

## The implications of selling Citgo: bread today, hunger tomorrow

On July 24, the information portal specializing in the energy industry *Argus Media* reported that PDVSA was studying the possibility of selling Citgo. The article explained that the purpose of the sale was to obtain cash for a variety of development projects in Venezuela that are behind schedule, increase the volumes of crude being shipped to China, and reduce the Venezuelan Government's exposure to foreign lawsuits. Energy ministers informed Argus that the government had received three separate offers in the range of US\$10.0 billion and US\$15.0 billion for all of Citgo's assets.

Citgo was a fundamental step in PDVSA's internationalization strategy in the 1980s during the Jaime Lusinchi administration and is the seventh largest refining company in the United States. So, it is worth asking what possible reasons there could be for PDVSA to consider going through with this sale and what implications it will have for Venezuela's oil industry.

### Citgo: the jewel in the crown

Citgo is an affiliate of PDVSA's located in the United States that engages in refining and distributing the oil that is produced in Venezuela. It also has shares in six refineries in the United States: Lake Charles in Louisiana, Corpus Christi in Texas, Lemont in Illinois, Chalmatte in Louisiana, Saint Croix in the U.S. Virgin Islands, and Sweeny in Texas. The first three are owned outright by PDVSA (through Citgo) and together have the capacity to refine 750,000 barrels a day (b/d). The other three are joint ventures in which Citgo has a 50% shareholding, with the remaining 50.0% being owned by ExxonMobil, Hess Corp, and ConocoPhillips, respectively.

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### Refining Capacity and Participation Rate of PDVSA

Location (EE.UU)	Owner	PDVSA participation (%)	Nominal refining capacity (MBD)	Refining capacity, net share PDVSA
Lake Charles, Louisiana	CITGO	100	425	425
Corpus Christi, Texas	CITGO	100	157	157
Lemont, Illinois	CITGO	100	167	167
Chalmette, Louisiana	CHALMETTE	50	184	92
Saint Croix, U.S. Virgin Islands	HCVENSA	50	495	248
Sweeny, Texas	PDV Sweeny	50	110/58	55/29
<b>Total</b>			<b>1,428</b>	<b>1,089</b>

Sources: Pdvsa and Ecoanalítica

In addition, Citgo has 48 distribution terminals in the South, East and Midwest of the United States, three oil pipelines of which it is the sole owner and six more in which it has a shareholding. In other words, this is the way that Venezuela places oil in the US market, which has historically been PDVSA's biggest customer, although, in recent years, Venezuela has diversified its exports to the Asian markets.

This means that the entire park for refining Venezuelan and Mexican crudes is located in the United States. However, we are not the only ones in the US market. Today, we are facing competition from Canada, which has heavy crudes –like those from the Orinoco Oil Belt- that are inundating the market, but with some difficulty as it is costly to take their crude to the coasts of the Gulf of Mexico where our largest refineries -the Lake Charles and the Corpus Christi refineries- are. Despite that, they transport their crude by train and truck and slowly but efficiently have taken away some of our oil's market share.

This is not the first time that the sale of Citgo has come up. In fact, when Chávez first took office, his intention was to sell the company, but he soon realized that it was not advisable. However, it is evident that this administration wants to move over to a market such as the Chinese market; the problem here is not only that this market is a long way away and implies elevated shipping costs, but that China is not building heavy crude refining capacity fast enough, as it has found plenty of light crude in the global market.

Without a doubt the US market, which is much closer to home, is far more profitable, even more so if the idea is to increase production in the Orinoco Oil Belt, as some government spokespersons have commented. At **Ecoanalítica** we consider that both the US and the Chinese markets are needed and that PDVSA's priority should be to increase production and increase the volume of barrels that generate cash, which came to 1.55 million barrels a day (mb/d) in 1Q2014.

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## Sacrificing the future of Venezuela's oil

At the moment there are two reasons why the sale of Citgo is being considered by this administration. The first is definitely to increase the cash flow. We know that, in the past few years, the government has implemented half-measures on the economic policy front and that, now, it needs to increase its resources as the measures that need to be taken, such as devaluation and a possible increase in the price of gasoline, have an associated political cost. We have a cabinet that is not afraid to continue putting off the inevitable and carry on with a short-term vision, an option that simply means sacrificing the future of Venezuelan oil to obtain funds now; in other words, bread today, hunger tomorrow.

It should not be forgotten, moreover, that, at the moment, ExxonMobil and ConocoPhillips have arbitration claims against Venezuela before the World Bank's arbitration forum, the International Center for Settlement of Investment Disputes (ICSID), in connection with expropriations in the Orinoco Oil Belt. It is known that the ICSID has completed the information gathering phase and that it is expected to hand down a ruling shortly. Venezuela could negotiate a payment plan with ExxonMobil and ConocoPhillips, but the existence of Citgo on US soil will allow them to bring pressure to bear. In other words, the purpose behind the sale of Citgo could be to prevent ExxonMobil and ConocoPhillips from having the opportunity to use Venezuela's assets abroad to stand as some form of guarantee. Regardless of whether or not this is the reason, it seems to be a fire-fighting measure that, more than likely, will prove to be detrimental to our oil industry in the long term.

