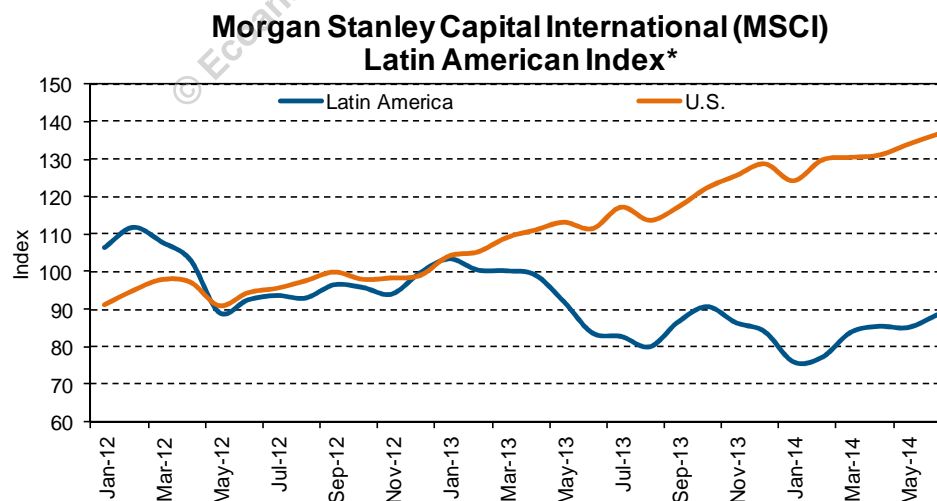
the FED, has to do a balancing act with its monetary policy between growth and inflation.

### The beginning of the end

In a new context of economic recovery in the United States, which may well happen sooner than anticipated, former FED Chairman Ben Bernanke announced in May last year that there would be a US\$10.0 billion cut in the amount of debt that the FED would purchase each month, which at that time was in the region of US\$85.0 billion a month.

While investors expected an announcement of this kind sooner or later, the fact is that the news triggered losses on global stock markets, including stock markets in the developed world.

Stock market trading in Latin America started to fall following the announcement and it was only at the start of July that the rapid sale of financial assets began to slow down, when the FED assured the markets that the decision to reduce quantitative easing would depend on the data and on there being a solid recovery of the US economy. To give an example, the Morgan Stanley Capital International (MSCI) Latin American Index lost 16.5% in the 2Q2013, after increasing slightly in 1Q2013, and gained nearly 4.0% in 3Q2013 immediately after the FED announced its decision to postpone *tapering* in September.



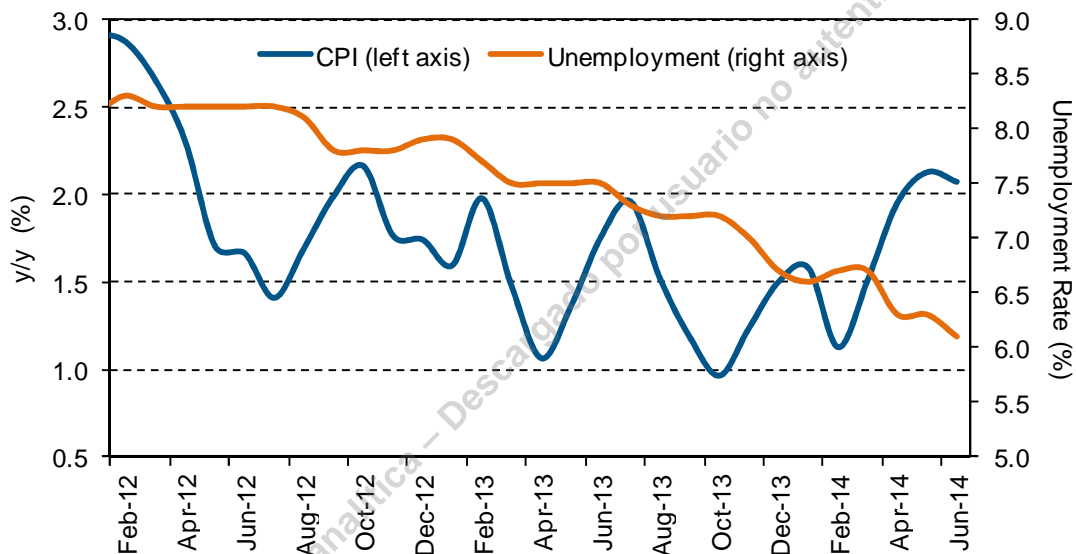
Sources: MSCI and Ecoanalítica

\*The MSCI Emerging Markets Latin America Index is a free float-adjusted market capitalisation index that measures equity market performance in Latin America.

Year 10. Number 28. Week IV  
July 2014

So, since then market turbulence has been reduced and investors in emerging markets are more concerned, in general, over the repercussions of US monetary policy in view of the fact that the FED's Board of Governors is assessing the strength of the recovery, as, despite the upturn in inflation in recent months, the job market does not seem to be sufficiently strong, which means that the outlook for the health of the US economy will have to be reassessed.

### Inflation vs. Unemployment in U.S.A



Sources: Bureau of Labour Statistics and Ecoanalítica

At **Ecoanalítica** we estimate that, if the present conditions in the US economy continue stable, with an unemployment rate that stays at around 6.5%, it is likely that the FED will start to increase interest rates in the first quarter of 2015 (1Q2015). Now then, if the US economy continues to improve and the stimulus program is tapered off, the consequences will be felt in the rest of the world.

