



Weekly Report

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Venezuela's electric power crisis

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On the economy scene, during the last few weeks, two issues have been the focus of the public's attention: the devaluation of the bolivar and all its implications and the problem with the electric power and the rationing that was implemented by the Government and then discontinued.

In our first Weekly Report of the year, we briefly commented on the fiscal implication of the recent devaluation and how it would affect imports. In this report we will concentrate on the some of the aspects that have to do with the potential "electric power crisis" that the country is facing.

Electric power rationing announced in 2009

On December 22, a series of measures to be applied nationwide appeared published in the *Gaceta Oficial*. Among these measures was a plan to ration electric power to shopping centers and malls. The plan including rationing the power of heavy industry that consumed more than 5MW in power and rationing the power of light industry, shopping centers, and residential complexes that consumed more than 2MW of power. These installations must present a program to lower their electric power consumption by at



least 20%. The resolution also stated that shopping centers would only be allowed to use electric power between 11:00 am and 9:00 pm.

During the first days of 2010, after having become aware how the population in general completely rejected the measure, representatives of the government announced to the public that the measure had misinterpreted. That theaters, restaurants, or night spots located with a shopping center were no subject to the electric power rationing.

It's important to point out that since September 2009 many regions around the country have been suffering from repeated and frequent power outages which played a part in the feeble growth rate posted in the fourth quarter 2009.

It seems like the situation is worse than previously thought

It seems like the country's electric power situation is worse than previously thought just a few weeks ago. We say this because now, even President Chávez is addressing the issue, talking about the effects of "El Niño" and the high rate of electric power consumption. Since the President has begun to address the issue directly to the people leads us to believe that the problem is much worse than previously thought.

The electric power rationing plan was first announced by the Minister of Electricity and the president of EDC. The plan was to cut power for 4 hours during the day nationwide. But, a day after the plan was implemented, admitting that a mistake had been made, President Chávez canceled the rationing plan for the Caracas area. He also took advantage of the event to replace the Minister of Electricity. He also reminded the people that the problem was real and that everyone should do their part to cut down on electric power consumption.

The El Niño effect

In regions around the country, the rationing plan is still being implemented. A number of factors play a part in creating the current electric power crisis, such as erratic rain patterns (or the lack of rain) cause by the effects of El Niño, and the ever increasing level of power consumption being registered these past few years, and the lack of investment (or carrying out investment plans) to develop electric power works.

The Government, and especially President Chávez, has made a point of highlighting the first to factors. How the dry season has been worse than expected due to the El Niño effect, and the ever increasing electric consumption levels.





The magnitude of the problem and of the “solution”

According to a report released by the electric company *Electrificación del Caroní, C.A.* (Edelca), the country has to lower its consumption by 1,600 MW, during the next four months (now, around 120 days left), in order to avoid the collapse of country's electric system if the water levels of the Guri continue to drop. Guri water levels closed 2009 at around 260 meters above sea level. Even though this isn't the lowest the water level has been (in 2003 it was at 245 meters above sea level), projections indicate that if consumption levels continue as they are and the lack of rain continues, it's possible that the water level will drop to 240 meters above sea level. If this happens, then 9 of the 20 turbines that Guri has to generate power must be shutdown. At the moment, 16 of the 20 turbines are working.

To get a better grasp of what is being said, the 1,600 MW in consumption that has to be cutback represents around 11.4% of Venezuela's total power demand. The total power consumption of the basic industry in Guayana equals 1,840 MW, and the total demand for power nationwide is at 14,100 MW. Guri generates around 6,200 MW of the 9,870 MW that the Edelca power company generates.

The impact the measures will have

According to estimates carried out at **Ecoanalítica**, the measures that have been implemented up until now (electric power rationing nationwide, except in Caracas, and the cutback on the use of power by public institution by shortening the work day and lowering production levels at the basic industries in Guayana, and the possible incorporation of electric power generating units) adds up to around 840 MW being saved in consumption, which is not even close to what is needed. So, new measures are sure to come in the following days, weeks, and/or months.

