

Forbidden reproduction and/or distribution

“*Bachaqueo*”: Another Arbitrage Opportunity

The controls on prices and profits, among other factors, are the main causes of the shortages and shortfalls in supply that have the country in their grip. Since last year, these distortions have grown apace to the point where they have generated the appearance of phenomena that, while not new in the country's economic history, are having major repercussions on the economy's performance.

One of these phenomena is *bachaqueo* (resale of subsidized products at inflated prices in the informal economy), which has grown enormously in recent months and, given the present situation and the government's lack of action on the political and economic fronts, it does not look as though it will stop, at least in the short term. This report attempts to analyze: where this distortion comes from, why people engage in this practice, how much they, the *bachaqueros*, earn, what the consequences of *bachaqueo* are, and what our clients can do in this situation.

Arbitrage *criollo*-style

Bachaqueo can be defined as an activity that consists of reselling products that are regulated, scarce and/or defined as “essential” at a price that is much higher than the “official” price, dictated not on the basis of any economic criteria but by profiteering; put another way, this is a more costly distribution of goods and/or an opportunity for arbitrage¹. Some media have gone so far as to describe it as the trade of the lazy as it is not based on a productive activity but on increasing mediation in the trading of goods even more; in other words on adding more and more links to the chains of distribution.

This phenomenon is the result of the present circumstances in the economy. Shortages, which according to Datanálisis were in the region of 60.7% in May, and the controls on prices and profits that discourage the production of goods and services are the main engines driving *bachaqueo*. When goods are in short supply and the markets have run out of inventories, this results in consumers falling prey

¹ An opportunity for arbitrage exists when there is the possibility of taking advantage of the difference in prices of a given product in different markets.

to uncertainty, prompting them to resort to the people who engage in *bachaqueo*, namely the *bachaqueros*.

What is more, people's scant confidence in the economy prompts them to want to hoard as many goods possible, "just in case," which fuels the vicious circle of shortages and, therefore, *bachaqueo*.

Why do people engage in *bachaqueo*? When ends don't meet

People act when there are incentives. In an economy where inflation is galloping out of control and wages cannot keep up, people seek to increase their incomes in different ways, and *bachaqueo* offers such an alternative.

At **Ecoanalítica** we have constructed a *bachaquero's* wage that reflects what a person could earn if he were to engage in *bachaqueo* for an entire month. To do that, account was taken of which goods are resold the most, how many of these goods can be bought every week (month), and what price they are sold for in the informal markets (which at **Ecoanalítica** we estimate at between five and seven times the official price).

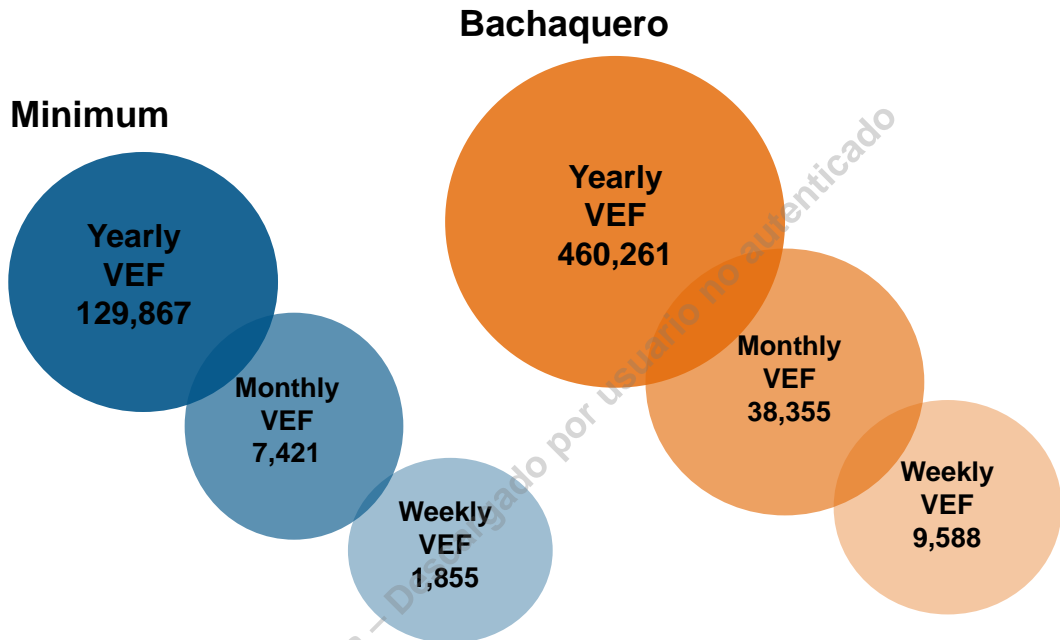
According to our calculations, a monthly *bachaquero's* wage is VEF 38,355, VEF 30,934 more than the current minimum wage (VEF 7,421) and VEF 27,233 more than the average wage in the economy². If we compare what a *bachaquero* earns in a week with what a person who receives the minimum wage earns, the difference is VEF 7,733.5 and, if we make the comparison on an annual basis, the difference is VEF 330,394³. This means that a *Bachaquero* needs approximately three and a half months to get the equivalent to the annual package of a worker earning minimum wage earnings.

² According to our calculations, the average wage in the economy is VEF 11,132. We expect it to be VEF 13,915 by the end of the year.

³ Assuming that the prices of traded goods remain stable during the time used to perform the calculation.

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Minimum Wage vs. Bachaquero Wage



Sources: INE, SUNDEE and Ecoanalítica

These differences, in a scenario of loss of purchasing power of around 14.7% in the second quarter of the year, provide the perfect incentives for people to chuck in their jobs and start to engage in *bachaqueo*. Moreover, as this is an informal job, they do not have to punch a clock, comply with a dress code or declare income tax.

