

The Venezuelan political marketplace

Academic literature on rentist economies is extensive and, in Venezuela's case, it has been incorporated into public debate. Recently, authors such as Rodríguez & Rodríguez (2012)¹ and Baquero & López (2017)² have argued the importance of incorporating the elements of rentism into political theory. They mainly highlight how the existence of a rentist fiscal contract reduces the government's reliance on tax receipts and how the government's capacity to generate its own revenues distorts the State's structure of incentives.

In the absence of structural reforms in the oil sector such as those proposed by Rodríguez, López, and Baquero, the characteristics identified in literature on Venezuelan rentism continues to pose a risk for our political system in the long term. However, as the Venezuelan political crisis has got worse, the risks identified previously pale in comparison to today's threats.

On this occasion, taking the conceptual framework offered by the literature on rentist political marketplace in East Africa, we will apply the lessons provided by South Sudan to the case of Venezuela to try to create a map that will allow us to understand the Venezuelan problem today.

An African conceptual framework

In 2015, Alex de Waal published "*The real politics of the Horn of Africa*." Besides the individual lessons the book offers each of the countries located in the Horn of Africa³, after three decades of field work by the author, its main academic contribution is the consolidation of a conceptual framework that is extremely useful for analyzing rentist political marketplace in general.

According to de Waal, a political marketplace is a "contemporary system of government in which loyalties or political services are exchanged for rents or licenses." From a Weberian point of view, the State commonly has the monopoly of force, whereas the population has the monopoly of resources, which provides incentives for the exchange of

¹ *El petróleo como instrumento de progreso*. Rodríguez, P. & Rodríguez, L. (2012).

² *Venezuela Energética*. Baquero, G. & López, L. (2017).

³ A name used for East Africa, given its geographical shape.

resources (taxes) for order and the protection of rights⁴. In the cases described by de Waal, however, the government has its own resources and some groups of the population have the possibility of exercising violence.

According to this theory, as long as there are groups that have the possibility of generating instability and the government has access to a flow of rents to share out, there will be incentives for developing a political marketplace. Once it is functional, the political marketplace undertakes the task of defining the “*price of loyalty*” according to variables of supply and demand.

Depending on this price and the volume of rent available to be shared out, the political marketplace may be stable or unstable. If the level of rent is sufficient to finance peace, then the political marketplace will be in a state of *payroll peace*, in which agents with capacity for exercising violence are incorporated into the state or para-state structure, where they obtain revenues.

However, if the level of available rent shrinks and the price of loyalty remains constant or if the level of rent remains constant and the price of loyalty goes up, then there is a fracture in the market and incentives emerge for groups that have the capacity for violence to exercise it in an attempt to capture the State or a portion of it, in what de Waal calls a “*rent-seeking rebellion*.”

For Amos Sawyer, an activist, academician and former Interim President of Liberia (1990-1994), a centralized State that has nationalized natural resources is viewed as a prize by groups of *political entrepreneurs*⁵. When he was in office, Sawyer sought to decentralize political power and the handling of public finances in order to reduce Liberia’s political instability in the long term.

Chris Blattman, an economist from the University of Chicago, wanted to take the *State as a Prize*⁶ theory further. To do this, among other things, he empirically studied the effect of a commodity price shock on the probability of coups or violent acts in rentier states⁷. He used a price database of 65 commodities over 50 years, 11 datasets with different methodologies of assessing violence and internal conflict, and two datasets tracking attempted and successful coups, as well as irregular leader exits.

His findings are consistent along the different datasets and methodologies and show a negative price shock over the commodity of exportation of a rentier government. On the

⁴ *La política como vocación*. Weber, M. (1919).

⁵ *Beyond Plunder: Towards democratic governance in Liberia*. Sawyer, A. (2005).

⁶ *Order and Violence: Reasons for violence III*. Clase en la Universidad de Chicago.

