



Weekly Report

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PDVSA:
Wanting to, but not being able to... Vol. 2

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A few weeks ago, PDVSA released its 2009 Annual Report and Accounts and since then a number of analysts, reporters and business advisors have poured over every single detail in order to define how PDVSA managed its accounts during 2009, which was a very difficult year. The report includes information on payroll, production, social spending, tax contributions, and so on. And of all the studies and opinions that have come out of studying the report, none have focused on the issue of future investment within the oil industry, a matter which is very important in an economy that depends so much on oil revenues.

So, at **Ecoanalítica**, we have decided to update our projections for PDVSA investments in the oil industry in order to determine just how viable they will be in the midterm and the impact it will have on the economy; an economy that seems to be condemned to grow in the future at a rate much below its potential, especially if PDVSA continues with the same strategy it used during the boom years, focusing more on social investment rather than investing in oil industry operations. So, in true Quentin Tarantino fashion,

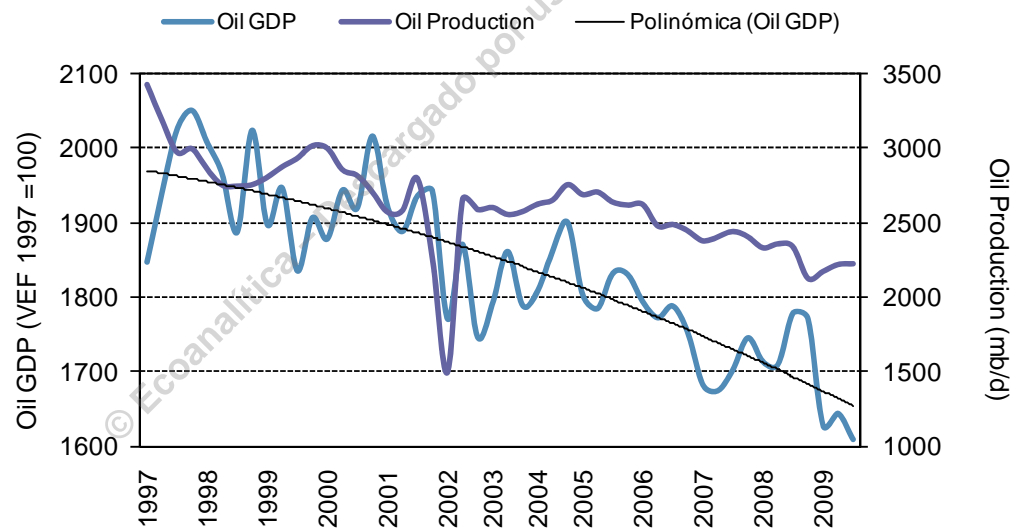


we've decided to title this update: *PDVSA: Wanting to, but not being able to... Vol. 2*

If production doesn't increase everything is vulnerable

According to the Annual Report, PDVSA oil production has decreased by 8.7% since 2005. So the increase in oil revenues enjoyed during the boom years (2004-2008) were a result of pure price hike, a price placebo if you will, not at all sustained by any sort of increase in production. This momentary flash of increased oil revenues produced increased economic growth rates (mostly financed by public spending which in turn was financed by PDVSA) and generated a sense of wellbeing among the people. During this period, President Chávez' approval rating soared above 70%.