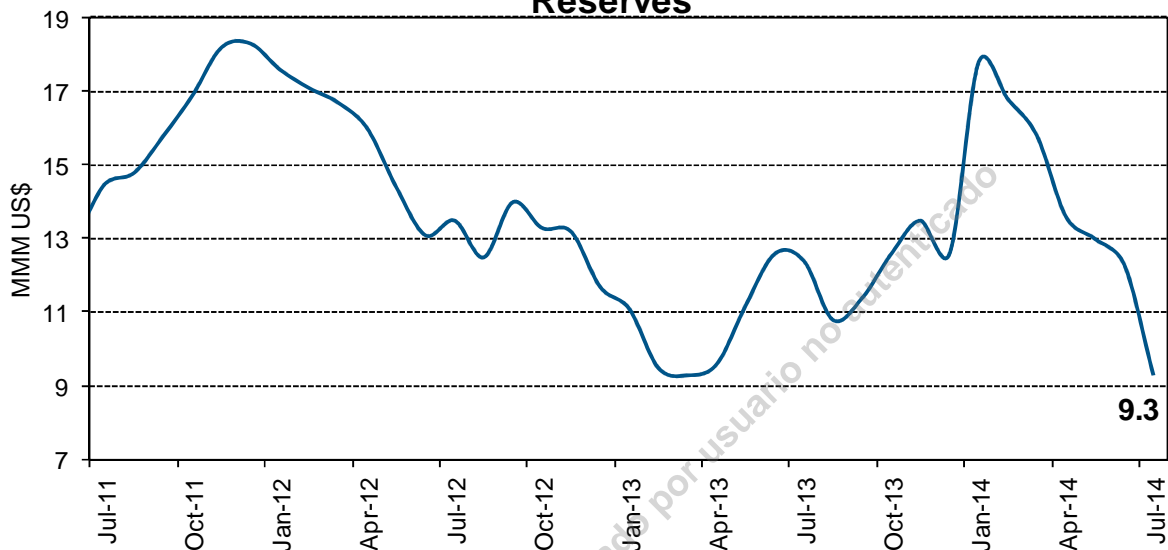
## How much is Citgo worth?

As mentioned earlier, government spokespersons have received offers of between US\$10.0 billion and US\$15.0 billion for Citgo. However **Ecoanalítica's** estimates put Citgo's value at between US\$7.05 billion and US\$9.12 billion, and that does not take account of the company's debts, which means that PDVSA would receive less than the selling price.

If we compare these figures with the over-invoicing of public sector imports (US\$16.42 billion), they are considerably less. This gives grounds for thinking that bad policies in the past and in the present are leading the cabinet to take desperate measures in the search for fresh resources. On the matter of the State's resources, it is worth taking a look at how extra-budgetary resources have skyrocketed this year.

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### Currency Resources Managed Outside of International Reserves



Source: Ecoanalítica.

Note: Includes FONDEN, various funds and PDVSA.

In conclusion, in Venezuela measures are being taken –or rather are not being taken- in the worst of circumstances. It is precisely inaction that is setting us on a path of contraction and high inflation. Today more than ever, a change in the economic model is needed, otherwise we will continue trapped in this vicious circle. It is time to move on.

**Jessica Grisanti**

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## ECONOMIC TIPS

**And the spending continues.** In 1H2014, the National Assembly approved a total of VEB 273.6 billion in supplementary appropriations, 145.0% more than during the same period in 2013, when they came to VEB 110.5 billion. This increase in spending reflects a boost in public sector investment via the Central Government. At **Ecoanalítica** we are of the view that this boost in spending shows that there is no adjustment plan under way and that an expansion in spending does not mean an “optimization of spending” as claimed by government authorities.

**For paying what was promised.** Fifty-seven percent (VEB 155.61 billion) of the supplementary appropriations approved in 1H2014 (VEB 273.6 billion) has been earmarked for honoring promises made to workers and meeting pensions and other payroll benefits. These increases in expenditures are the result of the two wage increases decreed by the government: 15.0% in January and 10.0% in May.

**Not just for wages.** Besides the supplementary appropriations approved to cover the wage increases, supplementary appropriations were also approved to meet the demand for imports. According to the National Assembly's records, nearly VEB 20.0 billion was approved for purchases abroad of basic food products. At **Ecoanalítica** we are of the opinion that, as long as the national budget continues to be underestimated, there will be no confidence for investing in the country, and that, as long as the economic policies do not provide incentives for production, the need for supplementary appropriations to meet the demand for imports will persist.

**It had to come down some day.** Between 2001 and 2012, there were constant increases in the price of gold. However, in 2012 it started to plummet. Between December 2012 and June this year, the Central Bank had to revise the value of the gold ingots that are part of its reserves downward from US\$1.686 an ounce to US\$1.290 an ounce, which gave a capital loss of 30.4%. At **Ecoanalítica** we estimate that this trend will continue in view of the fact that the US Federal Reserve has reduced its stimulus plan for the US economy and plans to reduce it still further.

**The persecution continues.** The Prosecutor General's Office has published another list of 50 companies that are being investigated for alleged irregular

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use of foreign currency. Thirty-nine of the companies on the list received US\$520 million between 2004 and 2012. Prosecutor General Luisa Ortega Díaz also said that there is nothing to fear, that her office intends to say what the crimes were. *“These are companies whose owners, representatives have been accused. We’re going to say what the offenses are, the current status of the cases, and even those that have already received a sentence.”*

**Not even China views us favorably.** One of China’s main credit rating agencies, Dagong Global Credit (DGC), sees high risk in the Venezuelan debt market in the short and medium terms, as it has downgraded its rating for Venezuela from BB+ to BB-. The agency explained that this new rating is due to the serious macroeconomic imbalances in Venezuela as well as an elevated fiscal deficit, insufficient international reserves, and the pressure of significant devaluation of the local currency.