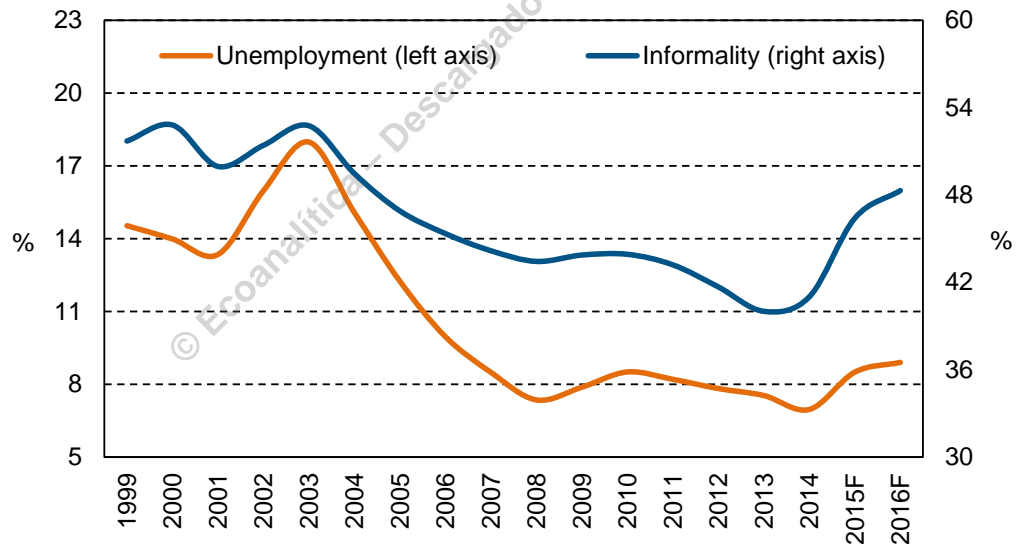
Account also needs to be taken of the fact that, given the dynamic of *bachaqueo* (selling products with no kind of restriction on prices, except those imposed by the law of supply and demand), this wage is less rigid when it comes to increases, unlike the minimum wage, which depends on government decrees, or the average wage, which depends on wage and salary agreements between the private and public sector agents in the economy.

The consequences of *bachaqueo*

The problem with *bachaqueo* is that it is a precarious “economic” activity and one that is neither optimum nor efficient when it comes to stimulating the country’s growth. This phenomenon, in turn, generates various consequences:

Increase in informal employment: There is every incentive for workers to give up their formal jobs and engage in *bachaqueo*. This, per se, is not bad, as they are seeking a better standard of living. However, *bachaqueo* falls outside the areas that are taxable by the State and the legal provisions governing employment, which means that there are less tax revenues to distribute and workers in the informal economy enjoy none of the social protection afforded by a formal job (social security, mortgages, and so on).

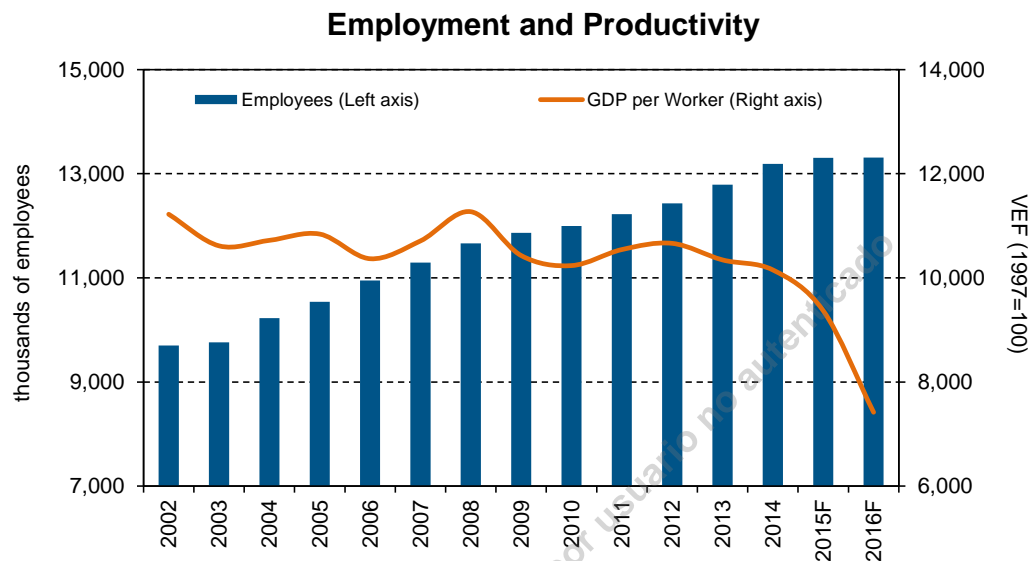
Unemployment vs. Informality



Sources: INE and Ecoanalítica

Loss of productivity and modern production methods: The time and resources spent on *bachaqueo* are not put to better use, such as working in a company or investing in human capital, which results in the loss of opportunities for learning and the creation of incentives for strengthening organizations that are trying to make the controls permanent. Moreover, there are incentives for workers with formal jobs to spend part of their working day in *bachaqueo*, which affects their productivity.

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Sources: BCV, INE and Ecoanalítica

Price distortions: The fact that products are sold at a price that is higher than the “official” price means that consumers find it more difficult to determine how much goods are really worth. Moreover, the Central Bank’s official inflation indicators do not reflect the prices at which goods are sold in the informal markets, which means that the official data do not fully represent the actual economic situation.

