



Weekly Report

Year 8, Number 31
Week III, August 2012

*The Venezuelan Natural Gas Industry:
A Sleeping Giant*

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Venezuela is considered one of the countries in the world with the most variety of energy sources, especially when one thinks of hydrocarbons, with significant reserves of both crude oil and natural gas. For decades now, the main focus with respect to the exploitation of hydrocarbons, has been focused on extracting crude oil, overshadowing the importance of other areas as well as other energy sources, such as, natural gas.

Natural gas in the world

The ever increasing worldwide demand for energy, and ever depleting reserves of crude oil, along with the fact of how much it pollutes the environment, has slowly led the worldwide energy matrix to change and begin taking a serious hard look at alternative, clean, sources for energy. Currently, natural gas represents a fourth of total worldwide energy consumption, with consumption values much like sources of energy produced from carbon, the second most important alternative for energy after crude oil. Therefore, developing this resource constitute a strategic alternative for Venezuela, in terms of domestic consumption as well as for export.

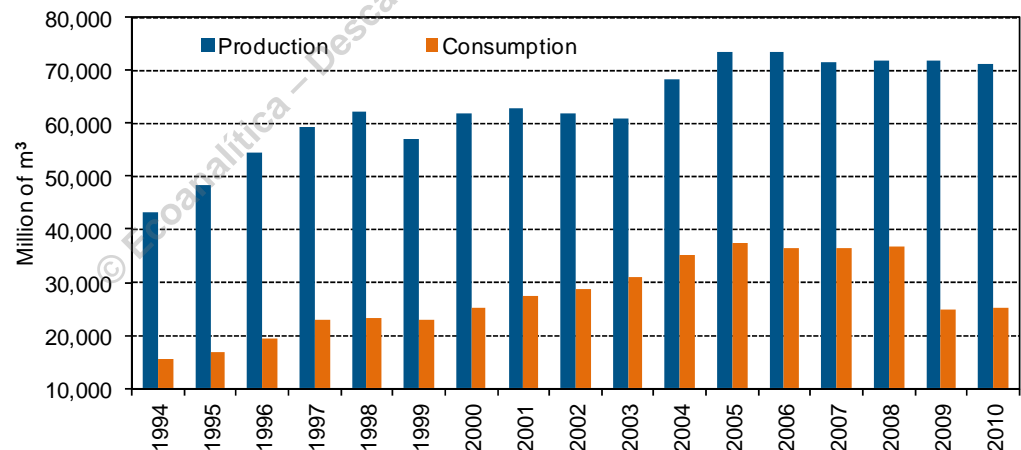


Venezuela, a privileged position

The Venezuelan natural gas industry is unique to say the least. On the one hand the country's natural gas reserves ranks 8th among countries worldwide with certified natural gas reserves at 195 million cubic feet of natural gas, at close of 2011. On the other hand, this resource has hardly been taken advantage of or developed, with only 47.8% of the natural gas produced being used. And of the amount that is being produced, 39.9% has been used for oil industry operations and 7.9% is casted into the atmosphere.

There are very few countries that have the luxury and good fortune of being among the top 10 countries in the world with the most reserves of natural gas. But the fact that a country has natural gas reserves, that it's located in a privileged geographical region, with capable human capital, experienced in the exploitation of hydrocarbons, has not guaranteed the development of this sector in Venezuela.

Natural Gas Production vs. Consumption



Sources: Menpet, Pdvsa and Ecoanalítica

What's needed?

There are a number of conditions that have to be met, according to experts in the natural gas industry, in order to successfully develop this industry.

1. Having a market to place the product, which in the short term, looks to be in the foreign markets, as long as domestic energy subsidy policies for other sources of energy, such as gasoline and electric power, are not adjusted in order to make natural gas an attractive alternative source of energy for the domestic consumer.



2. Developing natural gas production potential in order to cover domestic demand. This goes hand in hand with investing in the appropriate infrastructure in order to be able to commercialize the potential natural gas reserves the country has.
3. Establishing a legal and institutional framework that will allow for the participation of different economic agents in the business, with sufficient judicial guarantees that will create incentives for investment, and guaranteeing a profitable business through an adequate and proper tax regimen.
4. Determining an adequate price policy that will guarantee a profitable return on capital invested and being competitive in international markets.
5. Creating sources of financing that will guarantee, in the case one's own resources are scarce, that projects will be developed in the area of production and diversify the risk in the area of exploration.

What's the reality?

Venezuela, in its current situation, can't even count of the participation and the stability of its own domestic market. This makes it very limited, and far from the possibility of it being, a power to be reckoned with within the natural gas industry, let alone being in a position to enter the international natural gas market. Furthermore, fixed price policies exist that limit the amount of revenue one can generate which in turn limits the amount of resources available to reinvest in new developments.