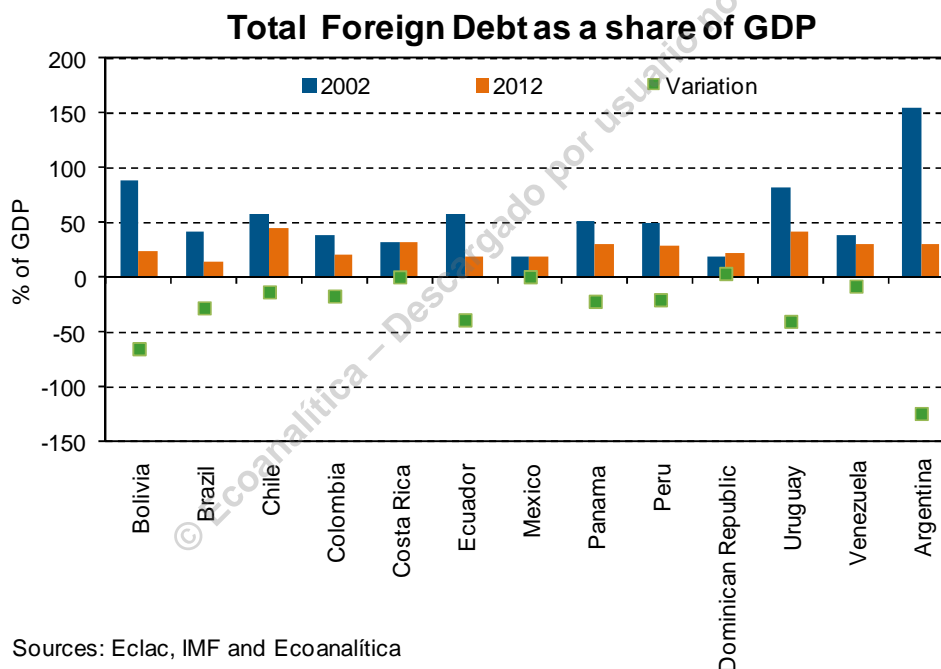
### How will this affect the region?

The situation of the emerging markets is a complex one, as they imported a large amount of capital (around US\$723.24 billion has entered Latin America in the past five years), and this increased the prices of its debt (and reduced yields) in the cases of both public and private instruments. However, with the change in direction of US monetary policy, it is expected that long-term interest rates will go up in the short term, which will have a direct impact on the dollar-denominated debt of the emerging markets,

Year 10. Number 28. Week IV  
July 2014

generating downward pressures on the value of the debt of emerging markets (and increases in yields), thereby generating higher financing costs.

Nevertheless, the region's exposure to this risk has been significantly reduced (in Latin America and the Caribbean, the ratio of external debt over GDP rose from 39.3% in 2002 to 21.0% in 2012, i.e. a decrease of 18.3 percentage points), since, in the past decade, most Latin American countries have made the lion's share of their debt issues in local currency. However, there are some cases where there are still significant exposures, in countries with totally dollarized financial systems such as Ecuador and Panama, for example.



## Interest rates drop

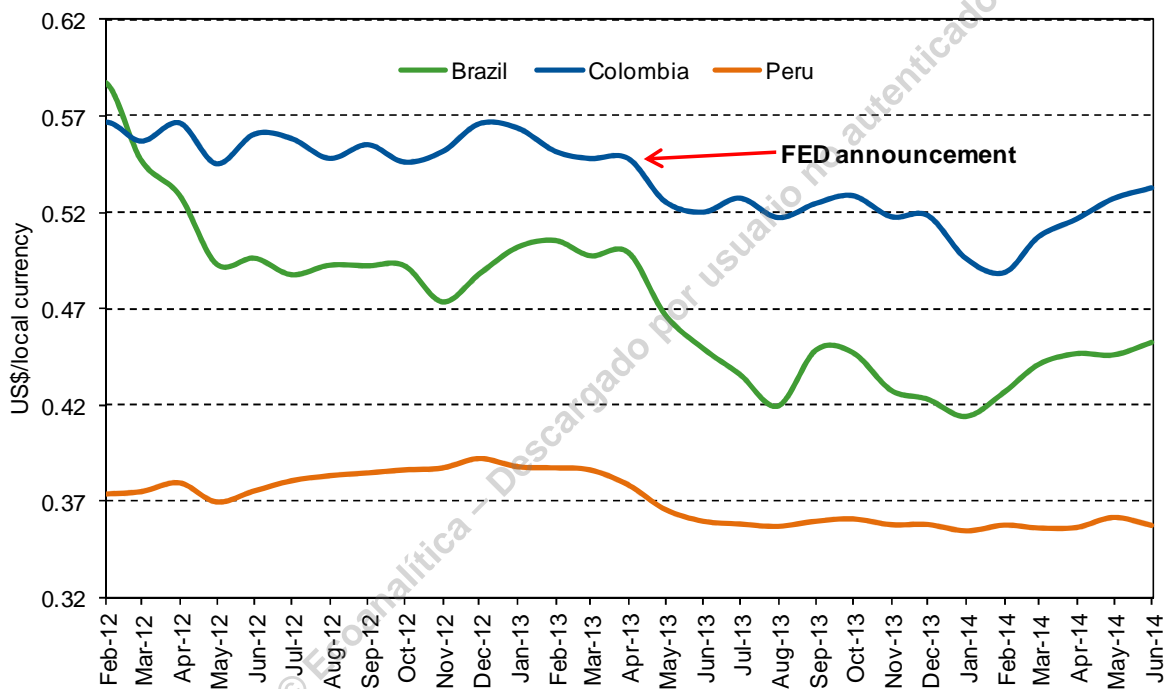
On the other hand, the tapering off of monetary stimuli will reduce the amount of dollars in circulation, given that the increase in interest rates will result in big investors (countries that are currently saving, such as China) that had opted for other economies withdrawing their funds to take them back to the United States. This will bring about an appreciation of the dollar and a weakening of the currencies in the region.

In recent years, Latin American local currencies have been strengthened by huge capital inflows at times when the United States and the developed world were not

Year 10. Number 28. Week IV  
July 2014

offering returns on investment. However, following the announcements by the FED last year, we were able to observe how a short-term outflow of capital occurred, which resulted in the Brazilian real falling 9.7% the Peruvian sol falling by 1.7%, the Chilean peso by 1.5%, and the Colombian peso by 3.8%.

### Exchange Rate



Sources: Banxico and Ecoanalítica

Towards a possible end of QE, the depreciation of local currencies will make imports more expensive and this will have an impact on domestic prices.