A useless nationalization

At the beginning of 2007, the current Administration decided to nationalize La Electricidad de Caracas (EDC) (Caracas Electric Power Company) which was being run by the U.S. company AES Corporation. The reason given for the nationalization was that the electric power sector was considered by the Administration as being a strategic sector, one that must be run by the Government. The nationalization cost over US\$739 million, which PDVSA paid, and the Government created the Corporación Eléctrica Nacional (Corpoelec) (National Electric Corporation). Now we ask ourselves, what good came of said nationalization? The EDC hasn't improved any and investments are down to all time lows. In the past, when the EDC was privately run, investments ran around US\$ 100 million a year. So, during the past 3 years, the Administration has had more than US\$ 1.10 billion available that they could have invested in the electric power sector and/or used to finance the construction of some thermoelectric plants.



**The subject of
the electric
power rates**

Another important issue which has to do with the integral policies that govern the electric power sector has to do with the rates being charged for electric power. Electric power rates are regulated by the Organic Law for Electric Power Service which went into effect in 2001. Article 79 of said law establishes four fundamental aspects which must be met with respect to establishing a Rate Regimen: 1) Stimulate the efficiency of companies and the rational use of power; 2) Insure the minimum cost for service which is compatible with the quality of the service and guarantees the supply; 3) Consider the reasonable differences that exist between the different types of service, taking into account how the supply is being delivered, the geographic location of the client, and any other characteristic that the National Electric Power Commission classifies as relevant; 4) Allow transmitters and distributors access to efficient operation conditions and to obtain reasonable profits comparable to activities of similar risk.

Electric power rates are regulated by the State through the Ministry of Energy and Petroleum (MEP). Current rates are published in the Gaceta Oficial No. 37.415 dated April 3, 2002. Besides the rates, there are two factors that are periodically adjusted by the MEP which are: the FAP (Price Adjustment Factor) and the CACE (Charge for the Adjustment of Fuel and Power).

Given that the rates haven't been reviewed since 2002, the demand for electric power has increased more than desired. It's important to point out that the highest rates being charged don't cover even half of the cost of generating the power, without including the cost of transmission and distribution. The lower rates being charged are insignificant, almost giving away power. According to experts, current rates are 3 times below the cost of generating electric power. In this context it is very difficult to get people to use power efficiently and even more difficult to guarantee a viable long term investment plan for the sector. Investments calculated for the next five years to improve the national electric power system (installing around 8,900 MW in thermal electric power) are close to US\$ 14.0 billion. This means that the rate adjustment should keep step with investments and associated costs.

Unfortunately, due to a lack of investment in the electric power sector, Venezuela is now facing a period of serious problems with respect to electric power service. How long it will last and how bad electric power service will get will depend on the investments made in the next few years.



Economic Tips

Dollars will be liquidated at 2.6 VEF/US\$. The Government declare that every currency authorized by Cadivi before January 8, and have not been liquidated by the BCV, will have an exchange rate of 2.6 VEF/US\$. This measure was formalized in the Gaceta Oficial number 39,349, published on January 19, although, if any liquidation was approved before January 8, the operation will be made at 2.15 VEF/US\$. As sources of Ecoanalitica by December 31 the amount of authorizations was US\$7 billion, so in the first week of January there should not be a significant variation.

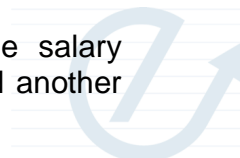
Goal to bring swap-market rate down to VEF4.3/US\$. President Hugo Chávez emphatically stressed that the strategy implies “taking the parallel market exchange rate down to the level of the Petro-dollar (VEF4.3/US\$), and we are going to do it.” The first steps towards achieving this strategy began last week with the issue of US\$100 million in 90 day exchange bonds issued by the Central Bank. With this issue the Central Bank directly intervened in the swap-market, lowering the parallel market exchange rate from VEF6.4/US\$ to VEF5.8/US\$. It’s vitally important that the Government lower the parallel market exchange rate since it puts so much pressure on prices.