The cost of opportunity

Taking into account the Henry Hub reference price from the United States, one can calculate potential revenue multiplied by yearly consumption¹ of said price and comparing it to the revenue declared yearly by Pdvsa, thereby calculating the difference between them, which in our case, would result in the cost of opportunity for not adjusting natural gas prices in the domestic market.

¹ It's important to point out that the yearly natural gas consumption figure that is being used for these calculations represents 57.6% of total consumption. The reason for this is that we don't consider it appropriate, with respect to this particular consumption structure, to include the natural gas produced earmarked solely for Pdvsa internal use, which equals 42.4% of total consumption.



	Opportunity Cost (MMUS\$)					Total
	2007	2008	2009	2010	2011	
Potential Income (Henry Hub)	75,392	60,952	26,447	28,410	21,496	212,698
Potential Income (internal venezuelan market average price)	8,353	11,126	7,490	4,187	4,706	35,862
Opportunity Cost	67,039	49,826	18,957	24,223	16,790	176,836

Sources: Memoria y Cuenta Pdvsa 2012 and Ecoanalítica

This shows that estimated natural gas revenue since 2007 should, in reality, be around US\$212.70 billion, instead of the reported revenue that equals US\$35.86 billion, thereby generating a cost of opportunity of around US\$176.84 billion. A significant amount of resources which could make the difference between investing for future development of the natural gas industry or continue to let production be neglected.

Noticeable lack of investment

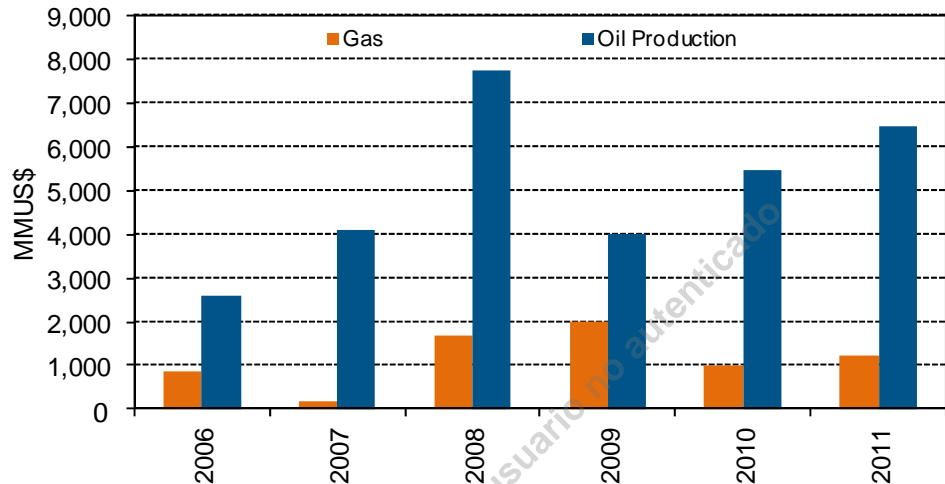
The lack of investment in the natural gas sector, along with the legal limitations with respect to private sector investment in the industry, and the continued lack of investment by the State are the key factors that are limiting the development of the natural gas industry. Despite the fact of the existence of great projects such as the Mariscal Sucre or Gas Anaco projects, which have both been significantly delayed, Pdvsa doesn't seem to take these projects very seriously or assign them any special importance, investing a third less than what was originally budgeted for the sector. Our calculations show that between 2006 and 2011, Pdvsa failed to invest the full amount budgeted for the natural gas sector by 32%.

And, when you take into account the high level of risk that investors associate with doing business in Venezuela along with everything else, this has led to a drop in sources of financing.





Oil Production Investment vs. Gas Investment



Fuentes: Menpet, Pdvsa and Ecoanalítica

Infrastructure the greatest setback

The shortage of alternative sources of financing other than the State, and the fact that Pdvsa is consistently investing less than what is budgeted for investment for the natural gas sector has led to a serious neglect in terms of developing the necessary infrastructure need to increase natural gas production.

The lack of infrastructure also leads to losses due to natural gas being wasted, burned off and/or vented into the atmosphere, calculated at around US\$10.31 billion.

These losses are even greater if you consider that the inefficiency created by the lack of natural gas infrastructure forces other sectors, such as the electric power sector, to use greater quantities of liquid fuels in order to run their plants. And this liquid fuel used, instead of natural gas, could have been exported, which means less foreign currency is coming in. In fact, the amount of liquid fuel that is being used is such that the State is getting close to having to import said fuel.

An adverse political environment

Venezuela's current political environment has been classified as being negative since 1999, and this has negatively affected the performance of all sectors, including the natural gas sector. The worldwide consensus, by investors, with respect to Venezuela is one of distrust. Venezuela, as a country in search of 21st Century Socialism, is considered to be a country with very poor regulatory quality, not respecting or following its own rules, with very little confidence in its policies, and not very stable.