**It’s not only the adjustments that are delayed.** To date the main offices responsible for issuing and publishing basic information on economic activity and growth (Central Bank, National Statistics Institute, and Ministry for Finance) have not published information on the country’s main macroeconomic variables, namely: inflation for June and July; the behavior of GDP in the last quarter; and the balance of payments since 4Q2013. At **Ecoanalítica** we consider that delays of this type do not help the government’s transparency and credibility, both of which are necessary when implementing economic policies.

**Concentration is having an impact.** Owing to the high concentration of liquidity in the public sector banks, a number of private financial intermediaries have had to request funds in the interbank market, which resulted in a sharp increase in the interbank rate. As at mid-August, the interbank rate was 13.4%, up 8.8 percentage points from mid-July. This interest rate, which is payable on loans between the banks, is one of the highest this year.

**Fewer dollars in cash.** The Central Bank’s last general balance sheet as at the close of 1H2014 shows that available foreign currency –that is dollars in cash making up the international reserves- came to US\$1.75 billion, for a drop of 44.0% compared to the same period in 2013. At **Ecoanalítica** we believe that this reduction should come as no surprise to anyone, as in recent years, the Central Bank has transferred part of its reserves to Fonden, added

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to which imports have increased as a result of a decline in domestic production and a cheap exchange rate.

**Interest rates.** The lending rate for the second week of August was at 18.5%, up by 1.8 percentage points (pp) compared to the previous week. The time deposit rate was at 14.6%, down by 0.1 compared to the previous week, while the passive rate was at 14.1%, without variations compared to the previous week.

**International reserves.** International reserves increased by 0.4%, going from US\$20.33 billion during the first week of August to US\$20.41 billion during the second week of August. Compared to the same period last year, international reserves have decreased by 11.5%.

**Central government expenditure.** On August 15th according to figures from the NTO primary spending was VEB 23.17 billion, which means an increase of 24.6%; when it is compared to the same period last year. So far this year, the primary expenditure accumulates VEB 514.03 billion 85.3% more than the same period last year.

**Monetary liquidity.** Money liquidity (M2) decreased 0.1% in the second week of August from the week prior, to settle at VEB 1.4 trillion. The M2 has increased 67.5% in relation with the same period last year.

Supply through SICAD II (US\$ MM)					
Day	Total daily	Public Sector	(%)	Private Sector	(%)
8/5/2014	33.8	28.7	84.9	5.1	15.1
8/6/2014	44.7	32.1	71.8	12.6	28.2
8/7/2014	20.1	19.0	94.5	1.1	5.5
8/8/2014	22.4	19.5	87.1	2.9	12.9
8/11/2014	22.8	20.5	89.9	2.3	10.1

Source: Ecoanalítica

## OIL TIPS

**Gas evaporates.** The current debate in Venezuela on the revision of fuel prices does not include the domestic gas sold by PDVSA, said Minister for Oil and Mining Rafael Ramírez. *“That’s another debate. What we approved, based on the proposals we received at the Third PSUV Congress, is involving people’s power in the distribution of gas in cylinders.”* The minister

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said that “*more than 6,400 million cylinders are distributed a day*” and he commented that they are discussing a scheme for distributing the cylinders after they have been filled so that “*we can make a more efficient, a more transparent mechanism, where it (the gas) reaches the user directly.*”

**Juggling to meet payments.** According to information provided by PDVSA, debt servicing scheduled for this half year (payment of capital plus interest) was calculated at US\$5.5 billion, US\$1.2 billion of which was paid in the first six months of 2014, leaving the lion’s share of liabilities for the second half of the year. Financial sources say that the industry is analyzing the possibility of the PDVSA Pension Fund purchasing 2014 bonds so that it can subsequently swap those papers for others with longer maturities. A similar operation is apparently to be conducted with Lazard, the investment bank in charge of handling the possible sale of Citgo.

**PDVSA will lose market share with the sale of Citgo.** The credit rating agency Moody’s said in a report that the sale of Citgo would cost PDVSA its assured outlet in the US market for its low-value heavy crude. The agency added that the oil company’s credit quality would benefit only if proceeds from the sale outweighed that loss “*by contributing to the company’s ambitious and expensive effort to increase its crude production and exports.*”

**Risk ahoy!** Moody’s also said that PDVSA faces substantial risks on the political and economic fronts as a result of the government’s instability; whereas Canada’s ScotiaBank said that the sale of Citgo’s three refineries is not prompted by the Venezuelan Government’s interest in preventing an embargo once the arbitration claim filed by ConocoPhillips before ICSID is decided but by the pressing need to obtain financing.

**Government hopes to cover costs.** Minister Ramírez said that the increase in the price of gasoline seeks to cover production costs and generate surpluses in order to allocate resources to social areas. “*We’re defining a production cost and a surplus to attend to issues of a direct social order,*” he explained. Referring to the measure, the minister reiterated that it is not part of a “major package” and that it is due to the fact that the price of gasoline has lagged way behind, a situation that has generated losses of around US\$15.0 billion a year. He also explained that the Executive is studying several adjustment scenarios.

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**Proposals considered.** Minister Rafael Ramírez announced that the debate on putting up the price of gasoline will include a campaign to inform the population of the reasons for the measure. Minister Ramírez explained that Venezuelans who wish to will be able to submit their proposals via the ministry's webpage. He also said that the issue is to be debated with the people and even with service station workers and representatives. *"It will be a debate with the people,"* said the minister.