For that reason, at **Ecoanalítica** we have devised an underlying inflation index⁴. This indicator provides our clients with a measure of inflation that tries to reduce the effect of the structure of controls, subsidies and distortions. According to our model, underlying inflation could go as high as 291.5% in 2015, 102.3 percentage points more than the figure forecast using the Central Bank’s methodology (189.2%).

Barter as money of exchange: *Bachaqueo* has also brought back an obsolete market modality: barter. Barter is inefficient because many more resources are needed (goods and time) in order to exchange products; besides which, it is necessary for needs to coincide, which is difficult in a country such as Venezuela where there are high levels of uncertainty and distrust.

All these factors directly affect the ideal performance of the economy. In order for Venezuela to be able to grow and overcome this distortion, it is necessary for the

⁴ For more information about this indicator, please contact Fernandoa@ecoanalitica.net.

country's productive activities to increase, for workers (and therefore the economy) to become more technically skilled, and for productivity to increase.

A happy worker is a productive worker

At **Ecoanalítica** we understand that raising wages in line with inflation is practically –not to say totally- impossible. At the same time, we are aware of the restrictions and distortions that the amendment to the labor law has generated and, for that reason, we recommend that our clients take the following steps to keep their workers happy, without increasing their payroll liabilities to the point where this would put the company's liquidity and solvency at risk, and so avoid resignations that could endanger the company's operational efficiency.

- Remuneration is of key importance. Maintaining wages -as long as this does not put the company's balance sheet at risk- can weaken the impact of inflation.
- Investing in training: This is the best time for training your employees; human capital is valuable.
- Offering activities to counteract the economic and social distortions (motivational, emotional intelligence, and teamwork workshops, activities for the work team outside the office, and other similar initiatives).
- Extra-wage benefits (loans, productivity bonuses, discounts at allied establishments, etc.).
- Recognition of a job well done: This is of key importance for motivating employees to be productive.

Eliminating the distortions is not easy

Bachaqueo is not a stable activity; it depends on government subsidies, price regulation, and economic uncertainty. While we do not expect these dynamics to cease to exist in the short term, when they do, all those informal workers generated by *bachaqueo* will be extremely hard hit, will join the ranks of the unemployed, and their standard of living will nosedive, particularly if the formal economy is not able to respond to the sudden drop in *bachaqueo*.

Taking economic measures to eliminate the distortions is not easy, particularly in an economy where the government has made it its business to aggravate them in the lower echelons of society. However, if the authorities want to eliminate or, at least, reduce phenomena of this type, it will have to: redesign the system of subsidies;

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eliminate the controls on prices and profits that are strangling the country's production chains; provide private companies with incentives to increase production; dismantle the bureaucracy that has grown up around the production and distribution of goods; and generate a climate of confidence.

Lesner Castillo

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WEEKLY INDICATORS

Weekly Economic Indicators			
	II Week July	Weekly var. (pp)	Annual var. (pp)
Lending interest rate (%)	19.9	0.5	2.6
	3rd Week July	Weekly var. (pp)	Annual var. (pp)
Overnight interest rate (%)	9.4	3.9	-5.4
	2nd Week July	Weekly var. (%)	Annual var. (%)
International reserves (Bn US\$)	16.25	2.4	-20.1
	3rd Week July	Weekly var. (%)	Accum. var. (%)
Central Government spending (VEF Bn)	56.1	172.2	62.1
	2nd Week July	Weekly var. (%)	Annual var. (%)
Monetary liquidity (VEF Bn)	2,676	0.5	83.1
Price of International Oil Baskets (US\$/bl)			
	3rd Week July	Weekly var. (%)	Annual var. (%)
WTI	52.1	-2.2	-48.6
Brent	57.9	0.1	-45.5
Price of the Venezuelan oil basket (US\$/bl)			
	3rd Week July	Weekly var. (%)	Annual var. (%)
Weekly average	49.9	-1.6	-47.3
Annual average	49.8	0.0	-48.6

Sources: BCV, Menpet, ONT and Ecoanalítica

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GRAPH OF THE WEEK: "2015: A MORE SERIOUS CRISIS"

Venezuelan Economy Indicators		
	2009	2015F
GDP Growth (%)	-3.2	-8.6
Consolidated Public Sector's Results (%GDP) ¹	-8.8	-20.2
Official Exchange Rate (VEF/US\$)	2.15	6.30
Unofficial Exchange Rate (VEF/US\$)	5.9	633,5*
Year-on-Year Inflation (%)	25.1	189.2
Operative Reserves (billion US\$)	17.6	2.7
Foreign Debt Service (US\$ billion) ²	8.7	10.4
Commercial Debt (US\$ billion) ³	2.6	26.1**

Sources: Barclays, MEDFBP, BCV and Ecoanalítica.

¹ (+/-) Superavit/Deficit. Includes Central Government, PDVSA and Non-Financial Public Enterprises.

² Excludes chinese debt.

³ Excludes dammed dividends in companies balances.

* Figures of July 22nd, 2015.

** Results for the 1Q2015.

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ECONOMIC TIPS

Meeting targets or underestimating them? The SENIAT has already met its tax receipts target for this year (2015), achieving the figure of VEF 510.0 billion, which is equivalent to 100.1% of the target set; in other words, it has overshoot its target when there are still five more months to go before the end of the year. Seniat Superintendent José David Cabello said that all amounts received in excess of the target will be allocated to increase social spending.

Money for the freeways. Corporación Andina de Fomento (CAF) has granted the Venezuelan Government a US\$300 million loan for improving the road infrastructure's transitability and levels of service. The development bank's program for this sector will support the continuity of the National Road Maintenance Program, which is part of the Ministry of Overland Transport and Public Works' Guideline Plan 2013-2019.