Third issue of exchange bonds announced. Following the trend started last week with the first two installments of the issuing of exchange bonds for US\$50 million each, this past Tuesday the third installment of exchange bonds was issued, this time for US\$40 million. The characteristics of the bond remained the same, 90 days, zero coupon, single payment at maturity. The minimum amount of investment required is US\$1,000 or multiples of a thousand. The price is at 112% with a 1% commission.

Official naming and merger of Ministries. The *Gaceta Oficial* published on Tuesday, January 19 officially named Jorge Giordani as the new Minister of Finance, ministry which was recently merged together with the Ministry of Planning. Former Minister of Finance, Alí Rodríguez Araque, was named Minister of Electricity.

Possible debt buyback in the works. According to former minister of Economy and Finance, Alí Rodríguez, the Administration is studying a plan to buyback debt. No mention was made if foreign or domestic debt. Around the close of 2009, the Government carried out a buyback operation for US\$200 million.

Salary adjustment will not be enough to cover what’s coming. The salary adjustment has been announced. Rases will be issued in March (10%) and another





raise in September (15%). Total salary adjustment will be for 26.5% which will take the minimum wage from VEF 967.50 to VEF 1,223.89. This stands out because just the increase in basic goods, which will use the VEF2.6/US\$ exchange rate (up from VEF2.15/US\$), represents a 21% increase in price. Add on to this 38% inflation which is expected for 2010. It's clear to see that a 26.5% salary adjustment isn't going to cover these increases in prices, rather it will be a serious drop in real income for Venezuelans.

Investment drops again. Following the dropping trend, which began in 2008, of investment in new equipment and plant capacities dropped by 7.6% in 2009, according to Central Bank figures. The figures show that private companies are limiting themselves to replacing equipment, and not increasing company capital, since in an environment of price controls, exchange controls, nationalizations, and constant threats by the government, the incentives to invest are virtually non-existent. It's important to point out that even though demand increased spurred on by increased revenues due to increasing oil prices, it's also true that most companies didn't feel the need to invest because they were not producing at maximum capacity. Add on to this the fact that the Administration didn't take advantage of the opportunities they had to accept offers from transnational companies such as Telefónica, Volkswagen, and Chevron that wanted to invest in Venezuela.

The value of the Sucre set. Last week, the *Gaceta Oficial Extraordinaria* No. 5.955, published the *Ley Aprobatoria del Tratado Constitutivo del Sistema Unitario de Compensación Regional* (Approval Law of the Constitutive Agreement of the Single Currency Agreement for Region Compensation) which totally validates the mechanism so that Venezuela may use it for trade negotiation between other nations belonging to the ALBA group. The Single Currency Agreement for Region Compensation, known as the Sucre, will have a value of US\$1.25, and to start out with, will only be used for electronic transactions.

Interest rates. The loans interest rate for the first week of January was 19.45%, representing an increase by 2 basis points compared to the last week of the same month. On the other hand, fixed-term deposit and regular deposit rates were at 14.52% and 12.6%, respectively, representing an increase by 2 basis points for the fixed-term deposits' rate, and no variation for the deposits rate.

International reserves. The international reserves decrease by 1.36% going from US\$35.6 billion during the first week of January to US\$35.1 billion during the second week. Compared to the same period of last year, the international reserves have contracted by 17.72%.





Monetary liquidity. The monetary liquidity for the second week of January reported 0.06% increase compared to the last week of the same month, reaching VEF 235.9 billion. Liquidity has increased by 27.3% compared to the same period of last year.

Oil Tips

Mariscal Sucre: a few bidders. The bidding process called by the Ministry of Energy and Petroleum last Friday, to which companies like Gazprom, Statoil, Mitsubishi, etc., were invited to take part as minority partners together with PDVSA in joint ventures to develop deposits of the Mariscal Sucre project was declared void. Japanese companies, in particular, dismissed the Venezuelan Government's offer as little attractive. The project calls for investment of up US\$8.3 billion, with field being estimated to produce up to 1.2 billion cf/day of gas and about 20,000 b/d of condensed gas.

PDVSA debt. According to PDVSA's president, the debt of the Venezuelan state-owned oil company to its suppliers "is normal". "The situation is over; we paid all our debts and are even; the current debt is normal." Financial sources, in turn, assure that PDVSA is negotiating a US\$1.5 billion loan with foreign banks.