Oil GDP & PDVSA'S Production



Sources: BCV, Bloomberg and Ecoanalítica

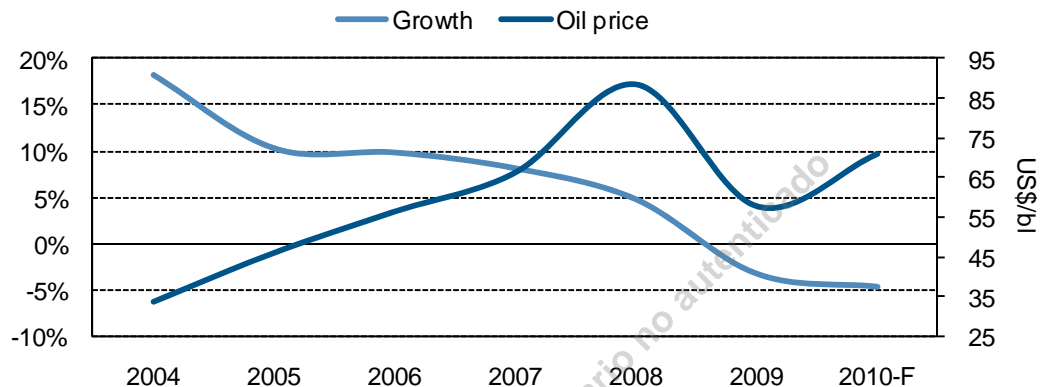
Investment is the only solution

2009 was the year that for the first time since the Chávez Administration has been in power that high oil prices have not generated economic growth, and this was due, among other factors, to the stagnation of the volume of oil production, which severely affected PDVSA's oil revenues which represent more than 94.1% of all the foreign currency coming into the country and it averaged more than 45% of all fiscal revenues in the last years.





Oil price Vs. Economic growth



Sources: BCV, MENPET and Ecoanalitica

Fortunately, PDVSA authorities have recognized this strategic error and since the beginning of 2010 have significantly accelerated their strategic investment plan (assigning new blocks of the Orinoco Oil Belt and pushing forward with offshore natural gas projects) in order to increase oil and natural gas production within the next 5 years.

The 2010 – 2015 Oil Seeding Plan

The Annual Reports states that “the 2010 – 2015 Oil Seeding Plan was drafted this year with the participation of all PDVSA businesses and affiliates, taking into account the impact of the world crisis with respect to future expectations of world economic growth and global oil demand and supply, the capacity and challenges associated with increasing oil and natural gas production in the Bolivarian Republic of Venezuela and the consolidation of non-oil business.”

In this sense, the strategic objectives of the plan are focused on:

- Accelerating the development of the Orinoco Oil Belt, increasing its oil production by 2.8 million barrels a day (mb/d) by 2030
- Developing offshore natural gas to satisfy domestic demand and to export to strategic markets
- Move forward with the integral socialist development of the country
- Ensure complete sovereignty over oil and natural gas resources





PDVSA's paradox As we have just mentioned, PDVSA's investment plan recognizes the company's capacities and challenges with respect to increasing oil and natural gas production in the country. In other words, PDVSA, after recovering oil production levels devastated by the General Strike of 2002, it recognizes that its attempts to increase the production of crude oil and natural gas to even higher levels have not been very successful.

But then, curiously enough, the Annual Report states that said investments are aimed at the "...consolidation of non-oil business." This is the key point. As long as these "non-medullar" continue to represent such a significant drain on company spending, the aforementioned investments will take longer and longer to materialize, and most probably be inefficiently executed. This will lead to a company increasingly committed by sheer necessity to increase oil production which will make it less efficient and able to satisfy the needs of the population which are continually more and better goods and services.

In the situation that Venezuela is currently going through, PDVSA should prioritize its investments in exploration and production over its non-oil business and let the State take responsibility and fulfill the role that corresponds it.

Is the investment viable? In our Weekly Report, Volume 6: *PDVSA: Wanting to, but not being able to*, we stated that the investment plan released by PDVSA to develop investment projects to increase oil and natural gas production (specifically, the Carabobo and Junín block projects on the Orinoco Oil Belt and the Mariscal Sucre offshore natural gas project) was practically unviable given the company's financial structure. This is why we do not rule out that PDVSA will need to borrow in the medium term. It's important to point out that back then (PDVSA hadn't released its Annual Report yet) we based our analysis and estimates on PDVSA's investment figures released at the close of 2008.

Now, with the release of the 2009 Annual Report and Accounts and the release of the investment plan up to 2015, we have once again analyzed the data to find out amount of available resources PDVSA has for investment after covering its tax responsibilities, social spending, payment of dividends, and debt buyback. This will allow us to better gauge just how viable it is for PDVSA to expect to increase domestic crude oil production to 4.5 million barrels a day by 2015, as announced by the Minister of Energy and Petroleum and president of PDVSA, Rafael Ramírez.



What does PDVSA say?