And for development as well. CAF also signed a US\$100 million uncommitted revolving line of credit for Banco de Desarrollo Económico y Social de Venezuela (Bandes) to provide financing for development and expansion projects of public sector and private companies of up to US\$10 million each. The lines of credit will be for projects in infrastructure, energy, oil, tourism, SMEs, and other sectors.

We need to simplify things. According to Rodrigo Cabezas, the vice president for international affairs of the United Socialist Party of Venezuela (PSUV), the country's present foreign exchange scheme, which has three exchange rates, generates "*distortions in costs and sends people the wrong message.*" Cabezas said that it is important to start by simplifying the foreign exchange system, as, in his opinion, the price of oil will stabilize at US\$50 or US\$60 a barrel.

The world's cheapest hamburger. According to the Big Mac Index, which is calculated by *The Economist*, Venezuela has the most undervalued currency and, as a result, a hamburger in our country costs the least anywhere in the world. According to this indicator, on July 15, 2015, a hamburger in the United States cost US\$4.79, whereas in Venezuela it cost US\$0.67; in other words a difference of US\$4.12.

Set for hyperinflation. According to the director of the Documentation and Social Analysis Center of the Venezuelan Teachers' Federation (Cendas), Óscar Meza, if the cost of living in Venezuela continues to increase, the country will enter a

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hyperinflationary spiral. According to Cendas' calculations, the cost of the family basic basket went up by VEF 24,027 to VEF 54,204, which is the same as eight minimum wages, an increase of 124.0%.

OIL TIPS

Against all expectations. Although the market's first reaction following the agreement between Iran and the developed powers was a sharp drop in crude prices, they then posted an upturn. The initial drop had to do with the perception that Iran had the capacity to swiftly inject around 1 million barrels a day (1.0 mb/d) into the market. However, following that first reaction, prices began to climb back when it was realized that Iran's production would not immediately increase the world supply of crude.

Shale oil is still holding its own. While big world crude consumers are taking advantage of the low prices to pile up inventories, producers expect a drop in the output of high-cost shale oil. The number of active shale oil drills in the United States has dropped significantly to around 850 at the moment. Analysts estimate that, given the new situation, that figure will continue to fall, which means that the production from members of the Organization of Petroleum Exporting Countries (OPEC) will recover market share.

Another factor in the mix. According to analysts at JP Morgan, the current downward pressure on oil prices is due to increased production by Iraq and not to the future expansion of Iranian exports. Iraq has been steadily increasing its output, going from 3.26 mb/d in 2014 to 4.01 mb/d in June 2015. Some estimates indicate that Iraq's annual increase in output could surpass that of Saudi Arabia, which is the main contributor to the present growth in OPEC production.

It won't be that fast. Moreover, despite the fact that the economic sanctions on Iran have been lifted, analysts at JP Morgan consider that it is not likely that Iran will be able to export significant volumes in the near future, given that it needs to reactivate its production infrastructure, in addition to the fact that the process needs to be upgraded with the new technologies.

Looking for more gas. The Ministry for Oil and Mining announced the search for new natural gas deposits in nontraditional areas such as El Roblote Field located in McGregor Municipality, Anzoátegui state. According to Vice Minister of Gas José

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Gregorio Prieto, this field could have some 200 million cubic feet (mmcfd) of gas, which could generate between 7,000 and 10,000 barrels of natural gas liquids (NGL). Prieto explained that the idea is to cater to domestic demand and also export to the islands in the Caribbean.

Scant credibility. The failure to keep to the Plan of the Fatherland in the matter of exploiting gas and the drop in the supply of natural gas in Venezuela forced PDVSA to import gas from Colombia for eight years. In 2014, production came to 7,422 mmcfd, which left a domestic deficit of 2000 mmcfd of natural gas. With the new finds, the government hopes to reach average production of 10,494 mmcfd by 2019. However, analysts have serious doubts that this initiative will come to anything, given that the production targets proposed by PDVSA in the past ten years have not been met.

To come on line soon. The catalytic cracking unit at Amuay -Venezuela's largest refinery- is to start up on July 25, according to announcement made last week by PDVSA. Venezuela's crude upgrading and refining circuit has been plagued by constant incidents and unscheduled stoppages, which have generated fuel shortages. PDVSA guaranteed fuel stocks in order to be able to meet its domestic and international commitments.

Bit by bit. Secretary for Infrastructure and Commissioner of Zulia State Government for the Installation of the Gasoline Supply Card (TAG) Jairo Ramírez announced the automation of three new service stations in Maracaibo. This system will be brought on line gradually, said Ramírez. He also called on people who have not had the card installed to go to the registration points, which are not busy at the moment, *"because we're going to gradually reactivate service stations, and that way people are going to avoid inconveniences."*

BUSINESS SECTOR TIPS

The government imposes measures. The National Guard ordered private food companies to dispatch and send most of their merchandise to the state-run food chains (Mercal, Bicentenario, and Pdval). The president of the Venezuelan Food Industry Chamber (Cavidea), Pablo Baraybar, said he was very worried about this measure as it will affect more than 80,000 points of sale around the country. Baraybar said that, by sending supplies to the smaller network of government-run

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points of sale to the detriment of the private network, people will have less access to different product items in various parts of the country.

Undoing the done. Nevertheless, the Superintendencia Nacional de Gestión Agroalimentaria (Sunagro) informed, through their website, the suspension of the order that established addressing certain items from private enterprises to public state owned chains, after that many critics were received from the private sector.