⁷ *Economic shocks and conflict: Evidence from commodity prices*. [Bazzi, S. & Blattman, C. \(2014\)](#).

contrary, an increase in prices is associated with shorter wars and fewer deaths. This suggests that the flow of rents, quite apart from determining the desirability of government as a prize, determines the capacity for counterinsurgency or for establishing a payroll peace, given a pre-established price for loyalty.

The *commodification* approach to politics presented by de Waal has been criticized as simplistic and materialistic⁸. It is true that there are other means by which a government is capable of generating loyalties, such as the general context of the quality of life or ideological, ethnic or religious identification with the political leader. However, as de Waal sees it, the sharing out of rents can have a marginal impact that ends up defining loyalty in the political marketplace.

According to de Waal, the political marketplace is defined by four factors: (i) political finances (budget allocated to the sharing out of rents); (ii) control of violence (ideological or institutional factors that generate the loyalty of violent groups without the need to share out rents); (iii) negotiation and dispute settlement rules (nonviolent mechanisms for achieving political solutions, avenues of communication, mechanisms for coordinating uprisings); and (iv) integration into the international political marketplace (capacity for receiving financing from foreign allies with aligned political interests).

An experience from the Horn of Africa

Possibly the clearest example of a latent political marketplace is the case of Darfur, a region to the west of Sudan. At the start of the 21st century, local militia chiefs and political parties managed to find a way to obtain financing for their activities by selling political services and loyalties to patrons in Chad, Eritrea, Uganda and South Sudan. According to de Waal, the Sudanese Government repeatedly underestimated the price of loyalty of several ethnic groups in Darfur, which gave rise to a number of insurrections⁹.

In de Waal's opinion, the intention behind the numerous peace agreements was not to share power but to reduce the price of loyalty, because the factions understood that peace was temporary. Since international financing of groups with opposing interests continued, the groups considered the peace agreements as an opportunity to get ready for the next round.

Even though its political rentism goes back to the 1970s, Sudan's political marketplace became more refined following the start of oil activities in 1999. Depending on the availability of funds, the government managed to achieve peace agreements with different armed groups. In the 1970s, it managed to finance stability with foreign loans,

⁸ *The commodification of African politics*. [Hagmann, T. \(2015\)](#).

⁹ *The real politics of the Horn of Africa: Money, War and the business of Power*. De Waal, A. (2015).

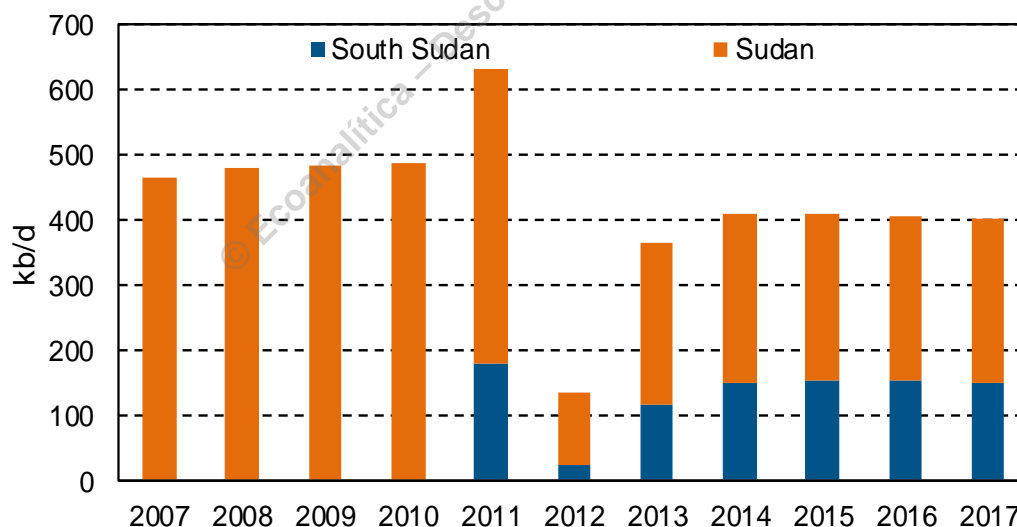
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but violence made a comeback in the 1980s when those loans had to be repaid and it became necessary to implement austerity measures¹⁰.