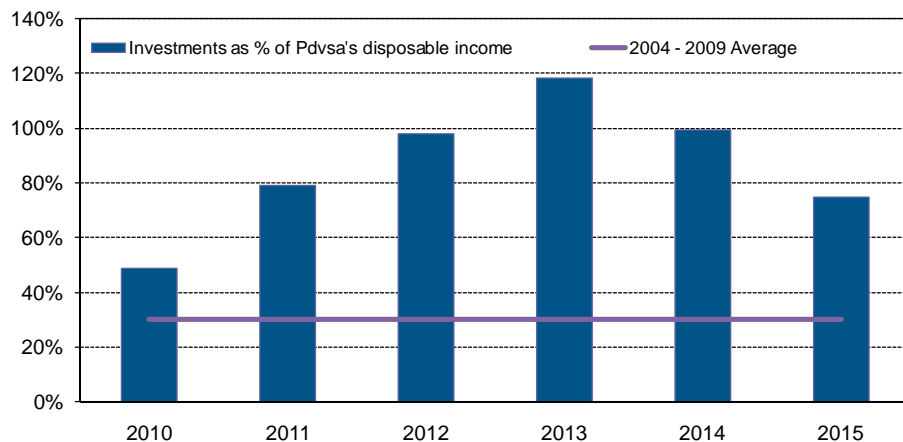
PDVSA estimates that its 2010 – 2015 investment plan will have to cover approximately US\$252.0 billion in order to achieve a sustainable production level of 4.5 mb/d (Crude oil + Natural Liquid Gas + Ethanol) by 2015. PDVSA also expects that it will have to cover around 78.0% of said amount (US\$197.0 billion), with another 15.0% coming from third party investors (US\$38.0 billion) and 7.0% from investments associated with the Orinoco Socialist Project (US\$18.0 billion).

According to our calculations...

When we updated our previous calculations, we found that during the 2004-2009 period, PDVSA on average, used approximately 32.1% of its revenues to cover these types of investment projects, and this taking into account that in 2009 the company used over 50% of its revenues towards these types of investments, which is a very good sign given the average amount of investment made in previous years and the current recession the country is going through.

So, taking into account the information released by PDVSA and our calculations, at **Ecoanalítica**, we estimate that for the next five years, PDVSA will have to use 86.3% of its available revenue for investments, which means that it will go from a yearly average used for investment projects of US\$10.19 billion to average yearly amounts of US\$42.03 billion, up by 28% compared to what we originally estimated.

Pdvsa's stimated investments



Sources: Pdvsa and Ecoanalítica

It's still not viable





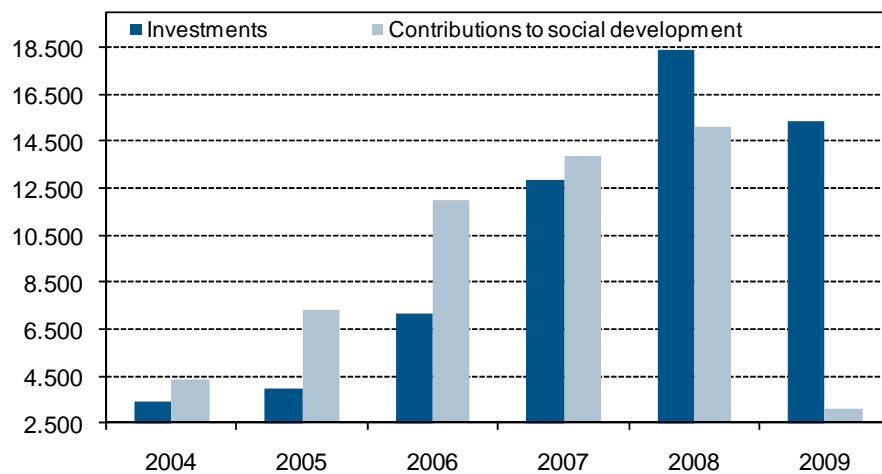
Despite the fact that PDVSA recognizes that it will have to count receiving 15% of the total amount of investment needed for the 2010 – 2015 period from third party investors, due to all the obligations PDVSA has (paying service providers, payroll, social spending, FONDEN transfers, etc.), at **Ecoanalítica**, we believe that PDVSA will need more like 40% of the total amount financed so that the company's yearly investment will be at around US\$17.0 billion. It's worth considering that the consolidated debt report for the close of 2009 showed that PDVSA still has margin to borrow, and most international energy agencies agree that oil prices appear to be showing a tendency to continue rising during the medium term.

Good signs

It's important to point out that PDVSA's previous investment plan (2008 – 2013) was extremely conservative in its estimates of future investment in Orinoco Oil Belt development and natural gas projects. The new investment plan includes amounts to be invested in international refining and non-oil affiliates, both extremely important areas with respect to PDVSA's new strategic plan.