### Venezuela and Argentina, a special case

Venezuela and Argentina represent a special case in Latin America because of their fix exchange rates and exchange control (in Venezuela since 2003 and in Argentina since 2011), which slightly protects the currency from impacts of abrupt capital inflows and outflows. However, high inflation in both countries have generated pressures on the parallel exchange rate, making the exchange rate differential in Argentina close to 100.0% and in Venezuelan reached 917.9% at the end of 2013, leaving official currency devaluation as the only way out. As we see, while in Latin American the pressures in

Year 10. Number 28. Week IV  
July 2014

currencies come from the changes in U.S. monetary policy in these countries it comes from internal imbalances

### **Another blow for the trade balance**

In the area of raw materials, the bastions of Latin American growth in the last decade, the FED's announcement produced a drop in commodity prices, including metal prices, which fell by nearly 12.0%, copper by 10.0%, soya by 22.3%, and coffee by 27.0%.

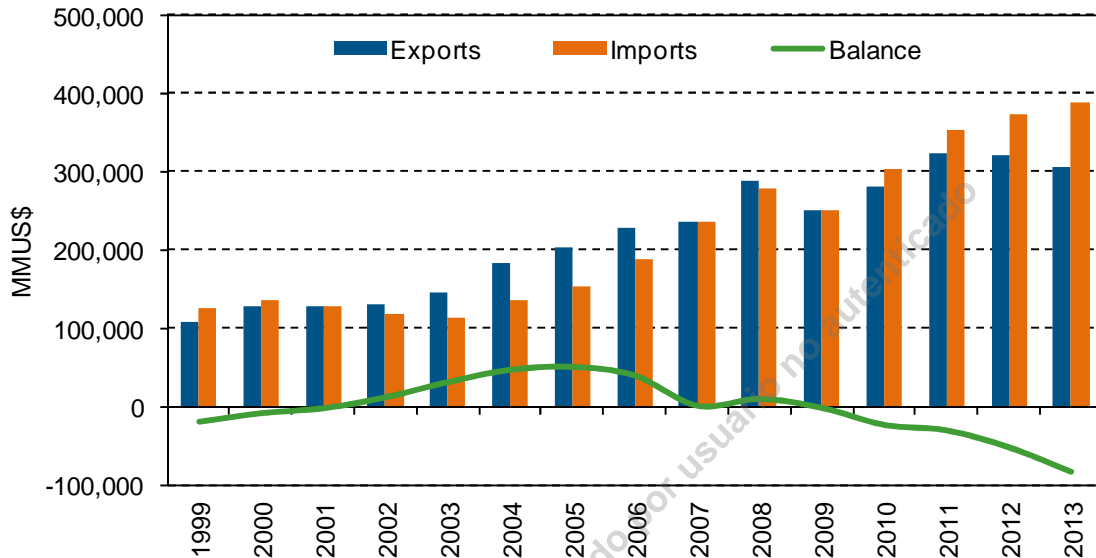
The prospects of quantitative easing being eliminated could lead to a flight of speculative investment in raw materials, which could make the markets extremely volatile and have a negative impact on the trade balances of the Latin American economies, whose main feature is their raw materials exports, besides bringing about a reduction in their foreign currency revenues.

### **It's not all black**

Getting monetary policy back to normal may also have positive effects for the countries of the region. The recovery of the US economy and the increase in its demand for imports will benefit the countries of Latin America, although how big an impact it will have will depend on the country. The countries that will benefit most are those that have strong commercial ties with the United States, such as Mexico, given that the appreciation of the dollar will make their exports more competitive. This is good news taking into account that in latest years the Latin American currencies appreciation produced an increase of the imports and, as a consequence, a deficit in the trade balance with the United States

Year 10. Number 28. Week IV  
July 2014

### Latam trade balance with U.S.A



Sources: Department of Commerce and Ecoanalítica

### It all depends

After the hysteria that invaded the market last year, the situation seems to have calmed down. On the one hand, the FED's decision is a vote of confidence in the economic recovery being a lasting one and, on the other, it is clear that the withdrawal of stimuli will be done gradually and be adapted depending on the economic data and could be suspended if the economy is disappointing and be resumed when it picks up.

It is up to the countries of the region to further reduce their vulnerability to sharp and sudden increases in international interest rates by strengthening solid balances that will allow them to implement countercyclical policies in the event of adverse external shocks.

**Jessica Grisanti**  
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Year 10. Number 28. Week IV  
July 2014

## ECONOMIC TIPS

**China is everywhere.** The Venezuelan government covenanted new agreements with China which increases the involvement of the Asian nation in the strategic activities of the country. According to the covenants and agreements signed in 2004, China cooperate on seven key sectors of the Venezuelan economy, with the signing of new agreements and pacts China's presence is already in 15 key sectors. This participation is largely concentrated in the areas of: oil, agriculture, housing, industry, finance, services, electricity, mining, transportation, technology, environment and infrastructure.

**Growing debt with China.** The involvement of China not only refers to the production of goods and services also extend to the financial sector, especially the granting of new loans. In the past signed agreements with the Asian nation receivables \$ 5600 million were concluded with destiny to: the binational fund, the oil and mining projects. With recent loans, debt agreed in the past seven years by the central government and PDVSA to China is approximately U.S. \$ 56,000 million. On the other hand President Nicolas Maduro said that funding with China "*does not put our country a heavy debt, because this is a financing.*"

**It buys increasingly less.** The food basket cost VEB 8,561.11 in June, an increase of 4.1% compared to May. According to the monthly report issued by the Center of Documentation and Analysis for Workers (CENDA), that increase is 3.6% more than the increase posted in June 2013. In the first half of this year (1H2014), food prices went up by 33.4%, which gives an increase of VEB 2,145.1 in just one month. CENDA stressed that two minimum wages were needed to cover the cost of the food basket in May.

**The sky's the limit.** The public sector debt, which includes Central Government and PDVSA, came to US\$158.71billion at the close of 2013, for an increase of 457.0% compared to 1999. Similarly, domestic debt in 1999 was US\$5.91 billion and last year it came to US\$59.36 billion, a huge jump of 903.0%. It is worth noting that this expansion could have been greater were it not for the devaluations in 2005, 2010, and 2013, which reduced the amount in dollar terms. At **Ecoanalítica** we consider that strong measures need to be taken with regard to the size of the deficit and fiscal expansion in order to avoid a bigger debt burden causing problems in the future.