In the 21st century, high oil prices made it possible to sign the 2005 Comprehensive Peace Agreement (CPA), according to which the Sudanese Government party (National Congress Party, NCP) made peace with the secessionist opposition of South Sudan (the Sudan People's Liberation Army, SPLA) and granted them autonomy in terms of the budget.

As a result, the NCP managed to incorporate the guerrillas in the north into the military payroll and the SPLA incorporated the guerrillas in the south into theirs. In 2011, the south, united under a militarized system for sharing out oil rents, managed to achieve its independence after winning 98.8% of the votes in a referendum. In 2012, oil production contracted by 87.9% due to a dispute with Sudan about the royalties payment, and in 2013 the peace agreement collapsed. The government did not have any rents to share out, nor did it have any ideological identification or a repressive apparatus, and the result of the ill managed kleptocracy was a civil war.

Oil Production



Sources: EIA and Ecoanalítica

Even though the budget had shrunk, it was still geared mainly to covering political and security spending. However, since the price of loyalty remained constant, the government

¹⁰ A Political Marketplace analysis of South Sudan's peace. [De Waal, A. \(2016\)](#).

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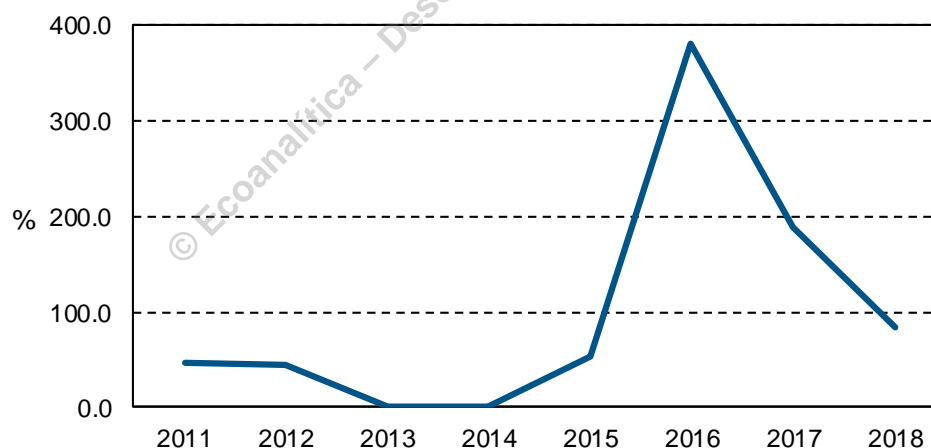
tried to attenuate the violence by sharing out what the World Peace Foundation has called “licenses to plunder.”¹¹

The number of administrative provinces grew from 10 to 28, generating bureaucratic jobs with power of extortion at checkpoints and along the borders, the possibility of levying local taxes, and the possibility of selling public properties or natural resources falling within their jurisdiction.

In some provinces, they even created internal borders to increase the number of checkpoints and opportunities for extortion. The posts were occupied by members of loyal armed groups with informal licenses to plunder. The banking sector also suffered. The banks were forced to grant mortgages at negative real interest rates, which were recycled as political spending.¹²

On the one hand, the licenses to plunder cannibalized the State; and on the other, they diluted the lines of command and loyalty by decentralizing the capacity to generate rents with impunity and reducing incentives to sell loyalties in the political marketplace.