PDVSA guarantees full operation. The Minister of Energy and Petroleum, Rafael Ramírez, said that the oil sector is cutting power consumption in administrative areas only; however, operational areas continue to work "at peak production capacity," because most PDVSA's operational areas have independent power supply capability.

Pequiven cuts its power consumption. In the framework of the power rationing plan, Pequiven expects to reduce by over 20% its electric power consumption. Pequiven's president, Clark Inciarte, stated that a number of production lines can be shut down in the Complejo Petroquímico del Zulia (the Petrochemical Complex in Zulia State, which depends in part on the national electric power grid), depending on the status of the stock; the Complejo Petroquímico de Oriente (in the eastern part of the country) "will follow the operational system designed by the Ministry of Energy and Petroleum and PDVSA for the eastern region" (because it depends 100% on the national electric power grid); the Complejo Petroquímico Morón (in the central region) will not apply any measure, because it produces 100% of the power it consumes. Notwithstanding, the official informed that the company will guarantee supply in the domestic and foreign markets.



Citgo helps poor people in the US. PDVSA's affiliate, along with Government's Energy Citizen, launched for the fifth year in a row their program to distribute heating fuel among the needy population in New York, specifically in Harlem. 20,000 families are expected to be benefited with the measure.

Oil Contract: Ready. On Wednesday, President Chavez signed the new collective contract covering the workers of the oil industry, which expired since January 2009. Wage was increased to VEF 75/day, from VEF 40/day now, and pensions were adjusted by VEF 100. However, this wage increase will also be fractioned: VEF 25 at the signing and VEF 10 on January 1st, 2011. Wage increase will be also retroactively in force for the period between October 1st and December 31st. PDVSA accepted to adjust the electronic food card to VEF 1,700 (revised annually) and pay a VEF 8,000 delay bonus.

Cold wave is not enough. According to the International Energy Agency, IEA, the recent cold wave in developed countries was not enough to increase oil yearly demand projections for the first quarter. In this regard, concerns about demand weakening will continue to put pressure on prices. The Agency kept its demand projection for 2010 at 86.3 mb/d, which translates into an increase of 1.7% or 1.4 mb/d from 2009. According to the IEA, the recovery of demand in 2010 will be slow, despite the cold winter.

The EIA, in turn... In its first report on short-term prospects, the US Energy Information Agency estimates the average oil basket price at US\$80/bbl. for the year. Concerning demand, the EIA expects a recovery of 1.1 mb/d in 2010 and 1.5 mb/d in 2011, mainly driven by emerging markets, especially China with an increase of 0.4 mb/d for both years. As to OPEC's offer, the agency's estimates are conservative: a slight 0.5 mb/d increase until 2011, with an increase in its market share from 40% in 2009 to 42% in 2010 (thanks to its huge idle capacity).

International baskets. At the closing in New York markets this Thursday, January 21st, WTI was selling at US\$76.9/bbl. down 3.8% from US\$79.9/bbl. last Thursday. For its part, Brent decreased 3.9% from US\$78.6/bbl on January 14th, to US\$75.5/bbl.

Local basket price. The Venezuelan oil basket price lost ground last week, closing at US\$73.3/bbl. on January 15th, down US\$2.2 from last week's US\$74.5. Meanwhile, the basket year average was at US\$73.1/bbl.





Business Sector Tips

CADIVI: 59% of goods and services are listed at VEF 4.3/US\$. According to the list issued by Cadivi for the distribution of items to be imported with each official exchange rate, 6,394 goods and services may be imported at VEF 4.3/US\$, for 59% of the total, whereas 41% will have access to the VEF 2.6/US\$ rate. The items included in the list of the lower exchange rate include medical products such as vaccinations, ampicillin and insulin, condoms, shampoo, toothpaste and food products included in the basic food basket, such as beef, butter, tomato, rice and tuna. The products that will be paid at VEF 4.3/US\$ include yoghurt, ham, peaches, asparagus, apples and pears. Other items to be imported at the highest exchange rate are hair dryers, blenders, vacuum cleaners, ranges, tools, toilette paper, musical instruments and some car parts.