The fiscal framework doesn't help

Venezuela's fiscal regimen doesn't help the situation any, creating even more reasons not to invest in the country. Compared to other countries, Venezuela has set its tax and royalties levels very high, making the sector less attractive for investment. This sends an indirect message to all investors which says that by law, a greater portion of your profits will be sacrificed for taxes. All of this has to do with the fact that in 11 years only 20 licenses in the sector have been granted, aggravating the monopolistic scenario and diminishing the effectiveness of the natural gas industry.

We keep putting dirt on it...

Despite the fact that there is a growing market and demand for natural gas worldwide, Venezuela, unable to cover its domestic demand for natural gas, is in no condition to even consider breaking into the international natural gas market; no matter that it has gas reserves much larger than many of the countries participating in the international gas market. These countries have focused on developing the technology, know how, and infrastructure required to be an international player in the gas industry, something we are seriously in lack of.

Venezuela needs to adjust its natural gas prices immediately, because if it doesn't, it will create a subsidy with significant costs, above all when it comes to the financing required. And, if the idea is to create incentives for using natural gas as a fuel, then you slowly have to cut back on the significant subsidies that are being given to other sources of fuel, such as gasoline.

At **Ecoanalítica**, we believe that in order to achieve our potential in terms of developing the natural gas industry, it is necessary to create the conditions that will generate incentives for international and domestic investors to participate in the development of the sector and its infrastructure, production, transportation, and distribution. This will put us on the road to cover domestic natural gas demand, and begin to generate resources from our gas reserves. Resources that can be used for sustainable economic and social development, as well as being the first stepping stone to being able to consider breaking into the international markets. We believe that it is imperative that the practices and policies that are currently being carried out in matter of planning, investment, operations, and management be seriously reviewed and revised in order to make the sector sustainable.





If Venezuela doesn't react, our certified natural gas reserves will become a monument to waste and inefficiency, adversely affecting the future of our children and an embarrassment, if not a crime, before humanity.

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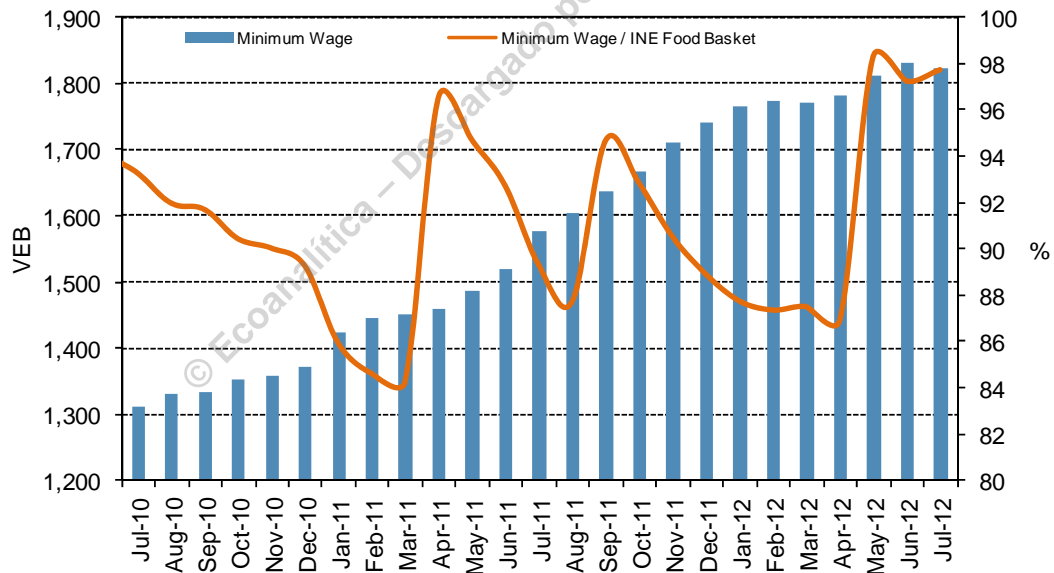


Economic Tips

Food basket decreased by 0.5% in July. According to figures released by the National Statistics Institute (INE), the food basket value was VEB 1,822.3 in July, down 0.5% from June and up 15.6% from July 2011, thus meaning that the reference food basket increased VEB 304.1 in one year.

Minimum wage covers 97.7%. The above signifies that minimum wage isn't enough to buy basic foodstuffs, because a worker earning the minimum wage (VEB 1.,780.5) could only buy 97.7% of the basket estimated by INE.

INE's food basket Vs. Minimum wage's purchasing power



Sources: INE and Ecoanalítica

Valencia with the greatest variation. Results showed that geographically the domain with greater variation in food basket was the city of Valencia (1.1%), followed by Barquisimeto (0.9%), Maracaibo (0.6%), San Cristobal (0.4%) and Maracay (0.3%).