At **Ecoanalítica**, we believe that the fact that PDVSA earmarked a greater portion of its revenues to investment in 2009 and that the amount invested was 4% greater than what was invested in social spending is a very positive fact. It shows an awareness of the conflict generated by chavista economics (using public spending to spearhead growth) when oil prices drop if oil production levels remain constant.

© Investments Vs. Contributions to social development (US\$ mm)



Sources: Pdvsa and Ecoanalítica

Ideally





PDVSA has begun to show signs that it is waking up and beginning to act like an oil company of its stature should be acting. At **Ecoanalítica**, as we have said on a number of occasions, we believe that the best way for PDVSA to face its current needs is to open up the oil fields more, but with a better contract scheme so that the business venture is more attractive to potential partners. This would help insure sustainable development of the domestic oil industry in the long term.

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Economic Tips

Venezuelan economy fell 3.5% in the first half. GDP at constant prices experienced in the second quarter of 2010 a decrease of 1.9%, compared to the same period last year, falling far less intense than the 5.2% in the first quarter, both results suggested a contraction 3.5% in the first half of the year. The Central Bank noted that this decline is due to a general slowdown in the contraction of economic activities and the contribution of other sectors with significant growth continuing. The economy experienced the smallest decline in the last four quarters. A contraction of only 1.9% year implies a seasonally adjusted annualized quarterly growth of 5.2%.

Results of Balance of Payments 2T10. The balance of payments recorded a current account surplus of US\$2,621 million during the second quarter, representing an increase of 72.5% compared to US\$1,311 million for the same period in 2009. As regards the capital account recorded a deficit of US\$2,022 million, a difference of US\$1,940 million surplus recorded in the same quarter last year. The balance of the balance of payments recorded a deficit of US\$1,006 million due to the errors and omissions account recorded negative balance of US\$1,605 million.

2022 Sovereign Bonds. On August 9, the Republic announced an issuance of sovereign foreign debt for US\$3.0 billion maturing in 2022 with a 12.75% coupon. The issuance was aimed at financing the fiscal deficit and increasing the supply of foreign currency for the private sector.

Issuance results. The results were announced on August 16, with all category I (production sector, importers) requests being fulfilled, from requests of US\$3,000 up to US\$18 million. All category II (natural and legal investors) requests were also filled from US\$3,000 up to US\$66,000. All category I and II requests over US\$18 million and US\$66,000 were rejected. Total demand for the bond was US\$9.22 billion, more than triple the supply, but the Ministry of Planning and Finance decided not to increase the amount of the issuance.

Nothing changes, bond allows for private sector outgoing capital. The 2022 sovereign bonds favored natural persons who were able to receive up to US\$66,000, which is a fairly large amount for a natural person, lending itself to be used for outgoing capital, while for category II businesses that can't get foreign currency from CADIVI or SITME, the amount was too small. Category I companies that do have



access to both CADIVI and SITME were very benefited by being able to score a maximum amount of US\$18 million.

SITME more flexible? According to information published in the newspaper *El Universal*, bank sources say that some of the rules of the SITME will be modified so that private sector companies that are not registered in CADIVI's importer registry (Rusad) may also request foreign currency through the system.

CENDA Food Basket up by 38.5% in 12 months. The cost of the food basket calculated by the Center for Documentation and Analysis for Workers (Cenda), has increased by 38.5% between July 2009 and July 2010 settling at VEF 2,305.41. During the same period minimum wage increased 27.6% going from VEF 959.00 to VEF 1,224.00. The minimum wage only covers 53% of the food basket.

Sitme figures. To date, around US\$1,295.8 million have been negotiated through the new Integrated System for Foreign Currency Transactions (Sitme), averaging US\$26.4 million a day, with an implicit exchange rate of VEF 5.3/US\$.

Interest rate. The lending rate for the second week in August was at 19.5%, up by 107 base points compared to the previous week. Time deposits and savings rates were at 14.5 and 12.6%, respectively, remaining steady.

International reserves. International reserves increased by 0.9% going from US\$27.9 billion during the first week in August to US\$ 28.2 billion during the second week in August. Compared to the same period last year, international reserves have dropped by 10.1%.

Monetary liquidity. Monetary liquidity for the first week in August was down by 0.3% compared to the previous week settling at VEF 255.98 billion, accumulating and increase of 8.6% year-to-date and up by 10.8% compared to the same period last year.