Sambil and Hipermercados Éxito expropriated. During his Sunday radio and TV program, President Hugo Chávez asked the highest authority of the Capital District, Jackeline Faría, to reactivate the expropriation process of the Sambil mall in the Candelaria, in Caracas. Then he ordered the expropriation of Hipermercados Éxito (supermarket chain), claiming they apply gouging practices and harm the country because increased prices after the devaluation announcement. He also threatened to expropriate all businesses that make the same mistake. Eduardo Samán, Minister of Commerce, said that the chain was remarking prices and doubling the prices of the goods that have been bought at VEF 2.15/US\$. He also pointed out that CADA supermarket chain is being investigated (it belongs to the same stakeholders of Éxito), to see if they were doing the same and restricting offer, and expropriate it if its necessary.

Industries consider that energy saving is unviable. According to the Official Gazette No. 39,332 published on December 21st, last year, heavy industries with an energy demand over 5 MW and light industries with more than 2 MW of energy demand will have to design plans to save 20% in their electric power consumption. Horacio Labbé, representative of the Industrial Chamber of Carabobo State assured that the manufacturing sector is doing its best to comply with the plan; however, he stated that it will be impossible to meet the plan without scarifying production, because it's not possible to do the investment required.

Power rationing in Caracas is under study. The Venezuelan Vice President, Ramón Carrizales, pointed out that power rationing is necessary, after inspecting water levels at the Guri dam. He insisted that the high dependency of the hydroelectric source is serious. He also stated that the rationing plan had to be suspended, because 78% of



the city circuits “have core installations such as hospitals, schools, universities, which have to have continuous power supply.” Minister Carrizales also informed that La Electricidad de Caracas is working on two thermal projects: El Sitio and La Raisa, which together with the installation of other plants, should add about 2,055 MW to the grid.

Sidor is severely affected by the electric power crisis. The electric power crisis will provoke a 35% drop in exports by Sidor, because the company will be obliged to ration its power consumption. However, Rodolfo Sanz, Minister of Basic Industries and Mining, informed that US\$297 million will be invested to install 5 power plants that will produce 447 MW and will be ready in 12 weeks. Sanz also guaranteed offer for the domestic market.

Next banks to be intervened. The Government officially informed this Monday that another three banks will be intervened: InverUnión, Mi Casa and Banco del Sol, meaning that the bank crisis now accounts for 11% of the total of public deposits. These banks had lack of solvency and were highly dependent of the Government’s deposits. SUDEBAN said that “the three banks have been submitted to administrative measures and that their intervention has been necessary and cannot be postponed because the required recovery plans were not viable.” The intervention will be at “closed doors”, meaning that agencies and ATMs will stop operating and clients will not be able to move their moneys.

Liquidated. The Government announced that after the intervention, Banco Real and Baninvest will be liquidated, because “both banks have a huge difference between equity and liabilities,” adding that “the total deposits and other financing show a significant gap, including the holding of considerable deposit certificates in intervened banks.”

New powers for Indepabis? Mario Isea, president of the recently reinstated Special Commission against Hoarding and Gouging of the National Assembly announced that the proposal to reform the Indepabis Law is being analyzed, with the new law being passed before February. The deputy informed that “article 15 prohibits price increases without any economic justification. This provision has to be effectively developed to fine businesses that increase prices and suspend any restriction that prevents sanctions from being applied.” Isea added that the new law has to provide for severe sanctions (including expropriation) and strengthen inspections made by Indepabis with the inclusion of social control actions.

Airlines uncertainties. Although the impact of devaluation on airlines’ costs has not been fully determined yet, it appears that the exchange rate applied for the industry will be 4.30 VEF/US\$; in fact, since January 11th, airlines adjusted their prices



according to this exchange rate. Some inputs used by airlines are fixed at 2.6 VEF/US\$, whereas others are at 4.30 VEF/US\$. As a consequence, a series of work meeting will be held by the sector in order to discuss and reach agreements on this subject.