In 2013, good-bye 4.30. Bank of America expects that in 2013 Venezuelan authorities will devalue the currency to cover the nation's fiscal imbalance, according to the institution's last report on Venezuela; if Chávez is reelected, the



government could unify the Cadivi and Sitme exchange rates and then gradually increase the price of the dollar, to VEB 7/US\$ or more at the end of 2013.

More “socialism” and more “social investment”. Jorge Giordani, Minister of the People’s Power for Planning and Finances, said that the second socialist plan proposed by Hugo Chávez, President of the Republic, envisages a social investment of over US\$ 600.0 billion for the next six years, which would make the economy grow between 5 and 6%. According to Giordani, this amount is similar to what has been invested in the last 10 years.

The growth formula. According to the Minister of Finances, an increase in “social productivity” together with a higher social investment, has been the catalyst of Venezuela’s economic growth, so if the second socialist plan is implemented “a growth of 5 to 6% is completely feasible”, particularly now that Venezuela can significantly increase its productive capacity because of its full membership in the Common Market of the South (Mercosur).

Exports fall. According to figures of the National Institute of Statistics (Instituto Nacional de Estadística -INE), non-oil exports have dropped considerably during the last seven years, from US\$7.2 billion in 2005 to US\$3.20 billion in 2011, 55.5% less. This trend is expected to continue while factors like exchange restrictions, price controls, bureaucratic obstacles, and the over-valuation of the currency continue contributing to the fall in exports.

Less inflation through imports. Although government spokespersons have hailed the reduction of inflation of the last few months, it seems to be a little early to celebrate, because the drop in prices is accompanied by a significant increase in imports, which has increased the amount of products on the shelves, and has contained inflation. This is sustainable only with high oil prices, and could put future consumption at risk, when we face diverse adverse scenarios and the national productive apparatus doesn’t react.

Venezuela is self-sufficient. At least in food production, according to President Hugo Chávez, who said that the country produces 70% of the beef cattle, 70% of the milk, 100% of the vegetables and fruits, and 80% of the poultry that Venezuelans consume. “*Today per capita consumption has doubled in many items*” said the head of state.

Consumption of controlled items increases. According to Karlin Granadillo, superintendent of costs and prices (Sundecop), the new price regulation has led to an increase in the consumption of the 19 basic items that have a fixed price since



March, showing that these products can be sold below the price they had, while maintaining profit margins for the productive sector.

VEB 18.6 billion in additional credits approved. Of the resources approved by the National Assembly (NA) VEB 16.80 billion will be allotted to personnel expenses in 11 offices, VEB 342.9 million for labor commitments of the Public Ministry and the Ombudsman's office, while VEB 1.01 billion will go to pay debts and subsidies by the Ministry of Ground Transportation, and VEB 400.2 million for the construction of the new headquarters of the National Security University (Universidad Nacional de la Seguridad).

Additional credits are around VEB 84.30 billion. The increase in public spending has led to budget insufficiencies in official entities and state companies, so the Administration has had to obtain more additional credits. For the year, additional credits (and thus additional spending) of the central government amount to VEB 84.30 billion, 16% more than what was authorized in 2011.

Venezuela: the country with the most claims before ICSID. Venezuela has become the country with more ongoing claims before the International Centre for the Settlement of Investment Disputes (ICSID), after four new claims were presented before the country's withdrawal from the organization became effective. So far, Venezuela is the country with more pending cases under the ICSID convention (24), most of them from foreign companies that demand payment because of the nationalization of their assets.

Sudeban to audit Sitme transactions. The Bank superintendence (Sudeban) started auditing the transactions made in Sitme, a mechanism through which US\$ 20.17 billion have been negotiated since its creation in 2010. Sudeban started to inspect different financial entities, demanding the details of all the steps in each operation being supervised. So far, companies may obtain a maximum of 350 thousand dollars per month through Sitme.

Interest rates. The lending rate for the first week of August was at 15.9%, falling by 1.2 percentage points compared to the previous week. The time deposit rate remained unchanged since July 2011 in 14.5%, while the passive rate has not experienced any significant variation since November 2011, placing well at 12.5%.

International reserves. International reserves decreased 2.3%, going from US\$26,594 million during the first week of August to US\$25,995 million during the second week of August. Compared to the same period last year, international reserves have decreased by 13.8%.



Monetary liquidity. Monetary liquidity crashed 0.2% in the first week of August compared to the previous week, settling at VEB 530,363.6 million. The M2 has increased 52.5% in relation with the same period last year.

Sitme figures. So far this year, US\$6,354 million have been negotiated through the System for Foreign Currency Transactions (Sitme), averaging US\$37.7 million a day, with an implicit exchange rate of 5.3 VEB/US\$; this represents an increase of US\$1.31 billion (26.6%) over the same period of 2011, when US\$5.02 billion were negotiated. Lastly, during the second week of August the amount traded reached US\$220.6 million US\$42.6 million more than last week when US\$178.0 million were traded, with a daily average of US\$44.1 million.