Oil Tips

Crude oil exports down in July. According to a report released by the Ministry of Energy and Oil (Menpet), Venezuela's oil exports decreased again in July, compared to the same month of 2009. Foreign crude oil and byproduct sales contracted by 4.5% averaging 2.3 million barrels per day (mb/d) in July, lower than the 2.4 mb/d reported the same month in 2009. The decrease was due to a reduction in the delivery of



byproducts, going from 29.0% to 302,097 b/d last month, much lower than the 452,125 b/d monthly peak registered this January.

And imports grow. The drop of byproduct exports was highly influenced by the frequent shutdowns in Pdvsa refineries, resulting in increased imports of both crude oil and oil byproducts to satisfy the domestic demand. According to a report released by Menpet, Venezuela's hydrocarbon imports increased by 20.0% to 112,738 b/d, compared to July of 2009. Out of that total, 83,756 b/d corresponded to oil byproducts and the rest to crude oil.

Investments for El Palito. Minister of Energy and Oil and president of Pdvsa, Rafael Ramirez, announced last Wednesday that, as part of the oil industry's modernization projects, the El Palito refinery, located in the coast of Carabobo state, will be subject to an expansion project in which the national Government plans to invest nearly US\$5 billion. The project is estimated to start in January, 2011 and will help adequate this refining complex to process heavy crude oils, specifically those extracted from the Orinoco Oil Belt.

New agreement on Natural Gas. Trinidad and Tobago is to sign an agreement with Venezuela to develop gas fields in their sea border, said Trinidad's minister of Energy, Caroline Seepersad-Bachan. The agreement is to be signed in Caracas and covers the Loran-Manatee gas deposits, apparently containing 10 trillion cubic feet of natural gas. Technical crews of both countries agreed for 73.0% or 7.3 trillion cubic feet of the deposit to be controlled by the Venezuelan border side and 27.0% or 2.7 trillion cubic feet by Trinidad and Tobago.

Second Methanol Plant ready. Rafael Ramirez said this second methanol plant, a compound used to improve gasoline octane ratings as well as a raw material to prepare resins and other chemical compounds, is equipped with the latest technology and a production capacity of 2,500 metric tons per day (MT/day) and the project's total investment reached a total of US\$571 million. *"The plant built by Japan and Venezuela in a joint venture is ready to be inaugurated and to satisfy the domestic demand and produce for export,"* said the minister of Energy and Oil.

Venezuela is China's first fuel oil supplier. According to Opec's (Organization of Petroleum Exporting Countries) monthly report issued in August, fuel oil supply by Pdvsa represents 22.0% of China's imports of this product as of the end of the first semester of 2010. This report is based on numbers until June 2010, which indicate China's average fuel oil imports reached 566,600 b/d and Pdvsa's deliveries exceeded a fifth of that total, reaching 124,650 b/d.





How much is sent to China? Minister of Energy and Oil, Rafael Ramirez, has said shipments to China add up to 400,000 barrels per day in average, out of which half is part of the payment to Venezuela's debt to the Chinese Fund and the other one is billed as an oil market trade, which, in the case of China, is ruled by the price of crude oil in the Singapore stock exchange. *"We don't have any agreements to sell oil at discount prices"* he added.

Opec sales to decrease in August. According to the British consultancy company Oil Movements, Opec sales will decrease to 23.25 mb/d during August, a fall by 430,000 b/d compared to the 23.68 mb/d reported in July, being this the longest drop since April. Quotas were met by just less than 50% in July.

International oil baskets. At the close of the New York market last Thursday, August 19, the WTI was at US\$74.0/bl, showing a 2.3% decrease compared to the US\$75.7/bl of the previous Thursday. The Brent decreased by 0.8% to reach US\$75.6/bl, compared to US\$76.2/bl of Thursday, August 12.

Local oil basket price. The Venezuelan oil basket price decreased last week, to close at US\$70.8/bl on Friday August 13, up by US\$1.9 from the US\$72.7/bl registered the previous week. Meanwhile, the basket's annual average kept constant in US\$69.8/bl.

Business Sector Tips

New Free Trade Agreement with Colombia. Colombian President, Juan Manuel Santos, revealed that during the meeting held recently with his Venezuelan homologue, Hugo Chavez, they both agreed to move forward in the creation of a legal framework that allows the establishment of a free trade agreement between both countries. *"We agreed to move forward in the creation of a legal framework that allows free trade between both countries. We need to start negotiating."* The Colombian president explained that, since Caracas decided to withdraw from the Andean Community of Nations, it was necessary to create the necessary conditions between Colombia and Venezuela to favor and encourage trade between the two countries.