World Crisis Tips

US industrial production continues to rise. Industrial production of the world's largest economy dropped 9.7% in 2009 with respect to the prior year, when it contracted 2.2%. However, the sector showed a slow but sustained recovery in the second half of the year: from June to December, industrial production rose 4.7%, to close December at 2.1% with respect to December 2008. Installed capacity recovered up to 72%, averaging 70.2% in 2009, from 77.5% in 2008.

US retail sales fall. US retail sales fell unexpectedly by 0.3% in December with respect to the previous months (seasonally adjusted). Notwithstanding, December 2009 sales grew 5.4% in comparison to December 2008.

Improvement in consumer attitudes continues. The Reuters/University of Michigan Index of Consumer Sentiment is progressively improving. According to the mid-January survey the index gained 0.3 points with respect to December, ticking up to 72.8. However, the improvement was less than expected, since analysts estimated 74 points for the index. The consumers' subjective appreciation component of the current economic situation has significantly improved, from 68.8 points in November to 81 point in January. Consumers' expectation, in turn, has remained relatively unchanged over the last months.

Concerns about Greece. Concerns about Greece's debt continue in the eurozone. Credit Default Swap of Greek public debt increased 40.6% over the last weeks as result of the increase in default risk of Greece's bonds. Fiscal spending financing requirements will rise up to 9% of GDP this year, even considering the plan to cut public spending 4% of GDP that was announced last week by the Greek government. International analysts' estimations indicate that GDP/debt ratio for 2013 will amount to 150% of GDP. A default of Greek bonds would be costly for all Europe, particularly for the most indebted countries like Spain, Ireland and Portugal, which would see their borrowing costs increase considerably. Therefore, Germany (the largest European economy) would be planning possible bail-out measures.



Japanese machinery orders fall 11.3%. New machinery orders in Japan in November were 11.3% lower than in October and hit a 23-year low. Japanese analysts claim that the drop in orders is the result of a decrease in domestic demand due to the policies the Government applied for decades, which were focused on developing an economy basically depending of the foreign sector at the expense of domestic demand.

Japanese data shows a progressive recovery, but there is still much work to do. November nominal wages are still 4.2% below November 2008 levels; however a remarkable improvement is observed with respect with the year-to-year 13% fall registered in June. Industrial production that reached a year-to-year decline of 37% in February 2009 with respect to the same month in 2008 was in November just 5.5 below the level of November 2008. Wholesale trade that had dropped 30% in year-to-year terms in May 2009, gained ground, but it's still showing a 19% year-to-year drop in November. Retail trade, which showed a 5.7% fall in February, was in November only 1.1% below the level of the 12 previous months.

Bubble in China? A number of articles have appeared in the international press this week talking about a possible real estate bubble in China due to the fact that the price of residential and business properties in the 70 main cities around the country were up by 7.8% in December 2009 compared to prices in the same month the previous year. In some cities such as Shenzhen, property prices have gone up by 18.9% in 2009.

Not too probable. We believe that a country that is not so tied to developing countries, in relative terms, as China is will produce a bubble caused by price speculation in the real estate market. This type of a bubble would imply that there are entities buying up property for investment purposes and to not put into use, and it also implies that sooner or later the price will collapse, caused by a rash of delinquent mortgage credit accounts. In a country where about a fourth of all who buy homes and/or property pay in cash, and where real estate development loans only represent 17% of the financial system credit portfolio (compared to 56% in the U.S.), it is not very probable that this type of a bubble will occur.

Political Tips

Electoral circuits. Finally the CNE announce the new electoral circuits: the circuits were modified for the states of Barinas, Lara, Miranda, Tachira, Zulia, Capital Capital,





Carabobo, and Amazon. Amazon: lost 1 seat, choose one. Barinas: Members increased from 3 in 2005 to choose from 4 in 2010. Zulia: increased from 9 deputies in 2005 to select 12 in 2010. Miranda, Chacao, Baruta, El Hatillo and Leoncio Martínez choose 2 members. Petare is as a single constituency. El Hatillo, Baruta, Chacao and Leoncio Martínez form another constituency. Maracaibo is divided into 5 districts. San Francisco will not stick to these circuits. The states that have not been changed are: Anzoategui, Apure, Aragua, Bolivar, Cojedes, Delta Amacuro, Falcon, Guarico, Merida, Nueva Esparta, Sucre, Trujillo, Vargas, Yaracuy.