**Domestic consumption has skyrocketed.** On the issue of domestic consumption, Ramírez reiterated that it was necessary to carry out a campaign to raise awareness regarding the rational use of gasoline. He recalled that, in 2002, Venezuelans consumed 400,000 barrels a day (b/d) and that today they consume 730,000 b/d. *"Brazil, which has a bigger population, consumes a volume similar to ours. That shows that our consumption is extravagant,"* he said.

**International oil baskets.** At closing time on August 15th in the New York Stock Exchange, the price of the WTI was US\$97.2/bl, down by 0.3% when compared to the reported the previous week. The Brent decreased by 1.1% when compared to the previous week, to reach US\$103.8/bl.

**Local oil basket price.** The Venezuelan oil basket price closed at US\$91.9/bl on Friday August 15th, decreasing by 0.3% when compared to the reported the previous week. The annual average price of the Venezuelan oil basket is US\$96.5/bl.

## BUSINESS SECTOR TIPS

**More and more cars, but they're Chinese.** It's a fact. Whether they are units assembled locally or imported vehicles, the presence of Chinese vehicles in the market is daily more marked and will continue to increase thanks to recent agreements between the Venezuelan and Chinese governments. Although there are no official figures indicating exactly how many of these vehicles have come into the country as a result of government purchases, they are estimated to be in the region of 20,000 units, if account is taken of the 9,400 that arrived in 2012, the 10,000 that, according to official spokespersons, arrived in 2013, and another 13,000 vehicles of Chinese makes that will be coming this year.

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**Disbursements are becoming less and less.** Cencorex disbursed US\$2.05 billion to 374 companies in the health sector between January and July this year. Even though the total released to the health sector is equivalent to 21.6% of the US\$9.5 billion that Cencorex disbursed between January and July to sectors that still operate with the VEB 6.30/US\$ exchange rate, this amount is far from sufficient to meet the needs of the pharmaceutical companies. According to CADIVI's figures, in the 1H2011, the health sector obtained disbursements amounting to US\$2.3 billion, some US\$300 million more than during the first seven months of this year.

**Aruba, Curaçao and Cucuta are flight connection points.** The restrictions imposed by the international airlines on reserving seats and purchasing tickets have forced Venezuelans to arm themselves with patience and to be resourceful if they wish to travel outside the country. The president of Conseturismo, Ricardo Cusanno, considers that *"Aruba, Curaçao and Cucuta have become distribution hubs or centers for Venezuelan passengers"* traveling to the other parts of the world. Sector analysts maintain that *"Venezuela has lost the opportunity to become this distribution center for passengers coming to South America from other latitudes,"* despite its privileged and strategic geographical location.

**Travel agencies in danger of extinction.** It is now a year since negotiations were started with the international airlines regarding the huge debt (US\$4.1 billion) that the government has with them and that is preventing them from repatriating their profits to their parent companies, and there has been no improvement in the situation. The facts speak for themselves: the frequency of flights abroad have been reduced by 58.5%. Moreover, the vice president of the Venezuelan Travel Agencies and Tourism Association, Sandra González, stated that the sector is concerned over the reduction of the sales of tickets, the travel agencies' main source of revenues. She said that the sale of tickets for international flights had dropped by 59.0% and those for domestic flights by 29.0%.

**Will the paths once again lead to Rome?** The airline Alitalia notified the local aeronautics authorities of its willingness to resume operations in Venezuela on August 18. On May 16, the European airline announced the suspension of its flights until October and on August 6 it hinted at the possibility of revising that decision. On August 18, Minister for Tourism Andrés Izarra and Minister for Aquatic and Air Transport Luis Graterol

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announced the resumption of Alitalia's operations and the start of Conviasa flights to Italy in December, with five flights to Rome and two to Milan.

**Imbalances in dairy products.** The president of the Venezuelan Dairy Industries Chamber (Cavilac), Roger Figueroa, stated that the price of powdered milk is subsidized throughout the marketing chain, which means that each import generates losses for the government. *"It buys (powdered milk) at US\$5,000 a ton on the international market and, because of price regulation, has to sell it at US\$3,000."* He explained that the monthly consumption of powdered milk is 17,000 tons. *"Half is distributed via the public sector's marketing network; the other half is for the private sector. That means they should give us 8,500 tons a month and we're only receiving between 2,500 tons and 3,000 tons."*

**No inventories and no motorbikes.** The motorbike assembly industry is on the brink of a total shutdown now that its inventories of raw materials have run out as a consequence of not being allocated the foreign currency it needs to honor its debts with international suppliers. This situation puts the stability of some 17,000 direct and indirect jobs that depend on this sector at risk, warned sector spokespersons.

**The "green band" is here.** Minister for Electric Power Jesse Chacón said that consumption per capita of electricity (by residential users) in Venezuela is three times consumption by the industrial sector due to the fact that, for years, Venezuelans have enjoyed the cheapest electricity in Latin America and in the world. For that reason, he announced the "Green Band Plan," which is a stratification of charges drawn up by the Venezuelan Government based on what it considers to be "rational consumption," a "band" that encompasses 83.0% of Venezuelans. Chacón explained that the target is for the 17.0% of users who exceed this rational consumption to return to the green band, which receives 80.0% of the state subsidy.

**The Chinese are to modernize Guri.** Minister for Electric Power Jesse Chacón announced that, as a result of winning an international bid, the Chinese company Dongfang had been awarded the contract for modernizing six generating units at Guri Hydroelectric Power Station to increase their generating capacity by 765 megawatts. The minister explained that the project has an estimated budget of US\$1.31 billion.