More imports to supply the market. The President of Uruguay, Tabaré Vázquez, proposed to the Venezuelan Government that Uruguay increase its food exports to Venezuela to US\$1.0 billion in 2016. The offer was made by Vázquez during the Mercosur summit and, according to Uruguayan government spokespersons, was “*very well received*” by the Venezuelan Executive. Vázquez’ proposal seeks to expand an existing agreement for the sale of 265,000 tons of Uruguayan food products to Venezuela through to the end of this year.

Everything guaranteed for the new school year. Minister for the Economy and Finance Rodolfo Marco Torres said that the entire inventory of raw materials for school supplies had been reviewed at a meeting with the Minister of Education and that approvals had been given for those items and the corresponding disbursements made via Cencorex so as to guarantee supplies for school year 2015-2016. “*We’re checking the stocks of textbooks, notebooks, uniforms, and materials for the start of classes throughout the country,*” added Torres.

Beer, a species in danger of extinction. The national director of the Venezuelan Federation of Liquor Stores and Similar Businesses (FVLA), Fray Roa, warned of the possible closing down of liquor stores owing to the shortage of beer and the high prices of liquor. He explained that the breweries do not have the basic inputs and that four of the main breweries (in Aragua, Anzoátegui, Zulia, and Capital District) could close down in August. “*Even if the government were to pay (the foreign currency to buy the materials) today, they will have to close down anyway because the product takes between 45 and 70 to process.*”

As though that were not enough. The national director of the FVLA, Fray Roa, said that a new directive that makes it compulsory to pay 50.0% of the retail price and the 12.0% in VAT in advance could put up the price of liquor by between 400% and 500%. Roa said that the FVLA had sent a communication to the Executive and to Seniat in the hope that measures will be taken to avoid the bankruptcy of a large number of establishments that sell liquor and the dismissal of workers, given the impacts that the new measures would have.

Cheap tourism. The Higher Tourism Council (Conseturismo) reported that national tourism is expected to increase during the school vacations, but in nontraditional destinations (Delta Amacuro, Monagas, the beaches of Vargas, and the Aragua coast are just some). The reason why people have decided not to take their vacations in traditional places such as Los Roques, Margarita, and Canaima, is to keep down travel costs. He explained that a stay of four days and three nights in Los Roques costs between VEF 100,000 and VEF 120,000, approximately.

Everything's going swimmingly. Carmen Padilla, the general manager of Industrias Uniplásticas (Uniplast), stated that growth expectations for the plastics industry are positive, despite the contraction posted by the sector in previous periods. She claimed that, with the completion of two polystyrene production lines at El Tablazo Petrochemical Complex, the volume of materials needed to balance the production of plastic for this year will be guaranteed.

WORLD ECONOMY TIPS

Tightening the screws. The US Federal Reserve (FED) has adopted a rule so that the eight largest banks in the United States can increase their net worth. The regulatory body wants the banks, whose bankruptcy could pose a threat to economic activity, to finance themselves more with shareholders' capital and less with depositors' funds. The rule also seeks to discourage banks from depending on terms of financing that are unstable in the short term, a factor that, according to the FED, contributed to the 2008-2009 financial crisis.

With a new boss. The International Monetary Fund (IMF) has appointed Maurice Obstfeld as its new chief economist. Obstfeld is an academician who has been acting as an economic advisor to the White House and who is known for his research into money flows and international finance. According to IMF Managing Director Christine Lagarde, someone with Obstfeld's profile is needed at the IMF given the present economic situation in which the world's main economies are performing.

Wage increases. According to the US Bureau of Labor Statistics (BSL), the average monthly wage of a fulltime worker in the United States was US\$803 in the second quarter of the year, an increase of 2.7% (US\$21.7) compared to the same period last year, but practically unchanged from the previous quarter, since it went up by only one dollar.

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An enviable rate of inflation. According to the BLS, inflation in June in the United States was 0.1%, year-on-year, up 0.5 of a percentage point compared to the same period last year (-0.4%), whereas, month-on-month, it was 0.3%, down 0.1 of a percentage point compared to the previous month (0.4%). Inflation for the first half of the year was 1.7%.

Proposing alternatives. Government officials from the world's main emerging countries, the BRICS (Brazil, Russia, India, China, and South Africa), launched their New Development Bank (NBD) backed by Beijing as a new alternative to existing banks, such as the World Bank. The new bank will finance infrastructure and development projects in the BRICS. According to the president of the NBD, Kundapur Vaman Kamath, "*Our objective is not to challenge the existing system as it is but to improve and complement the system in our own way.*"

Homes rise in value. In China, the prices of housing in June rose for the second month running, indicating that the efforts made by the government to boost the real estate market, which has suffered some mishaps in recent months, are starting to bear fruit. The average price of new homes in China went up by 0.2% in May compared to April, whereas in June they went up by 0.4%, in other words an increase of 0.2 percentage points.

A Central European Government. France's President François Hollande called for the creation of a government in the Eurozone and for a renewal of faith in Europe. Hollande pointed out that the 19 member states of the Eurozone had opted for joining the Eurozone for the benefits and that no one "*has taken the responsibility of leaving.*" The French President also said that Europe had allowed its institutions to become weakened and admitted that the 28 member states of the European Union were "*struggling to find common ground to move forward.*"

Speed is the key. Germany's Chancellor Angela Merkel said that the European Union will have to act fast after having approved a new bailout program for Greece because, while the banks are to reopen, there will still be restrictions on cash withdrawals and the capital controls will remain in place. Greeks will be able to make a single withdrawal of EUR 420 a week instead of EUR 60 a day. The cautious reopening of the banks and the raising of certain taxes aim to restore confidence in Greece and abroad.