Banco Federal liquidated. Minister of Finance Jorge Giordani announced the Government's decision to liquidate Banco Federal, that is, all of its assets will be sold and the financial institution will disappear completely through two mechanisms. On the one hand is the payment of warranty deposits, by which Fogade is obligated to pay



VEB 2.15 billion, mostly paid up. On the other hand, the amount that's not covered by Fogade's warranty and can be recovered, depending on the assets' value, reaches VEB 1.16 billion.

Recession evident as portfolio objectives were not met. The superintendence of Banks indicates in its last report that agriculture sector loans represent 21.2% of the total, when they should be at 22.0%; tourism loans are equivalent to 2.03% of banks' loan portfolios and the minimum required is 3.0%, and finally, manufacturing loans reach 8.7% of the total when they should stand at 10.0%. Analyzing loan performance as a whole, the economy's weakness is evident. Contrasting the total loans granted in July 2010 with December 2009, there is a 3.6% nominal growth, but subtracting the effect of inflation, the result is a 12.0% contraction.

Delayed payment rates increase. As of July of 2010, delayed loans represented 3.8% of the total, and in July of 2009 the number was 2.6%. It is worth mentioning that, even though there is some growth, private banks are able to manage these rates, but the public banking system's delayed payment levels are quite higher. The decrease of individual and corporate purchasing power not only has a negative impact on consumption, but is evident in the increase of loans with delayed payment problems.

La Primera Casa de Bolsa liquidated. The National Securities Commission decided to liquidate the stock brokerage house La Primera, Casa de Bolsa, after declaring the Technical Rehabilitation Plan presented by the institution as inadmissible.

Electric rationing for three states. After an autotransformer (430 Mw) failed at Planta Centro generating electric service interruptions for up to 10 hours in several areas of Falcon, the authorities announced the start of a new programmed electric rationing plan that will affect the states of Falcon, Yaracuy and Carabobo in order to avoid major failures in the national interconnected system. It will take place for three hours covering a load of no more than 15 megawatts and affecting no more than two circuits simultaneously.

Rice production plummeting down. After a sustained growth in both paddy rice production and spreading surface for eight consecutive years, a negative trend in the sector's yield began to become evident in 2009. As a result of an intense drought and the effects of price control, a 45.2% contraction in production is projected, since a harvest of 548 tons is estimated, compared to the 1,000 tons harvested in 2009, according to numbers released by the Venezuelan Federation of Rice Producers (Fevearroz). Rice production reports a 21.4% contraction in the last 10 years, going from 665 tons in 2000 to 548 in 2010.





Back-to-school supply shortage. Douglas Diaz, president of the Venezuelan Association of Stationary Stores and the like (Avepa) said the variety of school supplies would be 40% smaller this season than it was in 2009. Diaz said school supply imports had decreased between 20.0% and 15.0% compared to last year due to a lack of foreign currency. This adds to the commercial crisis with Colombia, from where companies such as Norma and Carvajal operate, and whose products will not be in stores in the same proportion as in previous years, so national production was also affected by a 20% fall. Additionally, Diaz acknowledged there would be an average price increase of 25.0% this year.

Gold exporters get an incentive. The Central Bank of Venezuela issued a resolution allowing gold-exporting natural and legal entities to be obligated to sell the institute at least 50% of the currency obtained at an exchange rate of 4.30 VEB/USD. This resolution reduces the portion of US\$ exporters are obligated to sell to the BCV, which in January of 2010 had been established at 70%. The rise of gold prices has benefitted the Republic by increasing its international reserves placed as monetary gold.

World Crisis Tips

US trade deficit keeps increasing. The US trade deficit reached US\$49.9 billion in June, considerably higher than the US\$42 billion reported in May, as a result of a combination of 3% higher imports and 1.3% lower exports. The positive note is the increase in imports reported was for nonoil goods (4.7%), since oil-related imports decreased by 3.3%, indicating the domestic demand keeps improving.

US industrial production increased by 1% in July. US industrial production increased by 1% in July, compared to June, higher than consensus expectations (0.5%). The manufacturing sector had a 1.1% gain compared to the previous month, after a 0.5% decrease in June; durable goods production grew by 2.1% while nondurable good production grew by only 0.1%. Compared to July of 2009, industrial production is up by 7.7%. Capacity utilization is estimated at 74.8%, 0.7 percent points over June levels, being the highest since October of 2008 (75.4%) and much over the capacity utilization levels of July 2009 (69.1%).