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**Peace reigns at SIDOR.** According to official sources, labor union leaders at the state-owned steel company and the Venezuelan Government, represented on this occasion by Vice Minister for Labor Néstor Ovalles, reached an agreement on the collective employment contract. A total of 14,500 workers at the steel company will benefit from the agreement. José Meléndez said that it is an agreement that can be described as historic, as *“it establishes a wage increase of VEB 170 a day, which will be paid in installments throughout the rest of the year.”*

**If we don't produce it, we'll import it.** Suvinca, a company attached to the Ministry for Commerce, is to import toilet paper, toothpaste, toilet soap, deodorant sticks and aerosol sprays, razors, and shampoo, thanks to a supplementary appropriation approved by the National Assembly's Finance Committee. Suvinca will receive VEB 784.1 billion, equivalent to some US\$71.2 million calculated at the SICAD I exchange rate. The measure has been rejected by the industry. They consider that, while the government is putting off solving the obstacles they are facing, it is, once again, approving imports as a formula for dealing with the shortages.

**Growth in smart phones.** According to figures supplied by Conatel, at the close of June, 30.3 million mobile telephone lines were active, which is equivalent to penetration of 100.0%. Of that total, 11.5 million lines, or 38.15%, are associated to smartphones. The number of users subscribing to BlackBerry plans fell by 25.0%, however, going from 4.8 million users in the 2Q2013 to 3.6 million in the same period this year.

## WORLD ECONOMY TIPS

**Set for a slowing down in the economy.** The US Department of Commerce explained that retail sales in the world's leading economy stagnated unexpectedly in July, pointing to a loss of dynamism in the economy at the start of 3Q2014. It seems that, after posting a 0.2% increase in June, growth in retail sales remained flat in July. Everything points to this stagnation being caused by a drop in vehicle sales for the second month running.

**High taxes, low growth.** Japan's economy has experienced its biggest contraction since the 2011 earthquake due to an increase in the sales tax that seems to have had a bigger impact than expected on family spending,

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generating fears that any upturn could be too modest to maintain a stable recovery. The figures show that the Japanese economy experienced an annualized contraction of 6.8% in 2Q2014. Even so, this contraction was less than expected.

**EU seeks to check negative effects.** The European Union is studying possible aid measures for fruit and vegetable producers in the region to avoid a drop in prices as a consequence of Russia's ban on the majority of food imports from the West. Everything seems to indicate that these measures will be ready shortly and that they will be implemented as soon as possible. The EU is on the list of sanctioned countries, along with Canada, Austria, Norway, and the United States.

**Surprising growth.** The European Union's trade surplus grew more than expected in June compared to the same month in 2013, going from EUR 15.7 billion in June 2013 to EUR 16.8 billion in June 2014. These figures do not yet reflect the full effect of the sanctions applied mutually by the EU and Russia, which could bring about a change in this pattern of growth.

**Worse than expected.** A report by the Bundesbank claims that the economy of the European Union will grow more slowly than originally forecast for the rest of the year, since it is estimated that the conflicts in Ukraine and other parts of the world could have a significant impact on business confidence. As a result, everything points to this change in the forecasts and the stagnation of the EU's economy in 2Q2014 possibly prompting the European Central Bank to introduce stimuli in the region sooner than expected.

**Concerns rear their head again.** Figures published by the Bundesbank show that the German economy performed poorly in 2Q2014, clearly evidenced by the 0.2% contraction in GDP. The German bank indicates that the weaknesses in the European Union's leading economy were in foreign trade and investment, which could give rise to greater concern given the present uncertain situation created by Russian sanctions.

**A dull performance by France.** It seems that France is in tune with the current concerns being felt in the rest of Europe, given that it posted zero growth in the first two quarters of 2014. It should be noted that France's finance minister recently gave assurances that the economy of the second European power would grow by only 0.5% in 2014, which is below previous

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estimates. This would allow the deficit to exceed 4.0% of GDP, so overshooting the target of 3.8%.

**Good figures.** Information published by the United Kingdom's Office for National Statistics show that the UK economy maintained solid growth in 2Q2014, expanding by 0.8% compared to 1Q2014, when it grew at the same rate compared to the previous quarter, whereas growth compared to 2Q2013 was 3.2%. This quarterly growth rate is in line with market estimates, and annual growth even exceeds forecasts by 0.1 of a percentage point.

**The debt grows.** Figures released by the Spanish Government reveal that the combined debt of the autonomous communities rose in June by EUR 10.34 billion to a total of nearly EUR 1.01 trillion, for a second increase running after dropping in April. With this new figure, Spain's debt exceeds the threshold of EUR 1.0 trillion, representing nearly 98.5% of GDP, a situation that already occurred in 2013.

**A large tranche.** The countries of the EU have approved the disbursement of a EUR 1.0 billion aid tranche for Greece after it approved a series of reforms in order to obtain aid. This decision came after Congress passed a law whose purpose is to unite the public sector's pension funds and allow greater construction and business activity along Greece's extensive Mediterranean coastline.

## POLITICAL TIPS

**No option is convincing.** The mayor of Baruta Municipality, Gerardo Blyde, said that, in order for people to see the Unity Alliance as a political option, it needs to work on improving people's lives. He warned that the man in the street is torn between a government that has destroyed the economy and an opposition whose members are constantly fighting with one another.

**It's not enough to have the majority.** According to PSUV Deputy Elvis Amoroso, the opposition is responsible for the delay in renewing part of the Supreme Tribunal of Justice (TSJ). Amoroso recalled that, in order to choose the representatives of civil society and the members of the TSJ, it is necessary to reach a political agreement with the opposition, as 110 votes are needed and the government has only 99.