Year 10. Number 28. Week IV  
July 2014

**Welcome to SICAD II.** The Ministry for the Economy, Finance and Public Sector Banking authorized 34 stockbrokerage firms to act as foreign exchange operators on a permanent basis in the Alternative Foreign Currency System (SICAD II). The measure was published in *Gaceta Oficial* No. 40,457 dated Friday, July 18. Up until now, the National Securities Superintendency had only granted temporary permits to 24 stockbrokerage firms to act as foreign exchange operators, which were annulled upon the publication of this resolution.

**Nothing's changed.** Although President Nicolás Maduro announced the strengthening of the foreign exchange regime when he took office in April last year, the new system has not catered to all the requirements of the private sector. This year we have three exchange rates -Cencoex, SICAD I and SICAD II- and official statistics show that, as at the close of 2013, the allocation of dollars for imports in the food, health, automotive and other sectors ended up posting a reduction of 25.0% compared to 2012. After tinkering for 15 months, the result is an even more complicated system that has still not managed to jumpstart the economy, which is, once again, on the brink of a devaluation and facing tremendous uncertainty with regard to what the foreign exchange policy will be at the end of 2014.

**The reform's on its way.** Last week President Nicolás Maduro announced that there will be a sweeping fiscal revolution, the purpose of which will be to "raise the tax culture" in Venezuela. The authorities have not given details of the fiscal reform, since it is to be submitted to consultation, but everything indicates that it will include a revision of the tax laws and spending, besides increases in fuel prices and charges for services. These measures apparently seek to reduce liquidity and so bring down pressures on the foreign exchange market, particularly when a "convergence" of the exchange rates is being prepared.

**The outlook is not the best.** A report by Deutsche Bank points out that potential disputes inside *Chavismo* are sowing doubts regarding the sustainability of the policies being prepared by the government and warns that "*the complexity of the present economic situation also affects any expectations of a rapid improvement in its performance.*" It also states that there are positive signs, such as the consolidation of the extra-budgetary funds and the international reserves, the proposal of consolidating an exchange rate via a band system that will unify the exchange rates, and making price controls more flexible.

Year 10. Number 28. Week IV  
July 2014

**Santa's on his way.** Cencoex issued a call to bid for the special Christmas season SICAD auction at which the sum of US\$220 million was to be offered. The sectors that were invited to bid are the metalworking sector (raw materials and inputs for bicycles), toys, sports articles, textiles, the garment industry, and footwear. The auction was held between July 21 and July 25 and the results are to be announced on July 28.

**Interest rates.** The lending rate for the second week of July was at 17.3%, up by 1.4 percentage points (pp) compared to the previous week. The time deposit rate was at 14.5%, 0.1 pp less than the previous week, while the passive rate was at 14.2\$, up by 0.1 pp compared to the previous week.

**International reserves.** International reserves increased by 1.2%, going from US\$20.4 billion during the second week of July to US\$20.7 billion during the third week of July. Compared to the same period last year, international reserves have decreased by 13.8%.

**Central government expenditure.** On July 18th according to figures from the NTO primary spending was VEB 27.7 billion, which means a decrease of 258.7%; when it is compared to the same period last year. So far this year, the primary expenditure accumulates VEB 399.4 billion 70.4% more than the same period last year.

**Monetary liquidity.** Money liquidity (M2) increased 0.5% in the second week of July from the week prior, to settle at VEB 1.5 trillion. The M2 has increased 70.4% in relation with the same period last year.

Supply through SICAD II (US\$ MM)					
Day	Total daily	Public Sector	(%)	Private Sector	(%)
07/14/14	32.6	26.9	82.5	5.7	17.5
07/15/14	31.1	30.1	96.8	1.0	3.2
07/16/14	30.6	29.3	95.8	1.3	4.2
07/17/14	34.1	32.5	95.3	1.6	4.7

Sources: Ecoanalítica

Year 10. Number 28. Week IV  
July 2014

## OIL TIPS

**They're still waiting.** Workers in the oil sector are waiting for the oil industry's collective employment contract -which should have gone into effect in the 1Q2014- to be made good. The contract establishes an increase in the food allowance. Last year this allowance went up from VEB 3,000 to VEB 5,000, but there has been no increase this year. Workers also said that PDVSA is not honoring retirement payments, as there are cases of workers who have been employed by the company for more than 35 years where their longevity and severance benefits have not been calculated retroactively.

**Borrowing from Peter to pay Paul.** PDVSA's affiliate, Citgo, is preparing an issue in the sum of more than US\$650 million to refinance debts and to finance US\$300 million in dividends for PDVSA. In addition, Citgo, which, according to Standard & Poor's, has a crude processing capacity of 749,000 (kb/d), plans to buy back approximately US\$300 million in bonds maturing in 2017.

**Prices are staying the same.** Despite the geopolitical and local disputes in Iraq and Libya, both of which are members of the Organization of Petroleum Exporting Countries (OPEC), crude prices on the world market have not increased significantly, much less posted a steady increase, tending rather to fluctuate. At the moment there is a surplus supply of 1.6 million of barrels per day (mb/d) of crude, which is offsetting the effect of any armed conflicts that there might be and keeping prices stable.

**Even more is expected from relations with China.** Revenues from exports to China increased by 3,189.6% between 2005 and 2013, and amounted to US\$19.38 billion in 2013. This tendency is no going to change in the future, considering that the President of PDVSA, Rafael Ramírez, said that they hoped to double exports to China by 2016, to 1.0 mb/d. It remains to be seen whether this increase in shipments to China will come from an increase in production or subtracting exports to other countries.

**A hazardous industry.** According to a report by PDVSA, despite the fact that inspections increased by 90.7%, the number of injured in 2013 rose by 11.7% for a total of 2,748, whereas the number of accidents fell to 295, an improvement on the 392 accidents that occurred in 2012. As for net frequency, which indicates the number of incidents with time lost for each

Year 10. Number 28. Week IV  
July 2014

million of man-hours, it closed at 5.4, much higher than the average for the members of the Oil and Gas Producers Association, which was 0.48 in 2012.