Inflation of South Sudan



Sources: IMF, World Bank and Ecoanalítica

Halfway through 2015, the groups decided to reach a new CPA in order to generate a monopsony in the buying of loyalties and reduce their price, generating temporary stability. However, the fiscal deficit was so large that they financed it with monetary emission, generating inflation of 379.8%, and the low revenues in foreign currency forced

¹¹ A Political Marketplace analysis of South Sudan's peace. [De Waal, A. \(2016\).](#)

¹² Ídem.

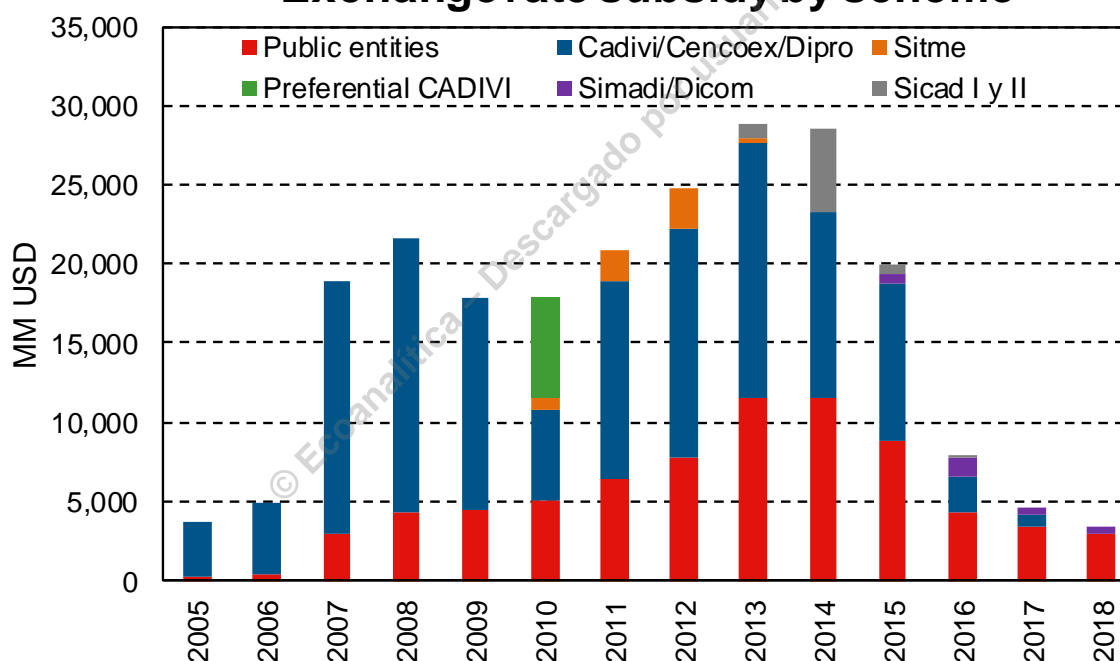
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them to implement austerity policies. Under this agreement, the president's term in office was extended until 2018, but the instability persisted and was set in motion once again until 2021.

The Venezuelan political marketplace

Having gone over some concepts and experiences of political marketplace in the Horn of Africa, it is possible to draw parallelisms with the Venezuelan political marketplace. Historically, the political budget has consisted mainly of sharing out oil rents through a foreign exchange subsidy, which was used by the population to import goods and services or for the outflow of capital.

Exchange rate subsidy by scheme



Sources: BCV and Ecoanalítica

As studied in depth in our Weekly Reports 10¹³ and 13¹⁴, the drop in oil revenues shrank the political budget for the foreign exchange subsidy and, given a constant price of loyalty and the impossibility of obtaining foreign financing, the government was forced to seek alternatives or face instability on the domestic front.

¹³ *Saqueando el dorado*. Weekly report 10, 2019. Ecoanalítica.

¹⁴ *Entre la jungla y la frontera*. Weekly report, 13, 2019. Ecoanalítica.