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**The private sector is essential.** Governor of Miranda Henrique Capriles stressed once again that the formula for overcoming the economic crisis is to unite the efforts of the public and private sectors. *“The drama of the shortages and inflation can be solved. Suffice it to get our farms, our industries, and all the expropriated companies that are not producing to produce,”* he said.

**There’s no law in Anzoátegui.** AN Deputy Luis Edgardo Mata has announced that he will request the Supreme Tribunal of Justice to remove the president of the Anzoátegui Judicial Circuit, Linda Silva, on the grounds of corruption. Deputy Mata denounced that in Anzoátegui state *“there’s no justice, there’s no transparency in the processes, and the decisions are subject to what the top officials in the Central Government order.”*

**What do the people say?** According to the pollster Delphos, six out of every ten Venezuelans in strata C, D and E blame President Nicolás Maduro or his administration for the problems of lack of security (73.0%) and the economic problems (64.0%), which include shortages, shortfalls in supply, unemployment and inflation. When ranking the main problems facing the communities, people mentioned public services first (78.0%), followed by the lack of security (57.0%), shortfalls in supply (27.0%), garbage collection (18.5%), and the state of the roads (17.6%).

**They’re washing their hands.** In the opinion of Governor of Miranda Henrique Capriles Radonski, the announcements of economic measures do not guarantee a change of course. The former presidential candidate maintained that *“the economic crisis will continue until there is a change in our nation.”* Finally, he criticized the government for not taking on the responsibility for solving the country’s problems. *“They started by saying that the crisis in our country is the result of an economic war being orchestrated by the Empire, capitalism, and/or external agents. They also blamed businessmen and merchants. Now it turns out that it’s the fault of the mafias and the smugglers.”*

**The first period of sessions in figures.** In its first eight months of sessions, the National Assembly approved 25.0% fewer pieces of legislation than in 2013 (nine versus 12 passed during the same period last year). Moreover, the first eight months of sessions concluded without a legislative agenda having been officially published. As happened in 2013, so far this year none of the 15 permanent committees have been chaired by members of the

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opposition, which violates Article 40 of the AN Internal Regulations. Finally, the first eight months of sessions closed without the directors of the National Electoral Council (CNE) and the magistrates of the Supreme Tribunal of Justice whose terms have expired having been replaced.

**Vacating the world's tallest shanty district.** The Minister for the Transformation of Greater Caracas, Ernesto Villegas, announced that, to date, a total of 434 families have vacated Torre de David voluntarily to be relocated in two urban developments of the Great Venezuelan Housing Mission (GMVV); that is equivalent to 38.1% of the people who were living in the building. Minister Villegas admitted that the government was late in taking action to vacate the office block, but said that negotiations started once sufficient apartments had been built under the GMVV to solve the problem.

## LEGISLATIVE TIPS

**The National Assembly making great strides.** Less legislation, legislative uncertainty, the opposition totally excluded from the chairs of the permanent committees, and the task of renewing the authorities in certain branches of government left pending was the outcome at the close of the AN first period of sessions in 2014. These first eight months of the Legislature's activities elapsed under somewhat unusual circumstances in that it was not officially known which laws it was hoped to pass during the year; in other words, there is no legislative agenda and, as a result, no target to be met. However, when compared to the same period in 2013, the National Assembly sanctioned 25.0% fewer laws.

**Labor law reform has affected customer service.** The service sector is suffering from the outfall of the amendment to the Labor Law (LOTTT) in 2012. The reduction in the working week to a maximum of 40 hours, the obligation to have a third shift, and having to compensate every weekend worked with two days off have resulted in a decline in customer service. Sundde has noted that supermarkets, both private and state-owned, have significantly reduced the number of checkouts, which has resulted in people having to stand in line longer in order to pay.

**On the super-fast track.** On the last day of its first period of sessions, the National Assembly demonstrated a level of productivity that could be the

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envy of the first eight months of the year when it approved 55.0% of the nine laws sanctioned since January 14 this year. The partial reform of the Law on the Protection of Children and Adolescents, the Law on the Promotion and Protection of the Right to Equality for Persons with HIV/AIDs and Their Families, the partial reform of the Law on the Right of Women to a Life Free of Violence, the Law on Comprehensive Social Protection for Artists and National Exponents of Culture, and the Recreation Act are the five pieces of legislation passed at the last ordinary session.

**Productive Employment Act is to regulate internships.** Minister for Youth Víctor Clark said that the Productive Employment Act will regulate internships and the amount of work experience young people are required to have in order to get a job. *“The most important thing is that young people defined what they wanted: simplifying formalities in the productive process.”* Clark said that internships should be viewed as an integrated whole and that they should be brought to a successful conclusion.

**Protection for individuals with HIV is now law.** This Thursday, the National Assembly passed the Law on the Promotion and Protection of the Right to Equality for Persons with HIV/AIDS and Their Families. The law expressly condemns any form of discrimination against these patients with a view to ensuring that they enjoy and exercise all their rights, guarantees, duties and responsibilities –including those derived from their health condition- without being scorned in any way. The law consists of seven chapters and 41 articles and is to be sent to the Executive for its promulgation.

**Changing the law is “pointless.”** In the opinion of the chairman of the National Assembly’s Watchdog Committee Pedro Carreño, the reform of the Anti-corruption Act started by the previous National Assembly *“is a pointless legislative exercise,”* as it in no way changes the content of the law. He also described the present law as being “very complete” and one with which it is possible to work. Although Carreño does not believe that there is any need to modify the Anti-corruption Act, he does consider that there are some aspects of current legislation that need to be improved to combat this scourge, one being a law to protect the person who denounces acts of corruption.