US consumer sentiment improves just slightly. Mid-month August reading of consumer sentiment, measured by the University of Michigan, revealed a 2.7% improvement compared to the depressed levels of July, putting the index at 69.6 points.



Europe grows by 3.9% during the second quarter of 2010. During the second quarter of 2010, the GDPs of the euro zone (EU16) and the European Union (EU27) grew at a q/q seasonally adjusted annual rate (SAAR) of 3.9%, after recording only 0.8% in the first quarter. In y/y terms, comparing to the same period of 2009, the European GDP presented a 1.7% (y/y) growth, while in the first quarter the rate had been 0.6% and 0.5% for the euro zone and the European Union as a whole, respectively.

Germany pushing all Europe. Although Europe's growing rates during the second quarter look quite positive as a whole, individual numbers are very heterogeneous: Greece is still immersed in a deep recession with a 5.8% contraction (SAAR), or 3.5% y/y, while the rest of nations are growing: Spain showed a slight growth, 0.8 % (SAAR), almost making positive numbers in y/y terms (-0.1% y/y); France 2.5% (SAAR), Italy 1.5% (SAAR), United Kingdom 4.6% (SAAR); and on the top is Germany with a 9% growth (SAAR) or 3.7% y/y, boosting the rest of Europe. However, with the US economic activity losing momentum, with a growth rate that went from 3.7% (SAAR) in the first quarter of 2010 to 2.4% (SAAR) in the second, we might not see such optimistic numbers in Europe during this third quarter.

Euro zone surplus reached €2.4 billion. In Eurostat's first estimate, the euro zone's trade surplus reached €2.4 billion in July, 53.8% lower than the €5.2 billion surplus reported in June of 2010, indicating a significant recovery of imports. Looking at the seasonally adjusted data we can observe how exports increased by 5.2% in June of 2010, compared to the previous month, while imports increased by 4.3%. In the whole European Union, the trade balance was -€9.6 billion, while in June of 2009 it had been -€4.1 billion, and showed import and export increases by 5.8% and 5.2%, respectively, compared to the previous month.

China's GDP exceeds Japan's for the third time. During the second quarter of 2010, China's nominal GDP measured in US\$ exceeded Japan's, reaching US\$1.34 trillion vs. Japan's 1.29 trillion. This is the third time China's GDP has exceeded Japan's, the first and second times were during the fourth quarters of 2008 and 2009. Everything indicates China will definitely dethrone Japan as the world's second largest economy this year. Per capita, it's a different story, while Japan's per capita GDP almost reached US\$40,000 per year, China's is under US\$3,700 per year.

Political Tips





Crime rate in the agenda. The last one was a very active week regarding this topic: first, Andres Izarra, president of Telesur, made fun of Venezuela's crime rate presented by independent experts. Then, the newspaper *El Nacional* published a polemic picture in its front page, and finally, a Hong Kong female baseball player was injured by a gunshot during the Women's Baseball World Cup, an incident that made this team leave the country. Both government and opposition groups have expressed their opinions about this issue: the Government says the issue is used for manipulation and it's an inherited problem, while opposition representatives highlight the absence of a true public safety policy in the last 10 years of government. Finally, judicial power organizations ordered the newspaper *El Nacional* to abstain from releasing this kind of pictures. A similar measure was imposed to the newspaper *Tal Cual*.

Polemic about new US ambassador continues. The Attached Secretary of State for Latin America, Arturo Valenzuela, insisted to the Venezuelan ambassador in the United States, Bernardo Alvarez, that Larry Palmer should be the next diplomatic representative of Washington in Caracas. President Chavez once again said Palmer could not be ambassador in Venezuela. Valenzuela said President Obama had chosen Larry Palmer precisely because of his extraordinary qualifications and outstanding professionalism.

No verification. The Colombian Minister of Foreign Affairs, Maria Angela Holguin, said that neither countries nor international organizations would verify the presence of FARC and ELN guerilla members in Venezuela, considering things were "*looking ahead now.*"

And she's coming to Caracas. The Colombian chancellor also mentioned she'd be traveling to Venezuela on August 20 to hold a meeting with aims to activating the commissions that will evaluate the bilateral problems, and will be off to Ecuador on the 23rd to go across the border and analyze the refugee crisis in the area.