Paying its debts. The IMF announced that Greece had settled its debt of EUR 2.0 billion and that, therefore, it is no longer "in arrears" to the IMF, after having fallen into default in June, the first advanced country to do so in the Fund's history, said

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IMF spokesman Gerry Rice in a communiqué. Rice reiterated that *“the Fund stands ready to continue assisting Greece in its efforts to return to financial stability and growth.”*

POLITICAL TIPS

Fewer protests, the same reasons. According to the Venezuelan Social Conflict Observatory (OVCS), there were 2,836 protests in the first half of the year (1H2015), 83.0% of which were to demand work, better wages or housing or to protest over problems with the water supply or shortages of food and medicines. While the OVCS' figures show that the number of protests have gone down by 55.0% compared to 2014, it does not discard the possibility that this is due to the fact that the date of the parliamentary elections (December 6) is drawing near.

One more disqualified. The Comptroller General's Office disqualified former Mayor of San Diego (Carabobo state) Enzo Scarano from holding elected office for a period of one year. It is assumed that the measure against Scarano was taken because he did not submit a detailed statement of his assets. *“Unfortunately, they are using the Comptroller General's Office to disqualify those of us who are working for Venezuela,”* complained Scarano, a member of the opposition, who denied having committed any irregularity during his time at the head of the Mayoralty of San Diego.

It could have been worse. Former Governor of Zulia Pablo Pérez has been banned from holding government office for a period of ten years after the Comptroller General's Office disqualified him for reasons as yet unknown. Pérez insists that he will exhaust all the jurisdictional mechanisms to fight against what he considers to be a “confiscation” of the branches of government by “a political party,” and a sanction that is due to the government's “fear” of defeat.

Another political victim. Former Mayor of Páez Municipality in Apure state has been served a summons by the Vice Minister for Internal and Legal Certainty Policy at the Ministry for Homeland Affairs, Justice and Peace due to a discrepancy in her Report and Accounts for 2014. The political leader claims that the ministry is looking for a way to disqualify her because she is to run as a candidate at the National Assembly (AN) elections.

Stop being afraid. The Democratic Unity Alliance (MUD), through its executive secretary Jesús Torrealba, claimed that the disqualification of members of the

opposition that attempts to prevent them from holding public office is “a clear confession of weakness by a regime that has dirty tricks but not the votes.” Torrealba pointed out that what the government wants to achieve with these measures “is to get us talking about the disqualifications, the persecutions, the aggressions against opposition candidates and leaders so that we stop talking about the drama of the queues, the food shortages, the destruction of the bolivar, and the atrocious lack of security.”

And even so they want to be reelected. Fifteen (46.9%) of the 32 regular deputies who are to run for reelection at the parliamentary elections never submitted reports of their activities in office, another 16 (50.0%) did so only sporadically, and only one (3.1%) rendered an accounting every year, despite the fact that this is mandated by the Constitution in the interests of transparency. Fourteen of the 15 who never submitted a report are from the government benches and only one is from the opposition benches.

Taken together we're more. The national coordinator of *Primero Justicia*, Julio Borges, admitted that it will only be possible to obtain a resounding victory at the parliamentary elections in December if they use a single ballot sheet, because this would guarantee that there would be “a single command team, a single message, and a single effort.” For that reason, he extended a new invitation to the factors making up the MUD to support the initiative for the single ballot sheet for the upcoming parliamentary elections.

Fair elections. Twenty-seven former Iberian-American presidents who support the Democratic Initiative of Spain and the Americas (IDEA) have called on President Nicolás Maduro to ensure that the parliamentary elections are “free, fair, and impartial” and expressed their willingness to “collaborate as observers so that the elections are held in a climate of confidence and total transparency.” The former presidents also called on Maduro to “respect freedom of expression and to allow the press to freely exercise the right of citizens to information.”

Elections are the only thing that motivates them. The president of the AN, Diosdado Cabello, claimed that the opposition deputies are politicizing the Essequibo issue and that they only voted in favor of the motion in support of the government in connection with the Venezuela-Guyana dispute for electoral reasons, whereas, as far as those who support the government are concerned, the defense of the Essequibo region “is part of what being Bolivarian patriots means.”

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Indirect rapprochement. Following a meeting at which Cuba and the United States restored their diplomatic relations, which were broken off in 1961, US Secretary of State John Kerry said that his country would like to have normal relations with Venezuela. Kerry expressed the hope that the restoration of diplomatic relations with Cuba could encourage greater dialog with Venezuela and even help Colombia to put an end to more than 50 years of war.

In defense of the political prisoners. The wife of opposition leader Leopoldo López, Lilian Tintori, announced the visit by Senator Dionisio García and Senator Ander Gil (Spain) accompanied by senators from Uruguay and Argentina. They are to visit Venezuela in order to learn firsthand of the present situation of the political prisoners following accusations of violations of their right to due process. Tintori thanked the pronouncement made by the 28 former presidents, who demanded that Venezuela's electoral branch offer guarantees to ensure that the parliamentary elections are free, fair and competitive.

LEGISLATIVE TIPS

Defending what is ours. According to a decree issued by the Presidency of the Republic, the Territorial Sovereignty and Peace Act was published in *Gaceta Oficial* No. 40,701. The new law seeks to draw attention to matters involving the country's border areas and establish the country's geographic space as a zone of peace in accordance with constitutional values, principles and norms, besides establishing a Presidential General Staff Commission for Guaranteeing Territorial and Border Integrity that will have to submit a quarterly report with recommendations, analyses, planning, and follow-up actions in connection with border affairs.