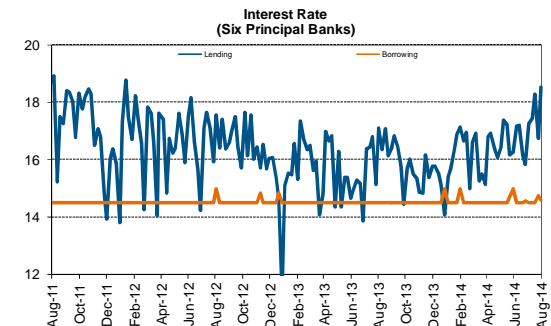
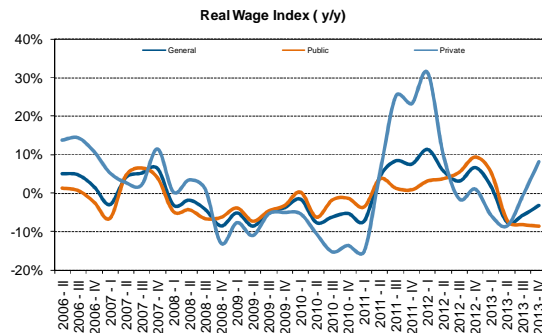
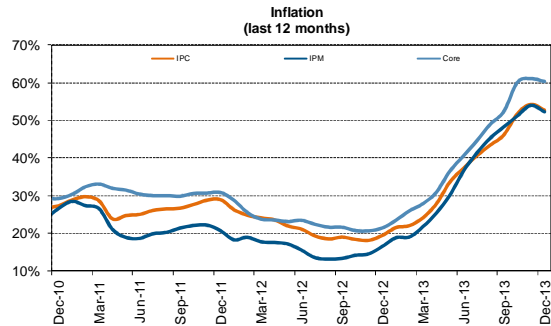
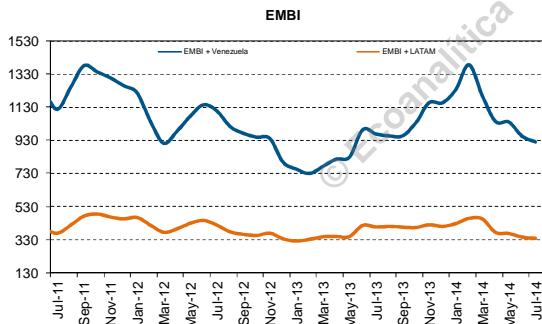
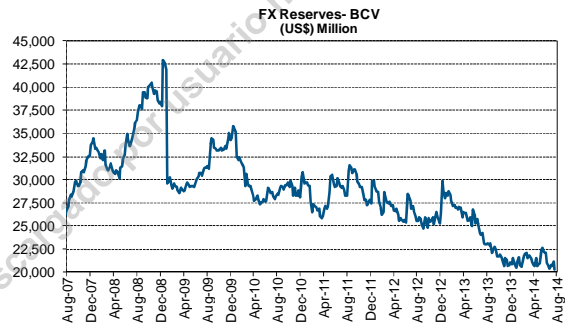
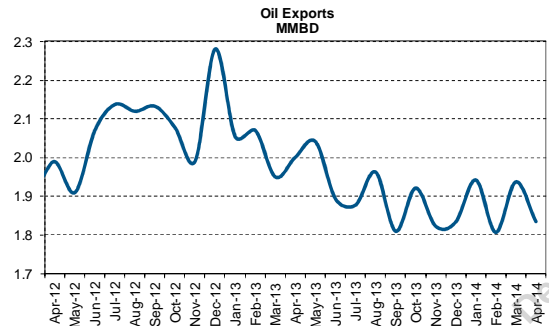
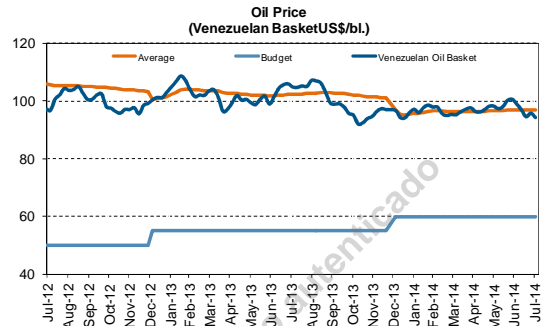
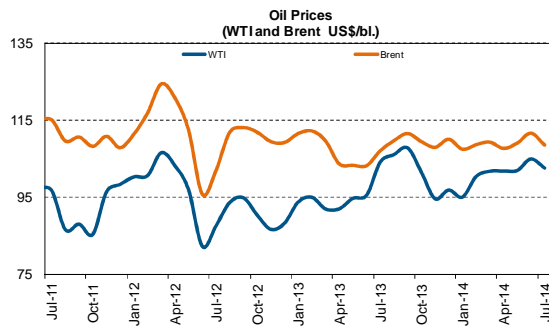
**“We’re all communicators.”** *“Exercising the vocation through natural formation and practice or via the academic profession of Social Communication shall be governed by this law and its regulations,”* so says Article 1 of the Social Communication Bill submitted to the National