Oil Tips

OPEC reports a drop in Venezuela's oil production. According to a report of the cartel, Venezuelan crude oil production dropped again in July, since according to the figures supplied by secondary oil market sources, it produced 2.37 million barrels per day (mb/d) in July, 2.4% less than the 2.43 mb/d produced in July 2011. OPEC also informed that production remained unchanged with respect to June, and the production reported by the country for June was 2.81 mb/d, the same volume reported by the Ministry of Oil and Mining last May before the cartel.

Production stalled in 1S2012. Previous OPEC reports showed an increase in Venezuelan production, around 41,000 barrels per day (kb/d), but everything seems to indicate that there was a correction in the figures supplied by the organization. In any case, these volumes are lower than those mentioned by Pdvsa in several communiqués, where they mention an increase of around 120 kb/d, as was stated in April. OPEC also indicates that the figures reported by the organizations is 2.3 mb/d.

The target is elusive in Colombia. Another aspect mentioned by the report is Colombia's inability to reach its production target of 1 mb/d, due to sabotages against the oil infrastructure, and landslides.

Again at US\$100/bl. Last week, the price of the Venezuelan crude oil was over US\$100/bl. The Ministry of Oil and Mining informed that this is due to the favorable data about the US economy, the concerns about supplies because of Hurricane Ernest, and a reduction in political tensions in the Middle East.



Exterran and Pdvsa reach an agreement. The Venezuelan oil company reached a friendly agreement with Exterran Holdings to acquire the company's assets in Venezuela and the transaction of claims from the nationalization of the company's goods and activities. The parties agreed that compensation will be for US\$442 billion, 40% to be paid at the end of the operation, and the remainder in equal installments payable in 4 years.

More money for the Chinese Fund. President Chávez announced a new step of US\$5.0 billion of the Chinese Fund, of which Venezuela will put US\$2.0 billion, payable through the oil share. "*Nothing is being given away*", he said. The agreement will become effective this month.

Labor issues return. The 20,000 workers of Pdvsa contractor companies have not collected the VEB 30/day salary increase established in the collective bargaining agreement signed 2 weeks ago, said trade union leader José Bodas. Bodas added that the oil company has not increased the salary or the food card of 30,000 of its own technicians and professionals, and reminded that 23 workers in Zulia have been on a vigil for 53 days at Pdvsa-La Campiña claiming the promise to add 1,200 workers to the company's payroll, from the 11 docks that were nationalized at the end of 2010.

International baskets. At the time of foreclosure in New York, WTI was traded on August 10 at US\$92.8/bl, which shows a decrease of 4.5% compared to US\$88.8/bl recorded the previous week. Meanwhile, Brent rose by 5.0% to reach US\$ 111.2/bl compared to the previous week, when it reached US\$105.9/bl.

Local basket price. The Venezuelan oil basket price fell last week to close at US\$100.6/bl on August 10, resulting in a decrease of 4.0% compared to US\$96.8/bl recorded the previous week. Meanwhile, the average of the Venezuelan oil basket stands at US\$ 105.5/bl.

Business Sector Tips

Loan portfolio recorded an increase of 53.2%. According to figures published by the Superintendency of Banks (Sudeban) the loan portfolio of the banking system



amounted to 330,842.1 million EBV, a variation of 53.2% over July last year when it stood at 200,016.4 EBV million.

Banking total assets. Registered a variation of 4.4% compared to June, closing in July in VEB 732,635.8 million, an amount 51.6% higher compared to million VEB 483,181.7 July 2011.

Investments in securities values of the banking sector. Stood at VEB 206,414.7 million in July, representing 28.2% of total assets, reflecting an increase of 3.4% compared to the previous month, when it stood at VEB 199,667.7 million. Compared to the end of July 2011, the balance of investments in securities experienced a rise of 67.1%.

The public deposits amounted to VEB 610,163.4 million at the end of June, an increase of 3.8% compared to the previous month. In connection with the month of July 2011, public deposits increased 56.81%.

Time deposits are still in free fall, to settle at VEB 3681.4 million by the end of June, with a share of only 0.6% compared to total public deposits, experiencing a decline of 12.1% compared to the previous month, and 69.8% over the same period last year.

Food insecurity. Despite government rhetoric, according to INE figures, up to May 438,420 tons of rice had entered the country, which compared to the 249,440 tons imported in 2011, represent a 75.6% increase. Rice imports come mainly from the United States. In 2011, that country exported 99,973 tons of rice to Venezuela, while during the first five months of this year, it sent 234,110 tons. The difference is 134% more than last year. Argentina is Venezuela's second rice supplier.