**Guerrillas bring the oil industry to a halt.** An attack with explosives by guerrillas in Colombia made it necessary to stop pumping of oil through the Bicentennial Oil Pipeline. This is one of Colombia's major oil pipelines and it has the capacity to transport 110,000 b/d.

**International oil baskets.** At closing time on July 18th in the New York Stock Exchange, the price of the WTI was US\$101.2/bl, down by 2.0% when compared to the reported the previous week. The Brent decreased by 2.2% when compared to the previous week, to reach US\$106.9/bl.

**Local oil basket price.** The Venezuelan oil basket price closed at US\$94.6/bl on Friday July 18th, decreasing by 2.5% when compared to the reported the previous week. The annual average price of the Venezuelan oil basket is US\$97.0/bl.

## BUSINESS SECTOR TIPS

**We need special treatment.** The president of the National Confederation of Agricultural and Livestock Producers (Fedeagro), Antonio Pestana, said that measures need to be taken to counteract the consequences of the climatic phenomenon that has affected nearly all the areas of the country put down to crops. Fedeagro also exhorted the Executive to decree a state of contingency in the eight states that have been most affected by the severe drought, which according to them, are Anzoátegui, Monagas, Guárico, Aragua, Cojedes, Lara, Zulia, and Apure.

**The longest drought.** According to Fedeagro, the agricultural and livestock sector is facing the severest drought in 38 years and that it is threatening the productivity of the country's main crops: corn, rice, and sugarcane. It also claims that Guárico is one of the states that have been hardest hit by the shortage of water. This year only 70,000 hectares were planted, a reduction of 75.0% compared to the 270,000 hectares planted in 2007.

**That's not so many.** Minister for Agriculture and Lands Yván Gil said that 35,000 head of cattle had died so far this year out of a total of 15 million,

Year 10. Number 28. Week IV  
July 2014

which “*is not a figure to cause alarm in the population (...) There’s not a situation of national alarm.*” The minister explained that the mortality rate was only 0.3%, although he did not discard the possibility of this rate increasing due to the drought.

**They’re ignoring us.** Several labor union leaders in Carabobo state have denounced that the steady decline in working conditions, the refusal of employers to recognize labor unions, violations of the collective employment contracts, and the shutting down of plants owing to the lack of raw materials are the main ills affecting labor in Carabobo. The labor unions announced that, if their claims are not dealt with, they will march to Caracas to demand their “labor rights.”

**Rescheduling the debt.** One outcome of the last meetings between government representatives and the international airlines is a new rescheduling of the debt, according to which the government will undertake to periodically authorize the conversion of bolivars obtained from selling air tickets in 2013 and 2014 to dollars. However, the international airlines requested that they be sent the new proposals in writing, signed by the government, in order to have “*the certainty of the undertaking and its validity over time.*”

**What’s happening with beef?** The Executive announced that it intends to correct distortions that have been occurring with imports of cattle on the hoof and carcass meat, since the authorities have detected 26 shell companies that were importing these items and were selling them to the highest bidder. The Minister for Food also notified that, from now on, licenses for importing meat and cattle will be given only to formally established companies, with infrastructure, that generate value for the country.

**We don’t have dollars in order to be able to import.** According to data provided by the Venezuelan Association of Medical, Dental, Laboratory and Similar Equipment (Avedem), in the 1H2014 they were only allocated US\$100 million for their imports, which the association says is only 10.0% of the dollars that companies in the sector need to meet the annual demand of the domestic market, at the very least. It also pointed out that the restrictions on foreign currency are not the only obstacle to imports, as the delays in issuing the No Production Certificates are another factor that is having an impact.

Year 10. Number 28. Week IV  
July 2014

**Industry in a nosedive.** The president of the Venezuelan Confederation of Industrialists (Conindustria), Eduardo Garmendia, stated that the debt the government has with the industrial sector is between US\$6.0 billion and US\$8.0 billion, which has forced companies to stop production or use their own funds. According to Garmendia, this situation has resulted in productivity in the industrial sector being less than 50.0%. *"We're producing at half the rate we could be producing,"* he said.

**Running out of buses.** Julio Guerrero, the president of the Interurban Transport Chamber, said that approximately 40.0% (1,084 units) of the interurban public transport fleet is out of circulation owing to the lack of spare parts, which has resulted in companies reducing the frequency of the service and eliminating routes. Guerrero also explained that the entire interurban transport fleet is imported, which means that nearly 86.0% of the parts and spares the sector uses also have to be imported.

## WORLD ECONOMY TIPS

**The tragedy of some is an opportunity for others.** The recent problems in Europe, such as the shooting down of a Malaysian passenger aircraft over Ukraine and the outbreak of hostilities on the Ukrainian border, have provoked capital flight from the European region (mainly from Russia and the Ukraine) to Latin America and Asia in recent months. Proof of this is the marked drop in the issuing of corporate debt in Eastern Europe, which has migrated mainly to Brazil.

**Acceptable growth.** China's Prime Minister Li Keqiang gave assurances that economic growth of more or less 7.5% this year would be acceptable, provided it leads to new jobs and higher wages. *"A growth rate slightly higher or lower than 7.5% is acceptable, as long as our development creates jobs, boosts incomes, is high-quality and efficient, and is energy-saving and environmentally-friendly, and is real and not inflated,"* added Li.

**Prices continue to fall.** The prices of new housing in China were down in June compared to the previous month. This is the second month running that housing prices have fallen, which gives grounds for expecting that this downward trend in prices will continue. If everything carries on as expected, Peking will face a tremendous challenge, bearing in mind that there have

Year 10. Number 28. Week IV  
July 2014

been contractions in the real estate sector in the past, such as the reduction in sales and in the construction of new housing.

**With one eye on Ukraine and the other on Iraq.** Officers in charge of monetary policy at the Bank of Japan commented that the conflicts in Ukraine and Iraq should be closely monitored as they could entail geopolitical risks. They also stated that Japan's economic recovery is on the right path and that consumer inflation will experience a temporary upturn. Furthermore, they explained that the monetary policy will remain unchanged for now and they expressed their optimism with regard to growth abroad.