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In a kind of Peace Payroll, agreements have been reached with members of the armed forces¹⁵ and leaders of pro-Chavismo social groups (“collectives”)¹⁶ to share control of what is left of the foreign exchange subsidy and the schemes of over-invoicing public sector imports. Similarly, according to several sources, agreements have been reached with various armed organized groups (both local and foreign, especially from Colombia) to share the exploitation of mineral resources¹⁷ and grant “licenses” for running smuggling routes¹⁸.

Income from alternative activities 2018

Activity	MM USD
Gold smuggling	2,711.0
Gasoline smuggling	1.860,3 - 2.790,5
Drug trafficking	2,650.0
Exchange subsidy	3,446.4
Overbilling	3,710.8
Total	14.378,5 - 15.308,6

Sources: Insight Crime, DEA, UNODC, UN Comtrade, Turkish Statistical Institute, BCV and Ecoanalítica

From the point of view of leveraging domestic political pressures, the government’s new scheme is less efficient than the mechanism of sharing out the foreign exchange subsidy was in the past. Not only is it more indirect than disbursing foreign currency at discretion, but it also dilutes the lines of command and loyalty by decentralizing the structure with licenses to plunder.

In the opinion of Aldred Hirschman, a person has three options if he is in disagreement with the institution to which he belongs. Basically, he can flee, complain (oppose it) or remain loyal despite his displeasure¹⁹. In this new political marketplace, the members of the governing extractive coalition in Venezuela have four options: (i) to stand firm (loyalty); (ii) to oppose the coalition from within; (iii) to oppose the coalition from outside; or (iv) to go into exile.

¹⁵ *La influencia militar*. Weekly report, 42, 2017. Ecoanalítica.

¹⁶ “Dijeron que los colectivos entregarán las CLAP y le caerán a tiros al que hable mal del gobierno”. Transparencia Venezuela, brazo local de Transparencia Internacional. (2019).

¹⁷ *Fuga del oro venezolano: La ruta de un saqueo oficial*. Runrun.es

¹⁸ *Venezuela: ¿Un Estado Mafioso?* Insight Crime.

¹⁹ *Exit, Voice and Loyalty: Responses to decline in firms, organizations & states*. Hirschman. (1970).

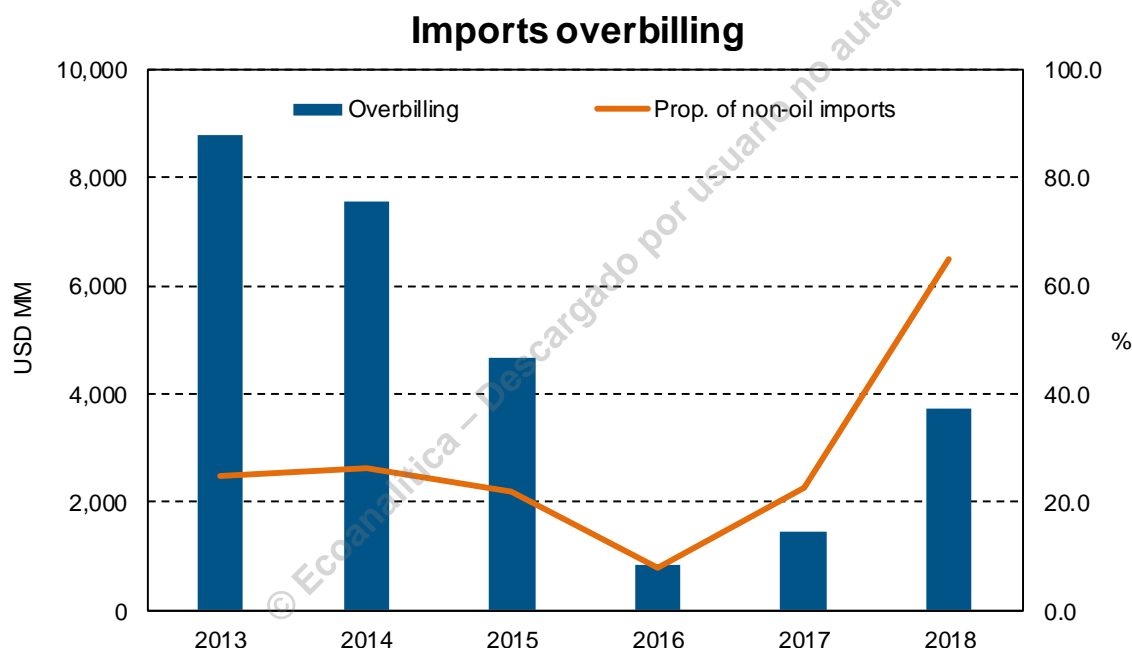
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After a cumulative contraction of the economy of 51.0% in five years, the price of loyalty may have gone up for some members of the government. This seems to be consistent with our imports overbilling estimates. While the non-oil import levels contracted from USD 10,642 million in 2016 to USD 5,706 million in 2018, the overbilling volume increased from USD 835 million to USD 3,711 million.²⁰