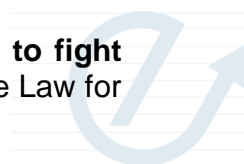
Created Mission Justicial Socialista. With the allocation of a monthly payment plus a grant for the promotion of lawyers graduated from the Universidad Bolivariana de Venezuela (UBV) the new Mission Justicia Socialista was launched. According to President Chávez, PDVSA, the President's Office, Banco de Venezuela, CANTV and some ministries will contribute VEF 20 million. The TSJ president, Luisa Estela Morales, announced a plan to offer postgraduate courses for lawyers graduated from the UBV at the Escuela Nacional de la Magistratura, where Venezuelan judges are trained.

Mesa de la Unidad: bad rationing. In response to the deficient power rationing plans, the members of the Mesa de la Unidad (Unity Board) demanded the Government to implement a new plan, agreed upon with citizens, mayors and governors, with enough time in advance and preparation. They also questioned "the discrimination" of the states with respect to Caracas, and criticized that although the installed power generation capacity of the National Electric Power Grid is about 23,000 MW, only 17,000 MW are in operative capacity.

PSUV starts debating its campaign strategy for AN elections. Debates within PSUV to develop electoral strategies for the National Assembly election to be held on September 26th started on January 19th. Currently, PSUV occupies 139 of the 167 deputy posts at the National Assembly.

National Guard attacks students in a Caracas-Magallanes baseball game. At least 20 National Guard members aggressively attacked 65 students who showed a banner reading "3 strikes: electricity-water-lack of personal security. President, you're out." The students were violently expelled from the game; seven people were hurt; the students were kicked and hit with clubs and butts by the National Guards who threatened them with firearms, according to a statement by a top representative of students at the Universidad de Carabobo. Charges will be filed at the Attorney General's Office.

The National Assembly is working on the reform of the Indepabis Law to fight hoarding and inflation. The AN will present the proposal for the reform of the Law for





the Defense of Citizens in their Access to Goods and Services (Indepabis Law), so that the new law may be passed in February. The reform will be intended to prohibit price increases without an economic justification, punish those who increase prices and lift any restriction to apply sanctions. The proposal made by President Chávez to provide for expedite instruments to apply severe sanctions, including expropriation of businesses that speculate, will also be included in the new law.

Conatel could eliminate several channels included in paid TV. Last Thursday was the deadline for paid TV channels to submit the documents that prove their status as national or international producer. Those that didn't submit the documents will be closed by Conatel.

National production cable channels will transmit. 24 channels of cable TV were classified as domestic production, by having more than 30% of national programming, are obliged to broadcast the presidential television network.

Conatel requested criminal investigation to RCTV. The National Telecommunications Commission asked the Prosecutor to open a criminal investigation against RCTV International (TV channel), for the transmission of a coup d'état called by the spokesman of Fedecamaras, Noes Álvares. Diosdado Cabello, director of Conatel, sought to investigate both the interviewer and the interviewee.

Chavez to visit Gaza. A spokesperson of the Hamas Government in Palestinian territory informed that President Chávez could visit Gaza Strip in a humanitarian aid convoy, along with President Mahatir Mohamed from Malaysia and possible the Prime Minister Recep Tayip Erdogan from Turkey.

Chávez: "Our relations (with the USA) may possibly improve". President Chávez commented that "a few days ago, Vice Minister of Foreign Affairs (for Latin America and the Caribbean), Francisco Arias Cárdenas, asked for my authorization to talk with a US emissary who asked to talk. I told him to do it and, in fact, I already have the report. They said that they want to talk, because they don't have plant to attack Venezuela and we also want to talk. Therefore, our relations may possibly improve".

The US is willing to work with the Venezuelan Government. US Deputy Secretary of State, James Steinberg, referred to Chávez in Bogota: "We have common challenges and we are still reaching out. We are ready to work with him, as with other countries in the region with which we have difficult relations".





ECONOMIC OVERVIEW