**Unprecedented data.** The European Central Bank (ECB) revealed that it intends to publish an unprecedented trove of data on European banks once it has completed the revision of their health in October. This information will apparently have to do with issues such as leverage ratios, a standard level of non-performing loans, and other similar topics. The ECB took the opportunity to warn that the time it will give the banks with capital shortfalls to submit recovery plans will be no more than two weeks.

**Walking on the edge.** Figures from the ECB show that, as expected, inflation in the Eurozone continued weak in June, in what the ECB has called the "danger zone," after a drop in food prices and the prices of phone calls counteracted the increases in tobacco and restaurant prices. Inflation grew by 0.1% compared to the previous month and by 0.5% compared to the same period in 2013, unchanged from May.

**Granting an extension.** The European Union has decided to suspend the series of economic sanctions it was planning to impose on Iran until the end of November, according to a communiqué issued by the European Union. The deadline for imposing these sanctions -which were agreed in January this year and have to do with restricting Iranian exports- has been extended due to the fact that Tehran and the major powers have agreed to continue negotiations with a view to reaching a final agreement on Iran's nuclear program until November this year.

**Germany puts on the pressure.** Key actors in Germany's economic circles have started to put pressure on different governments in the Eurozone to approve economic reforms instead of depending on assistance from the ECB. The president of the Deutsch Bundesbank, Jens Weidmann, commented that the expansive monetary policy had done its part to keep

Year 10. Number 28. Week IV  
July 2014

prices stable in the Eurozone and he urged the governments to maintain the momentum with regard to reforms and to respect Europe's fiscal rules.

**More debt.** The yield of Spain's sovereign debt is getting increasingly closer to its historic lows at a time when there are plans to issue a 50-year bond that would allow Spain to extend the maturities of its debt. In line with this, the secretary general of the Spanish Treasury, Iñigo Fernández de Mesa, said that the Treasury had not ruled out the possibility of a private 50-year placement in view of the upturn in demand for ultra-long maturities by international investors, which would strengthen the possibilities of issuing what would be the bond with the longest maturity in the history of Spain's public debt.

## POLITICAL TIPS

**Was the minister being sarcastic?** The Minister for the Transformation of Greater Caracas, Ernesto Villegas, stated that "*the Venezuelan Government does not endorse invasions or illegal occupations.*" He also made special mention of the "level of organization" of the inhabitants of "Torre de David," an office building that has been invaded and has come to be known as the tallest shanty in the world. The minister met with members of this community to "*dignify the families that live there.*" He explained that, to that end, a citizen security module had been set up at the entrance to the building at the request of the inhabitants.

**Someone should make a pronouncement.** *Primero Justicia* Deputy Ismael García is to denounce "*the way in which Venezuelan government officials have made fortunes with the money of the people, subjecting them to the most serious and horrific privations*" before the United Nations and the South American Anti-corruption Commission. He said that the decision to make the denouncement was taken since no response to the evidence submitted to the Prosecutor General's Office and the Comptroller General's Office had been obtained.

**The complaints on the increase.** According to the Venezuelan Social Conflict Observatory, 6,369 protests were staged in 1H2014, which is equivalent to 35 protests a day. Seventy-two percent of those protests were in rejection of President Nicolás Maduro and 28.0% had to do with

Year 10. Number 28. Week IV  
July 2014

demanding rights. This number is 278.0% higher than the number of protests registered during the first half of 2013.

**A resounding “No.”** Responding to the letter sent by the president of Copei, Roberto Enríquez, to the president of the National Assembly, Diosdado Cabello, in which he extended an invitation to begin forming a “government of national unity” in order to start to guide *“the changes that are coming, in peace,”* Diosdado Cabello said that he would not meet with representatives of Copei because members of the opposition “will not return to power.”

**There’s no trial without a defense.** Leopoldo López’s lawyer, Juan Carlos Gutiérrez, has requested that the opposition leader’s trial be postponed until the court allows the evidence in his defense to be submitted. *“We’ve asked the court not to announce the public trial until the evidence in Leopoldo López’s defense has been submitted. If they don’t let him defend himself, it won’t be a trial.”*

**Let’s be a bit more competent, please.** Commenting on the behavior of the police forces, Ombudsperson Gabriela Ramírez said that efforts should be stepped up so that all police officers receive the proper training to make them fully aware that, when they step over the line in carrying out their duties, they are going to be sanctioned, and that, moreover, when they engage in that type of behavior they detract from the credibility and legitimacy of the police force they represent.

**UNASUR and its business.** President Nicolás Maduro announced that, starting in August, former Colombian President Ernesto Samper will be the secretary general of UNASUR and that the MERCOSUR Summit will be finally held on July 29 in Caracas, where Argentina will assume the rotating chair.

**The agreements are more than economic.** China’s President Xi Jinping announced that relations between China and Venezuela are now opening a “new chapter” of “comprehensive strategic association.” He also expressed the hope that exchanges between the PSUV and the Chinese Communist Party would continue with a view to sharing good practices with regard to the construction of the State, management, policy, and learning.

**We’re not seeing the results.** Governor of Miranda State Henrique Capriles Radonski criticized the poor results obtained following the loans received

Year 10. Number 28. Week IV  
July 2014

from China. He pointed out that, after requesting financing for building the Valencia metro, the works have still not been completed. In the same vein, despite the loans received for building housing, improving public health services, and the Ezequiel Zamora Sugar Complex, the construction of housing has declined, the hospitals do not have materials, and there is no sugar in the stores.

**In mourning.** The mayor of Arismendi Municipality in Sucre state and member of the Democratic Unity Alliance, Enrique Franceschi, died after he received 14 stab wounds. The person in charge of cleaning the building found the mayor's body. People reacted to this crime by turning out on the streets of Río Caribe, the municipality's main town, to protest at the lack of security.

**Garbage dispute continues in Sucre.** The mayor of Sucre Municipality in Miranda state, Carlos Ocariz, has requested the Ministry for the Environment to give the order to collect 20,000 tons of garbage currently piled up in Julián Blanco Yard as a result of a dispute between the garbage collection company Sabenpe and its workers. He warned that the amount of garbage could pose environmental hazards and even a fire risk in the area.