Another blow for the pharmaceutical sector. For the year, the authorities have implemented a series of measures that eliminated the "priority" status it had in the last years, to the sector. Last week, pharmaceutical companies and laboratories saw how the Administration placed 70% of the finished products on Cadivi's list 2, thus increasing the requirements to import. Now they will have to obtain Non-Production Certificates (Certificados de No Producción -CNP) before applying for dollars. The Pharmaceutical Industry Chamber (Cámara de la Industria Farmacéutica - Cifar) questioned the measure, and lamented that the authorities didn't consult the sector companies.

Time frames to import medicines is longer. Given the changes in tariff items, it will be more difficult to import medicines, according to several actors in the pharmaceutical sector. The inter-ministerial resolution moved a significant part of



pharmaceutical products in the local market from Cadivi's list 1 to list 2. This means that now companies will have to obtain Non-Production Certificates (Certificados de No Producción - CNP). According to sector estimates, the import process may last between 30 and 60 additional days, because obtaining this document is very cumbersome.

Housing deficit has doubled. In Venezuela private constructors are supplying less housing options. Aquiles Martini Pietri, President of the Venezuelan Real Estate Chamber, said that at the beginning of the Bolivarian Revolution, the deficit was around 1,000,000 to 1,500,000 homes; today, the Misión Vivienda itself counted a deficit of more than 2,750,000 housing units, which means that in the last 13 years the housing deficit has doubled.

Food sales dropped to its lowest level in 3 years. According to the Trend Report of the Venezuelan Chamber of the Food Industry (Cámara Venezolana de la Industria de Alimentos - Cavidea), the sale of basic foods dropped 4.3% last June. This is the sharpest drop in the last three years. The report states that the tons commercialized by processing companies in the agro-industrial sector have dropped for 16 months. The sales drop started in March 2011, and between February and April of this year, the index registered a drop between 0.7% and 1.0%. Price freezing and the rise in production costs contributed to the reduction of sales in the agro-industrial sector.

Controlled prices increase ore in the regions. BCV figures indicate that the price control policy is not fully complied in the country. In the regions, the consumer price index of controlled goods increased more than in the capital, and was even over the national average of 7% between January and July. Barquisimeto is the city with the greatest increase in goods with controlled prices, with a variation of 8.4% in seven months. Non-controlled goods increased 9.9%. The other city where the regulation is not fully complied with and controlled products are more expensive is Maturín, with an inflation of 8.2%, followed by Maracay with a 7.7% increase in controlled items.

To top it off: Congestion in the ports. The congestion in Venezuelan ports has become a new barrier for the entry of merchandise to the country. Entrepreneurs fear that Christmas products won't arrive on time, given the situation of ports like La Guaira and Puerto Cabello. A ship that usually takes 20 or 30 days, is taking more than two months and when the cargo traffic increases, it will be even worse.

Poultry industry is trying to export. The Venezuelan poultry industry is negotiating to export eggs to Mexico and meet the demands of that country, after they discovered the avian influenza and had to sacrifice 10 billion hens. Francisco Tagliapietra, President of the National Poultry Federation, reminded that according to



the resolution of the Ministries of Food and Agriculture, all basic food exports must be authorized by requesting production certificates and reviewing sanitary protocols, otherwise, sales abroad are forbidden. The poultry sector would be capable of exporting around 100,000 boxes containing 360 units to México to solve the situation.

World Economy Tips

Good-bye London 2012, and back to reality. The Bank of England corrected its growth estimates to almost zero, mucho lower than the 0.8% it predicted in May, and the 2% predicted a year ago. New data reveal that the recession has deepened in that country, and although inflation figures forecasts are below the targets for the next three years, Mervyn King, bank director, has ruled out a reduction in interest rates, at least in the short term, and until the “storm clouds” stop coming to the Eurozone.

France: again in recession. According to figures of the Central Bank of France, that country's gross domestic product (GDP) will drop 0.1% during 3Q2012. If this is confirmed, France would be officially in a recession, accumulating two consecutive quarters of GDP drops. Growth expectations for 2012 were reviewed downward, GDP for 2012 will grow 0.3% compared to the 0.4% forecast last month, and growth forecasts for 2013 went from 1.7% to 1.2%.

An Germany along the same path? Industrial production in Germany fell 0.9% in June, and during 2Q2012 had an annualized drop of -5.9%, higher than the falls in the last 12 months; it is being dragged by a Sharp drop in production by the construction sector, and in the meantime, problems in the Eurozone keep increasing, since there is no real short term support, or a long term plan to overcome them; it seems that the weakness of the zone is starting to have a more severe negative impact on the German economy.