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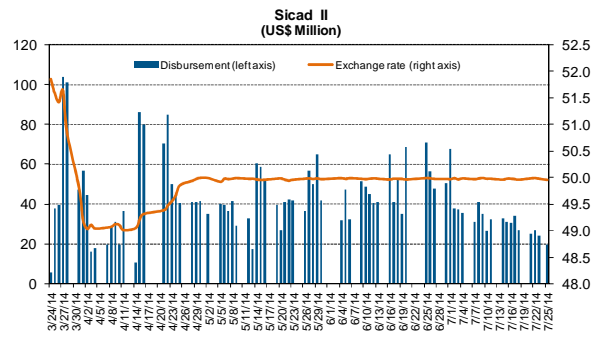
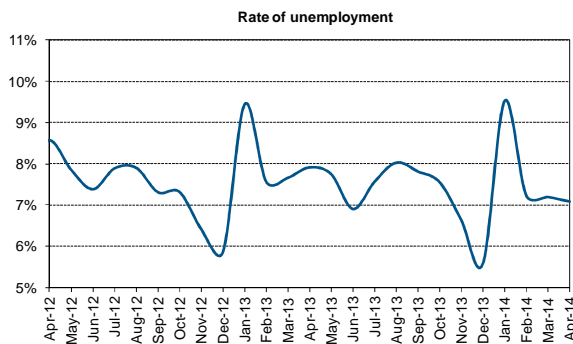
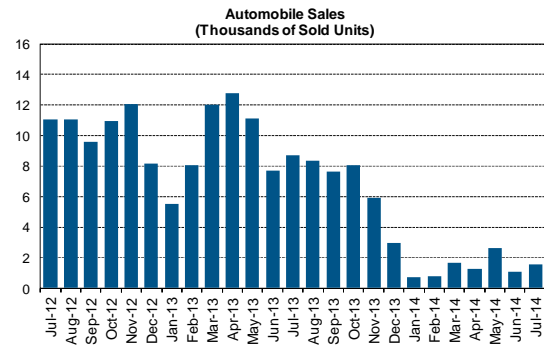
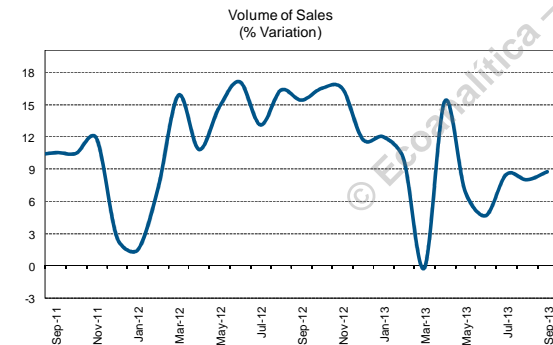
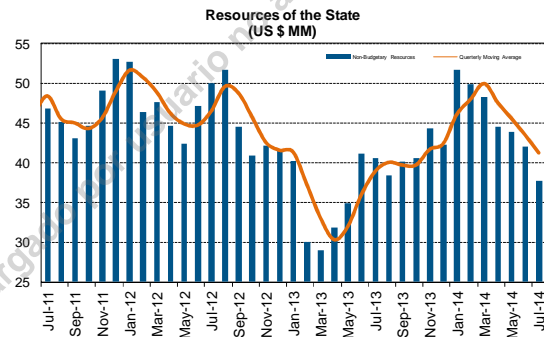
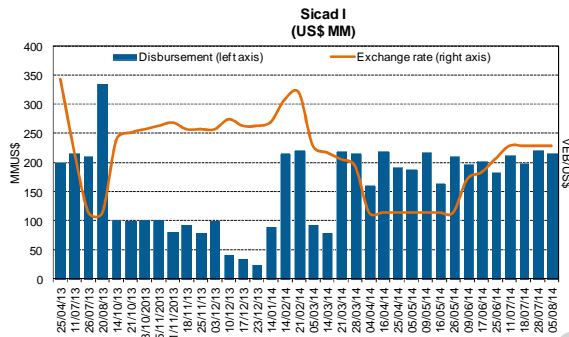
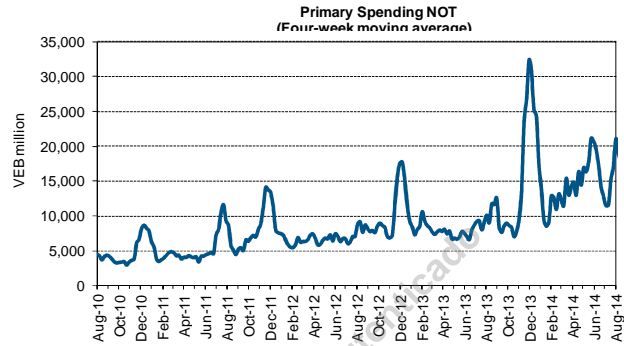
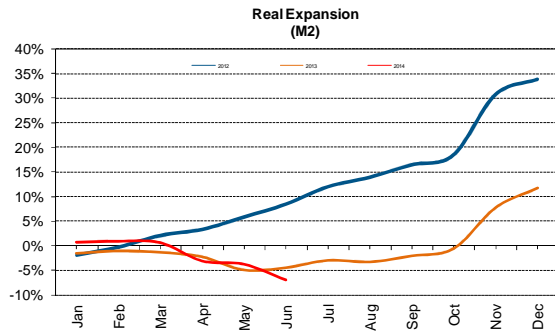
Assembly's Media Committee by the editor of the daily newspaper *Qué Pasa*, Gastón Guisandes. In a prior statement, Guisandes claimed that the bill seeks to protect those who do not have a degree in journalism, but who inform via other means. *"We're all communicators. Why make it a requirement that, in order to be a journalist, you have to study at a university?"*

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**ECONOMIC OVERVIEW**



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