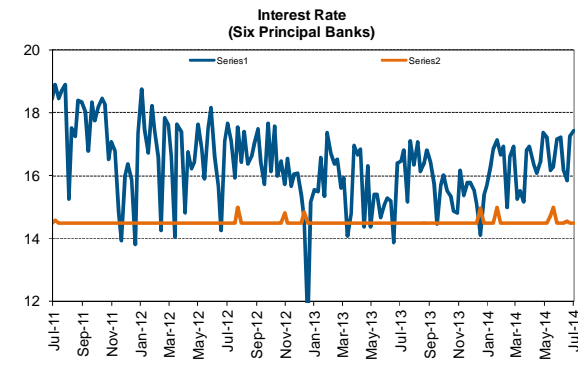
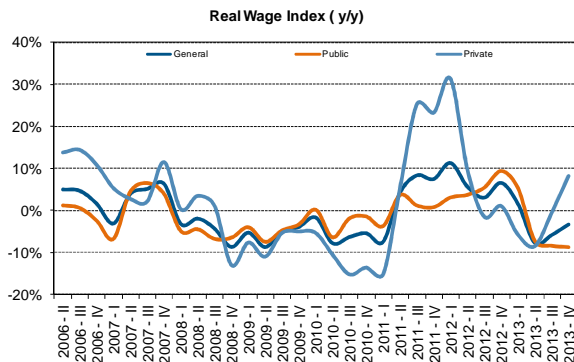
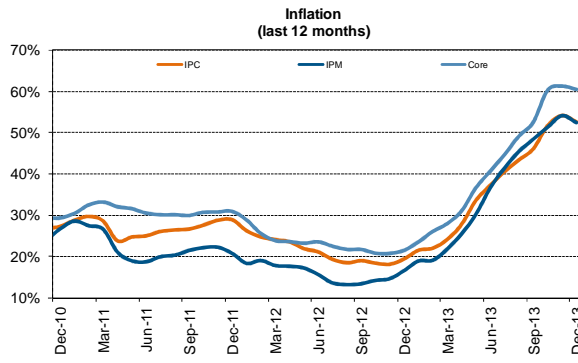
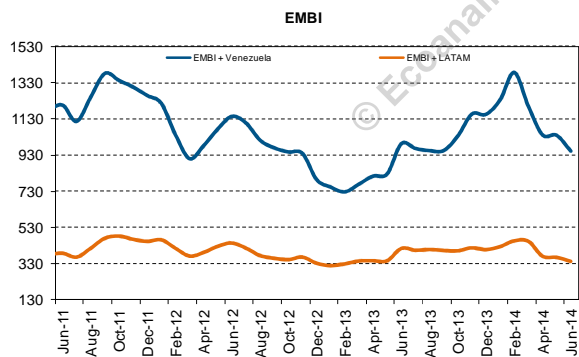
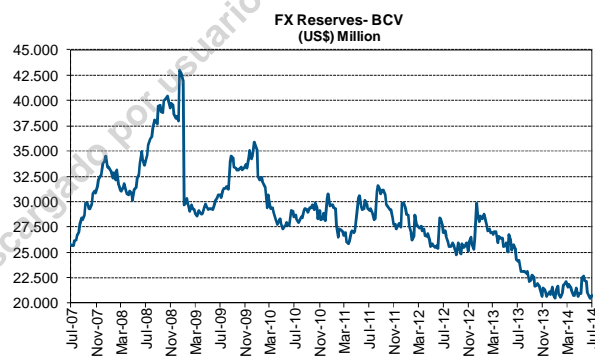
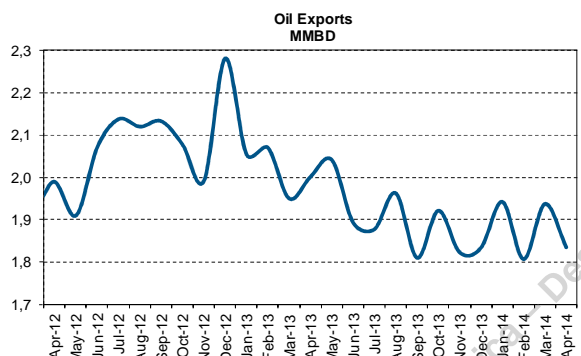
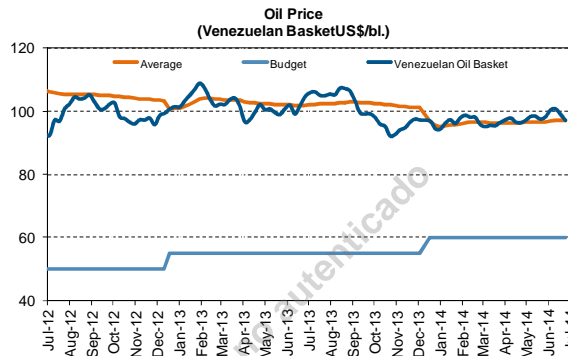
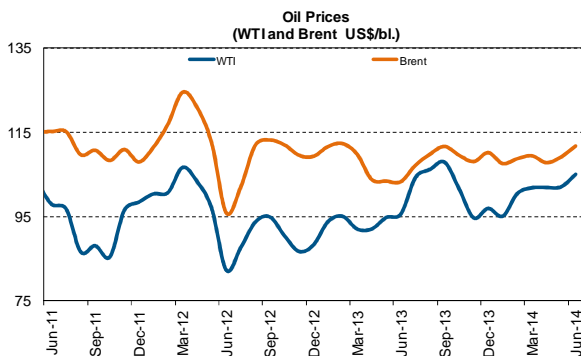
## LEGISLATIVE TIPS

**He's now got two jobs.** President Nicolás Maduro has appointed Hebert Garcia Plaza as acting president of Corporación de Abastecimiento y Servicios Agrícolas (CASA) in the place of Félix Osorio, according to a decree published in *Gaceta Oficial* No. 40,456. Following this appointment, Garcia Plaza now has two government jobs: as minister for food and as president of the agency in charge of purchasing and distributing food for the government networks.