Hence, the increase of the overbilling rate could be considered as a proxy for the price of loyalty. Another alternative could be that the increase in overbilling volume is mirroring the USD 4,322 million decline in the exchange rate subsidy between 2016 and 2018.



Sources: BCV, TradeMap and Ecoanalítica

However, the predominant option for the agents who opt out of the political marketplace has been to go into exile. The difference between those who choose exile rather than opposing the governing coalition either from within or from outside is that those who migrate have a smaller stake in Venezuela's future or consider there is less likelihood that their opposition will bring about a tangible change.

A similar difference separates those who prefer to mount their opposition from within the party from those who seek to do it from outside. Depending on how much a member of the government has at stake (including the benefits of continuing to participate in the rent-seeking structure and the costs associated with a possible trial in democracy), and

²⁰ According to Ecoanalítica's numbers.

depending on how he perceives the probability that his actions will promote a transition towards democracy, then those members of government who oppose the status quo and seek a change will decide whether they prefer to cooperate with the National Assembly and the international community or whether they prefer to seek a transition within *Chavism*.

This problem seems to separate the strategies of different factions in the opposition. On the one hand, the leadership of the National Assembly has taken measures that seek to alter the matrix of payments for those who opt for non-loyalty. Initiatives such as the *Plan País* (Country Plan) seek to increase the benefits obtained from a transition to democracy. An amnesty law that offers a credible promise would reduce the costs of mounting external opposition to the governing coalition.

As for the international community, led by the United States and the Group of Lima, it has implemented a series of sanctions (evaluated in our Weekly Reports 3²¹ and 28²², 2019, and Weekly Report 43²³, 2018) aimed explicitly at restricting the political budget for sharing out rents among members of the governing extractive coalition so as to alter the dynamics of loyalties and bring pressure to bear to cause a fracture in the political marketplace's equilibrium.

Moreover, the dominant strategies of those who oppose the status quo and who have abandoned any hope of a transition to democracy seem to be focused on dismantling the sanctions and pressures on the political budget in a bid to reduce instability and slow down the rate at which the economy is collapsing as Venezuela slides more slowly into a stable state of greater poverty. In exchange, they are seeking partial political concessions that will facilitate a small internal transition towards a new model that continues to allow the United Socialist Party of Venezuela (PSUV) to remain in power.

Possible outcomes

Given the absence of viable mechanisms for reaching a transition agreement, the international community has decided to implement progressively harsher sanctions. As a consequence, avenues of negotiation have emerged between the National Assembly and the governing coalition and, following the removal of Norway and Barbados from the table, direct talks have been held between the US Government and the governing elite. Nicolás Maduro has proved to be inflexible, however.

²¹ *Endgame*. Weekly report 3, 2019. Ecoanalítica.

²² *Sanciones secundarias: Una declaración de intenciones*. Weekly report 28, 2019. Ecoanalítica.