Interesting proposal. The president of the Colombian Senate, Armando Benedetti, indicated "*bi-national states*" could be created in the border zone. "*There is an article in the (Venezuelan) Constitution that could give way to the creation of bi-national states in the border, by way of the Organic Law of Boundaries,*" he said. He explained after a meeting in the National Assembly they wish to establish a Free Trade Agreement between Bogota and Caracas, in order to strengthen the bi-national commerce. President Hugo Chavez welcomed Colombian Congress Chairman, Armando Benedetti, to continue moving forward in their strategy to strengthen bi-national relations. He stated there was "no interest" in establishing a state of war between both countries.





Opposition gains ground in Miranda. According to the Venezuelan Institute of Data Analysis (IVAD), Miranda residents are split evenly. There are those who prefer to vote for nominal candidates running by the Democratic Unity Table (35.1%) and those who pretend to vote for PSUV candidates (36%). This situation repeats itself when we evaluate vote intent by list, in which 39% claims they will support PSUV and 40.3% MUD. However, when using the simulated vote option (ballot box), 48.7% say they will vote for opposition candidates and 40.7% for government-supporting candidates, with 11% void votes.

No to party funding. The National Electoral Council (CNE) has no plans to finance the electoral campaign of political parties for the upcoming election of September 26, said the entity's main rector, Socorro Hernandez. Hernandez mentioned there was an established framework for that kind of funding, however, in her opinion, the issue could be reviewed in the future. Rector Hernandez considered it necessary to define some parameters to guarantee a fair and equitable campaign funding.

External criticism. CNE keeps being criticized about the rules to be imposed to international companions and national observers for the next parliamentary election. In a press release, 11 organizations devoted to monitoring national elections in Latin America and the Caribbean, all included in the Lima Agreement, stated their *"deepest concerns for the provisions contemplated in the CNE Resolution N° 100526-0123 of May 26, 2010, regulating the role of electoral observation."*

They can relax now. The Comptroller General of Venezuela, Clodosbaldo Rusian, indicated that none of the candidates to a seat in the National Assembly for the September 26 election can be disqualified now, since the period to submit a request has already expired. Rusian said all candidates are sort of "protected" right now.

Pdval case under investigation. The Comptroller General of Venezuela assured the investigations about the rotting food containers found were still standing, although he didn't indicate when they would be submitting the final report. *"We know when we start an audit but we never know when we're going to end. We'll try to be as quick as possible, but meeting the legally required times,"* he said regarding the case of rotting food containers that, according to the opposition, reaches 130,000 tons. According to Rusian, his office has been investigating these irregularities since 2007.

Untouchable. In its last plenary session before the judicial break, the Supreme Court of Justice (TSJ) rejected seven lawsuits against President Hugo Chavez received over the last few years. Among the dismissed complaints is one presented a few months ago by the opposition leader Pablo Medina, with which he was not only looking to have the Head of State processed but also the minister of Energy and Oil, Rafael Ramirez.



The list of actions includes others introduced by constitutional attorney Hermann Escarra and the retired officer Carlos Guyon Cellis, by former regional legislator Oscar Perez, by Captain (r) Hidalgo Valero, former Councilor Enrique Ochoa Antich, and congressmen Ismael Garcia, Ricardo Gutierrez, Hermes Garcia and Pastora Medina.

Another black list. Venezuela is included in an increasing list of countries that promote the smuggling of “black” or “blood” diamonds produced through mechanisms that imply human exploitation and even death, so was warned by an international organization that monitors this illegal traffic. Venezuela is included in a list along with countries such as Lebanon, Ivory Coast and Guyana, all of which refuse to comply with the known Kimberley Process, which establishes a methodology to certify diamonds produced while respecting human rights and other categories.

Post-mortem order. The Ministry of Defense headquarters hosted the funeral of General Alberto Müller Rojas. He was granted a post-mortem promotion to the degree of General in Chief. President Hugo Chavez attended the funeral with his daughter Maria. Minister Carlos Mata Figueroa was at the service too. Chavez defined him as a “revolutionary to the core” and assured he departed “with tears in people’s souls.”

National Assembly approved 27 laws during the first semester. The National Assembly authorized 11 laws, eight partial reforms to existing legal instruments and eight suppressions of institutions and creation of decorations. Out of the 41 laws in the legislative agenda for the whole year, only 11 have been drafted, since the legislative agenda has been dictated by the country’s situation and the Administration’s requests.





ECONOMIC OVERVIEW