Scant legislative output. The AN, whose new members are to be elected on December 6, has little to show for its efforts so far this year. In the first half of 2015, it passed only two laws: the Anti-imperialist Special Powers Act and the Master Fire Department Service and Civil Emergency Administration Act. The Legislature's least productive years (2011, 2014, and 2015) have coincided with the periods covered by the special powers acts granted to Hugo Chávez and Nicolás Maduro.

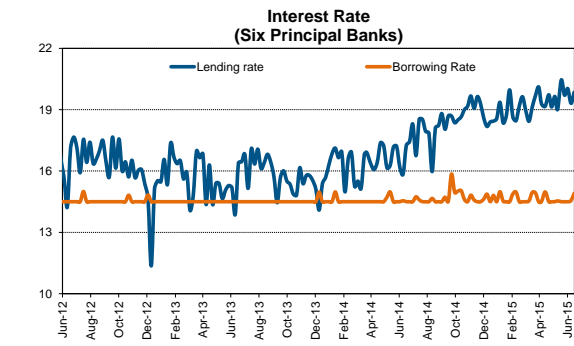
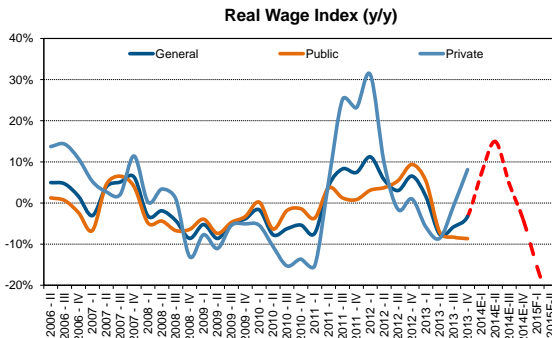
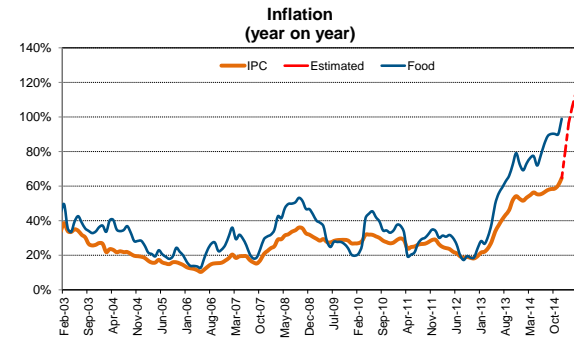
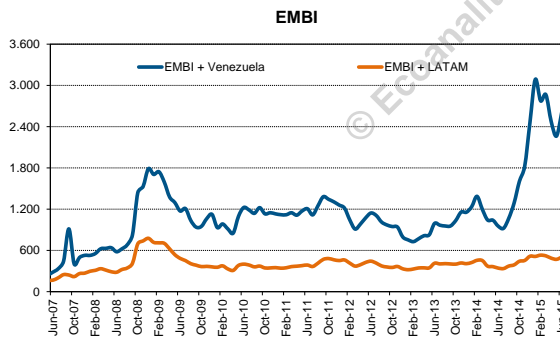
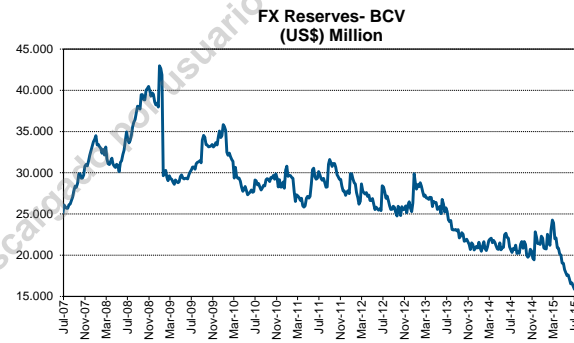
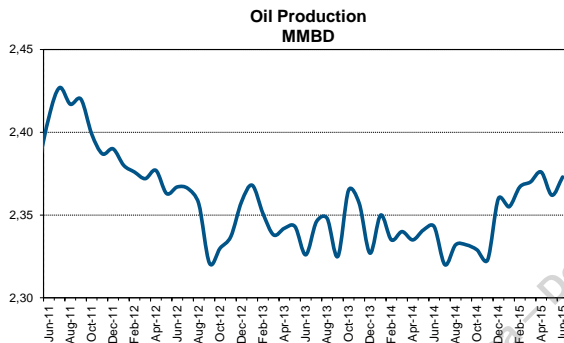
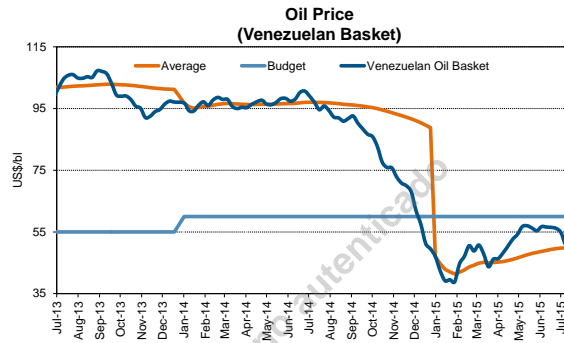
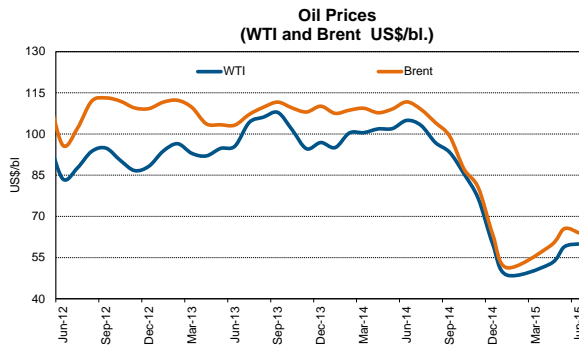
They're even going to audit Seniat. A resolution has been published in *Gaceta Oficial* No. 40,706 according to which the Seniat's Internal Audit Office, an agency attached to the Ministry for the Economy and Finance, is to be audited. According