European commission: the silence of Spain, is a good sign. The European Commission considers “good news” that Spain hasn't requested an emergency aid from the group of up to EUR30.000 billion for the banking system, and insisted that the “plan has always been” to disburse the aid in October, month in which the commission will conclude its analysis of the Spanish financial system, trying to eliminate doubts about the financial sector and establish its reorganization, In the meantime, Spain will have to fend for itself or request emergency aid and accept the consequences.



The last cuts will affect the Spanish economy even more. The International Monetary Fund (IMF) doubled the estimated GDP drop of Spain for 2013, from -0.6% to -1.2%, after the new cuts announced by Spanish President Mariano Rajoy. IMF analysts consider that the measures with which the Spanish government is trying to reduce the deficit *“have been very well chosen to minimize the impact in growth”*, but warn that *“more measures”* will be needed to reach the deficit target in 2014.

A large yard sale to pay debts. The Italian government will sell 350 historical buildings property of the State, which are empty, as announced by the Executive President, Mario Monti, and his Minister of Economy, Vittorio Grilli. They said that with this measure, they expect to inject between EUR15.0 and EUR20.0 billion per year into the treasury, to reduce the public debt so it represents 100% of GDP, 23 percent points below its present level.

“An excess of solidarity” For Guido Westerwelle German Minister of Foreign Affairs *“the Euro and Europe are threatened not only because of lack of solidarity, but because of an excess of solidarity”*, referring to Germany’s rejection to create the Eurobonds, which according to Westerwelle would imply the *“collectivization of the debt”*, and would lead countries with problems to assume their commitments lightly.

The Japanese economy stops growing. According to data issued by the Japanese government, the drop in exports and a weak domestic consumption has contributed to the slowdown in that country’s growth. During 2Q2012, Japan had an interannual growth of 1.4%, a sharp drop compared to a first quarter with a growth rate of 5.5%. The appreciation of the Yen and the stagnation of China and the European Union have been the main causes of the slowdown of the Japanese economy, still burdened by the expenses to reconstruct the regions that were ravaged by last year’s tsunami.

Cereals very expensive. The persistent drought and the heat wave in the United States and Russia have significantly affected cereal crops, so their international prices have skyrocketed, increasing 50% since June. The alarms have already activated: G20 officials, a group that gathers the main economies of the world, will analyze whether it is necessary to activate an emergency mechanism known as a Quick Response Forum, to avoid a crisis similar to that of 2008.

Biofuels: from being a solution to being a problem. The United Nations Agency for Food and Agriculture (FAO) asked the US to stop the production of biofuels, which take 40% of the cereal crops, according to the laws in force in that country; if this continues, it may lead to a global food crisis.



Political Tips

Not one step backwards! During a campaign event in Carabobo, President Hugo Chávez stated that he wants the reelection for a fourth consecutive mandate, to allow him to be in power for 20 years to "*cross the threshold of irreversibility*" so that his socialist revolution "*has no chance of moving backwards*". According to the head of state, there is still much to be done: "*If I thought we had done everything or almost everything (...) I would go and rest*" he said.

Ocariz: we need a president that works for the regions. Carlos Ocariz, candidate for the governor's office of Miranda, during a visit to towns in the state of Miranda, called the attention of the national government, saying that there is lack of support, and neglect for the basic needs of the people. For Ocariz, Venezuelans need a President that is an "*ally who works for the regions with no exclusion whatsoever*".

Listen to the communities. Ocariz, also action coordinator of Comando Venezuela, said that in light of the presidential elections, the organization will focus on the most popular areas of the country, "*places where for years promises have not been fulfilled*", to understand the strengths and weaknesses of each community, and propose concrete solutions, not promises geared to "*ephemeral and utopian things*".

Capriles: "besides oil, we have no other source of income." Presidential candidate for the Mesa de la Unidad Democrática (MUD), Henrique Capriles Radonski, said during an assembly in Mucuchíes (Mérida) that "*besides oil, we have no other significant source of income*". For the opposition candidate, the Venezuela of the future could be a power in tourism and/or agriculture, and government policies must foster national production and not promote the import of goods, which is what is happening now.

Capriles proposes to help producers in the fields. During a walk through Trujillo, presidential candidate Henrique Capriles, underscored the need to give field producers legal and personal security, as well as the infrastructure and technical assistance they lack. The MUD candidate criticized the government for harming producers through the "*excessive import of foods*", and ratified that his plan is to guarantee that national production resumes in Venezuela.

Before running we must crawl. Capriles also said that the basic needs of Venezuelans must be met before exploiting other areas, a clear reference to the



intentions of the present government to build a satellite factory in the territory. For the presidential candidate, the government must first be concerned about the basics, like food production, which in his opinion is abandoned, so much so that the country has to import food.

Workers with Capriles. The Frente Unitario de Trabajadores de Venezuela (Futv), the political arm of the Confederación de Trabajadores de Venezuela (CTV), will join the electoral campaign of candidate Henrique Capriles Radonski. José Torres, organization director of the CTV, said that this is "*the only legal route that workers have to oust the chief that we have*". Torres added that the present head of state doesn't discuss collective bargaining agreements and doesn't guarantee individual safety, and is trying to undermine the work of trade unions by creating worker's councils.