²³ *Maduro se queda sin amigos*. Weekly report 43, 2018. Ecoanalítica.

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At this moment, the most likely scenario with regard to the future seems to be the indefinite continuation of the conflict. Maduro will try to exercise his monopsonic power in the political marketplace to bring down the price of loyalty. Some techniques for achieving this described in literature on the subject, such as internal pressure and increasing obstacles to communication for organizing collective opposition action, have already been implemented in Venezuela.

It is possible that the promises of amnesty will become more credible and that pressures on the political budget will become consolidated, increasing the probability of internal instability that will trigger a transition to a different model.

Guillermo Arcay Finlay

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WEEKLY INDICATORS

Weekly Economic Indicators			
	4th Week September	Weekly chg. (%)	Depre/Apre (pp) ¹
FX Boards (VES/USD) ²	20,708.17	4.4	4.2
	2nd Week September	Weekly chg. (pp)	Annual chg. (pp)
Lending Interest Rate (%)	29.1	-3.9	7.4
	4th Week September	Weekly chg. (pp)	Annual chg. (pp)
Overnight Interest Rate (%)	126.4	-0.1	120.5
	3rd Week September	Weekly chg. (%)	Annual chg. (%)
International Reserves (USD Bn)	7.9	-4.6	-5.5
	2nd Week September	Weekly chg. (%)	Annual chg. (%)
Monetary Liquidity (MM VES)	14,550,393	8.2	-85.8
Price of International Oil Baskets (USD/bl)			
	3rd Week September	Weekly chg. (%)	Annual chg. (%)
WTI	58.7	3.8	-16.1
Brent	61.5	-4.4	-21.8
Price of the Venezuelan oil basket (USD/bl)			
	3rd Week September	Weekly chg. (%)	Annual chg. (%)
Weekly Average	59.0	4.3	-16.3
Annual Average	58.9	0.0	-8.0

Sources: BCV, MENPET, ONT and Ecoanalítica

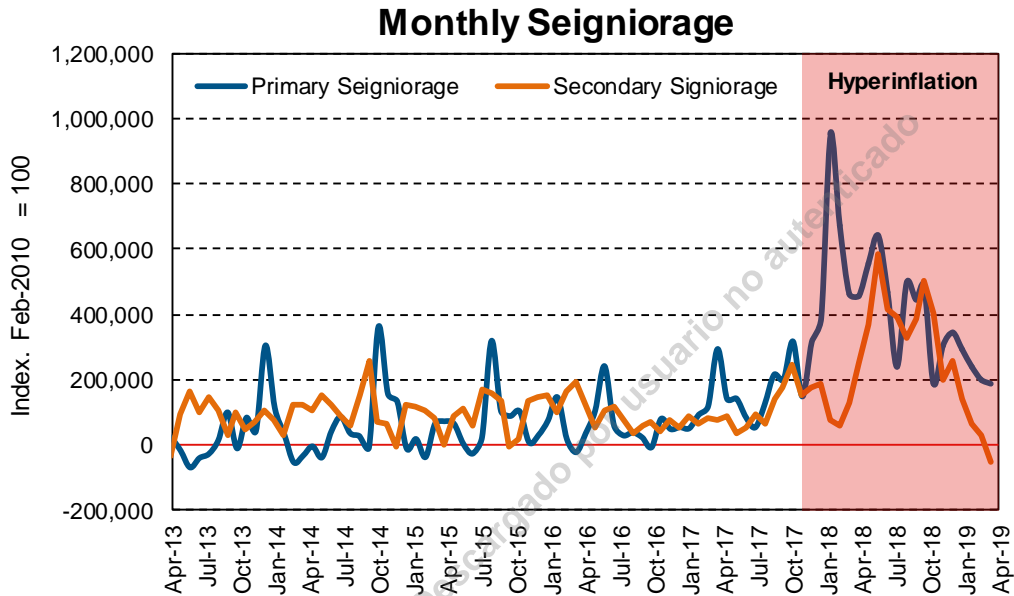
* Annual variation of accumulated expenditure.