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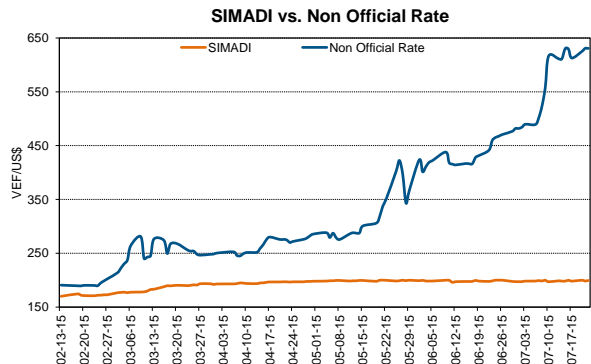
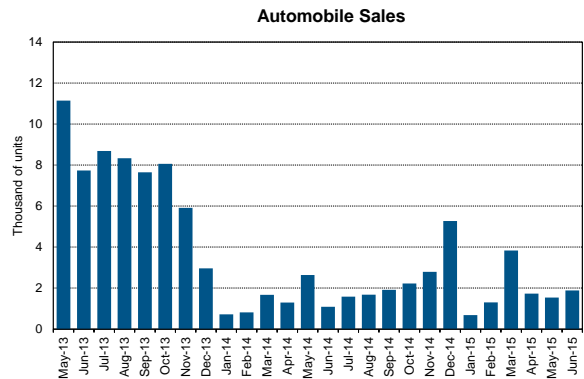
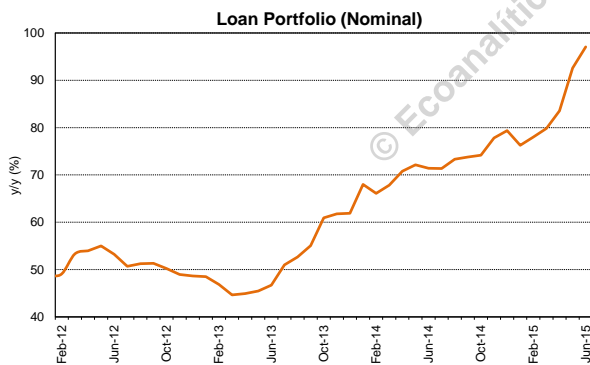
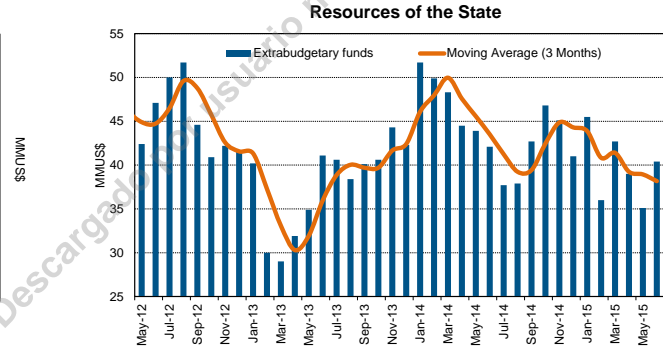
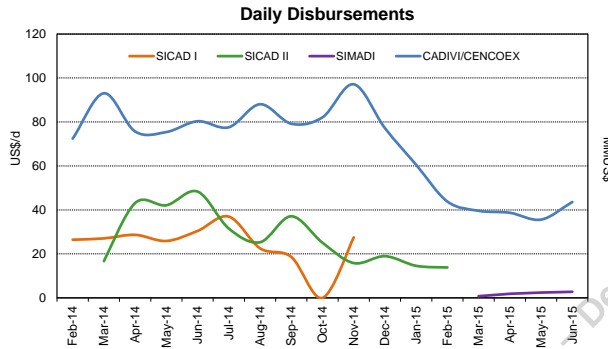
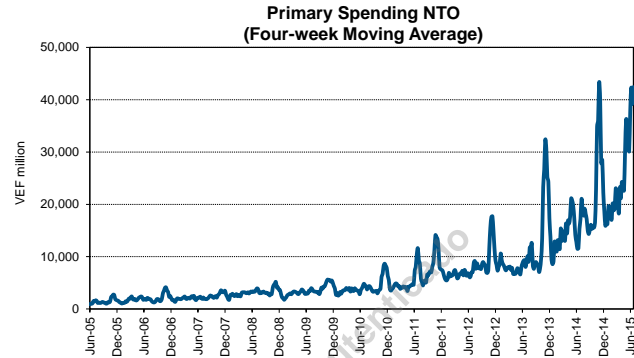
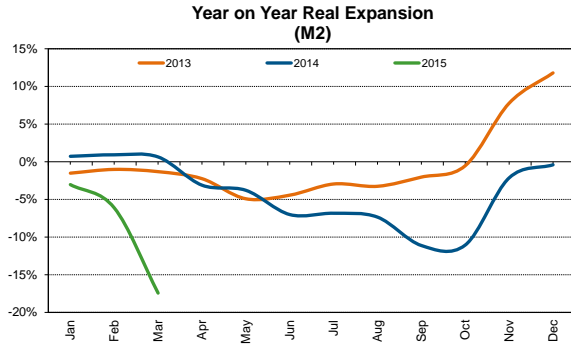
to the resolution, Asdrúbal Romero has been appointed as the internal auditor and he will have to submit a report of his findings to the Comptroller General's Office.

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ECONOMIC OVERVIEW



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