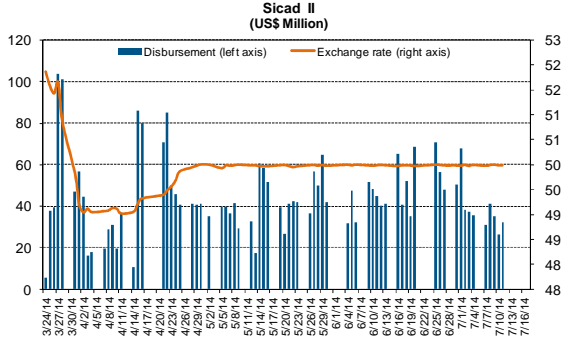
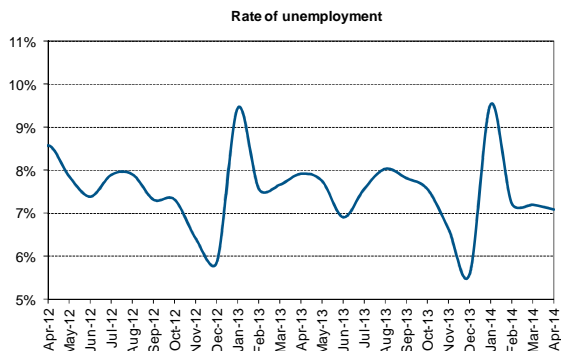
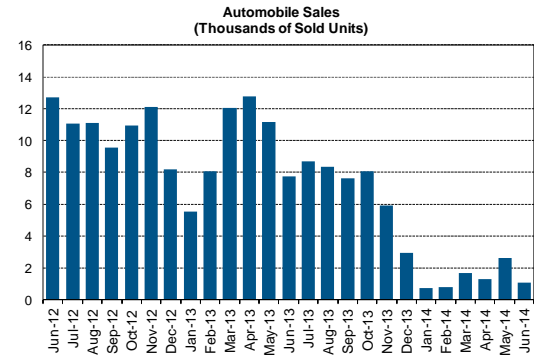
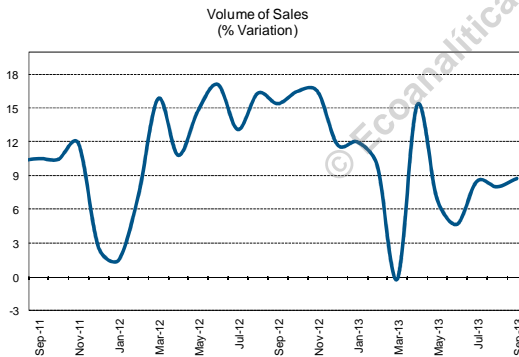
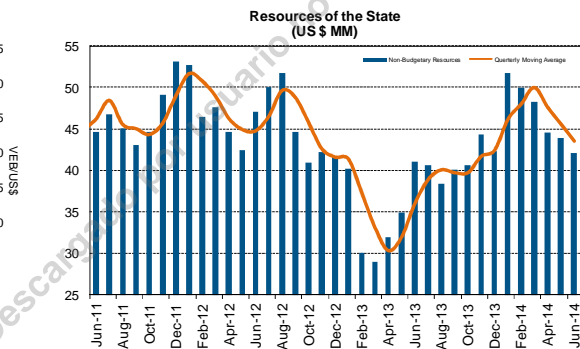
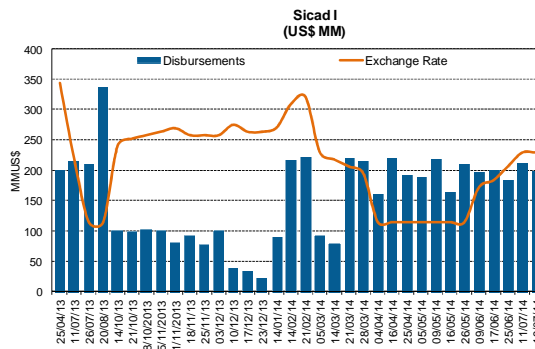
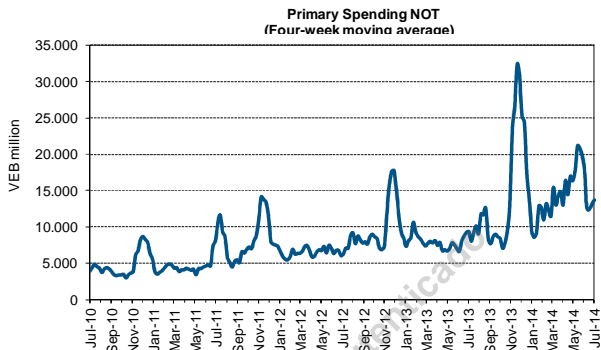
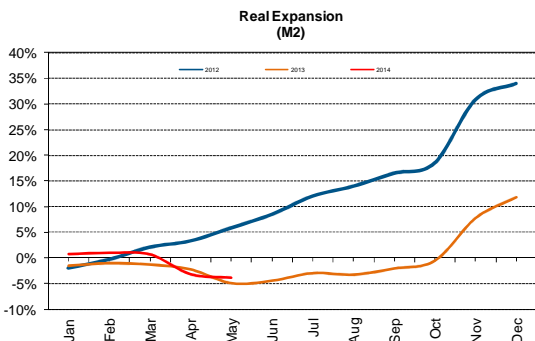
**Authorized in *Gaceta Oficial*.** The resolution issued by the National Securities Superintendency authorizing the placement of the PDVSA 2024 Bond Issue by the corporation Petróleos de Venezuela S.A. (PDVSA) in the sum of up to US\$5.0 billion and classifying it as a private offer was published in *Gaceta Oficial* No. 40.457. The issue will be denominated in US dollars, the minimum purchase will be US\$100, and payment of principal will be made in equal, consecutive annual redemptions in 2022, 2023 and 2024.

Year 10. Number 28. Week IV  
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**ECONOMIC OVERVIEW**



Year 10. Number 28. Week IV  
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