Ruling party with 700 thousand new militants. The Juventud del PSUV (JPSUV) ended the registration of new militants for the organization, with close to 700 thousand new recruits. This was informed by Herick Rangel, coordinator of JPSUV, who said that the greatest number of new PSUV recruits were in those states where the opposition is ruling. Rangel also said that the first mission of the new militants will be to implement the so-called 1x10 to guarantee victory on October 7.

A new battle plan. After inaugurating the new Centro Comercial Bicentenario, in Caracas, and after insisting on the need to capture the votes of the middle class, the President and candidate for reelection Hugo Chávez, announced that the new electoral strategy to be implemented in what is left of the campaign will not only be "*street acts and large concentrations*" but also "*sector meetings*", in which the focus of the discussion will be the "Simón Bolívar National Project".

Barinas: 270 thousand votes for Chávez Adam Chávez, governor of Barinas and brother of reelection candidate Hugo Chávez, said that the state will provide 270 thousand of the 10 million votes with which, according to him, his brother will be reelected. The governor of Barinas said he is not sure of victory, and that is why the Comando Carabobo must work to motivate electors, to participate freely and democratically in the elections of October 7.

Borges: President is recycling his promises. Julio Borges, representative at the National Assembly, and national coordinator of Primero Justicia, presented during a press conference a "rosary of offers" of infrastructure works, presented by reelection candidate Hugo Chávez, throughout his mandate, and that he is now recycling as new electoral promises. For the representative, Chavez's promise to end the works in six years is a lie, since he hasn't been able to do it in 14 years.



Error in arbitrary selections. Primaries have been ruled out by the PSUV; the government party announced that the candidates for governor's offices and mayoralties will be imposed, and although for some, like Aristóbulo Istúriz, vice-president of PSUV-Vargas, "*there is nothing more democratic as Hugo Chávez*", others consider that selecting arbitrarily the "regional leaders" could be a mistake, when the priority is to guarantee the presidential election, particularly if the candidate is generating controversies and strife in the grassroots, which distracts the attention from the October target.

Governor's offices will have to wait for candidacies. Fourteen governors will have to wait for the decision of Miraflores to be able to run for reelection. The ruling party will focus on Chávez's reelection, aiming for a victory in October to give him more time to consolidate the "revolutionary" political process, and serve as a springboard for the reelection of several of his leaders. In the meantime, the order is to avoid associating the name of the leader with the dismal administrations of the states ruled by the PSUV, since it would weaken his campaign.

Capriles: I only want for us to work more. In a TV message, presidential candidate Henrique Capriles vied to respect and value the work of public employees, and guaranteed that in his government "*there won't be persecutions and a public official will never be forced to wear the color of a party*", "*What I only demand is for all to work more and better for our people*", said the candidate.

Legislative Tips

Obligated to report costs and drug prices. In the Official Gazette No. 39,986 that circulated on August 16th, the Sundecop issued an administrative ruling in which there is an obligation to notify to that instance the costs and prices of drugs. Article 1 of the Order states that according to the Cost and fair Prices Law individuals that produce, import, distribute and / or commercialize drugs should notify the accounting information referred to the costs of fiscal period 2011, so as for the 1S2012.

Article 4 indicates that the subjects of application of the Law must be supplied through the Automated System of Price Administration (SISAP) all required information concerning "general company information, notification of costs and other data associated there."



Reform of the Stamp duties act signed. Rafael Isea, governor of Aragua, approved the reform of the Stamp duties law for that state. Isea gave no details on the contents of the reform, or the date when the legal text will be published. Entrepreneurs of the state are awaiting the publication of the new reform.

"NA didn't care for the needs of the people". Tomás Guanipa representative before the National Assembly (NA), said that most of the ruling party members are responsible for the arrears with the country, since they approved only seven laws out of 47. Guanipa reminded that since August 15 the mid-year legislative break was activated, and since the plenary was installed in January, time was used to *"approve additional credits, grant more money to the President, and approve 15 international agreements"*, which reveals that "this government isn't interested in the problems of the people".

Protests in the NA. A group of former workers of Invia Aragua protested at the doors of the NA demanding to be listened by the congressmen, after five years of being dismissed without receiving their payment. Amid yells and banners, they said that Rafael Isea, governor of Aragua, has overlooked the decision of the Supreme Tribunal of Justice.

Changes in embassies in Greece and Jamaica. Besides the usual additional credits, last week, the NA approved the appointments of Venezuelan ambassadors in Jamaica (María Mendoza), Turkey (José Gregorio Bracho Reyes) and Greece (Franklin González).





ECONOMIC OVERVIEW