¹ Depreciation (+)/Appreciation (-)² FX Borads' average exchange rate

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CHART OF THE WEEK: "THE INVISIBLE TAX"



Sources: BCV and Ecoanalítica
Note: Seigniorage calculated with inflation published by BCV

In feudal times (between the tenth and eleventh centuries), the lords of the manor, owners of vast lands, were free to issue money arbitrarily, which was then used by the inhabitants of their domain. The action of issuing these currencies generated *invisible* revenue for these feudal lords. Today that revenue is known as seigniorage.

Bearing in mind the obvious differences, governments today that have the backing of their central banks make use of seigniorage as a source of revenue. This mechanism is made up of two parts: primary seigniorage, which is the benefit obtained by the central government; and secondary seigniorage, which consists of the revenues obtained by the banks through the money multiplier. In Venezuela's case, seigniorage has been one of the main sources of revenue, particularly since the onset of hyperinflation in November 2017, where there was an increase of 79.1% over the previous month. But, like all other taxes, if it is abused, its ability to generate receipts will decline.

At the moment, Venezuelan seigniorage has posted a drastic drop, added to the abandonment of the bolivar in favor of foreign currency and a stricter regulation of the emission of bolivars since August 2018 under the "Economic Recovery, Growth and Prosperity Plan." In April 2019 we find that there was a drop of 89.4% compared to a year

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ago, with primary seigniorage going down by 71.2% and secondary seigniorage posting a negative result. This drop points to a change in government dynamics, which, alongside the devaluation of the official exchange rate and the increase in the legal reserve requirements for banks, presents a new path for Venezuela's economic policy.

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ECONOMIC TIPS

Bankers against Maduro. The Florida International Bankers Association (FIBA) set up a working group of six banks and expert lawyers in August when US President Donald Trump's executive order went into effect for the purpose of precisely determining the scope of this blockade on Maduro's assets.

Sailing in unclear waters. In talks with the US Treasury Department's Office of Foreign Assets Control (OFAC), the banking sector has managed to add exceptions to the rule. Even so, the president of the FIBA, David Schwartz, said there was still a lack of clarity and detail regarding a measure that is very broad.

Better safe than sorry. Schwartz added that the OFAC's sanctions cover a lot of people and, as a precaution, many banks prefer to close accounts of Venezuelans so as not to run any risks.

900 unlucky ones. Daniel Gutiérrez (Ocean Bank), who took part in the working group, said that they have managed to compile a "black list" of more than 900 people close to Maduro who have been included in the bank transfer filters since the start of economic sanctions against his regime.

The life raft S. S. Guaidó. Following the August sanctions, they also drew up another list of people named by Juan Guaidó -187 to date- who are accepted by the banks.

There are more in store. In a press release issued by OFAC, the United States said it would continue to take strong measures against "*Maduro's illegitimate regime*" and the foreign actors who support it.

Without reserves. The international reserves closed the week of September 20 at USD 7.92 billion, for a drop of 4.6% compared to the close of the previous week (May 13). That gives a drop of 5.5% compared to a year ago.

Money desks. The average money desk exchange rate on September 25 was VES 20,708.2/USD, for a depreciation of 4.2% compared to the previous week.

Money supply. Money supply came to VES 14.55 trillion in the week of September 13 for a variation of 8.2% in nominal terms compared to the previous week and of 14,125.2% compared to the same week last year.

OIL TIPS

Plan for approaching the UN. Sources consulted by Reuters said that the Juan Guaidó administration plans to request the United Nations to issue an order to protect Venezuela's assets to prevent PDVSA's creditors from taking control of Citgo.

Testing the waters. The proposal is in its initial stages and is apparently not going to be debated at the upcoming UN General Assembly to be held next week. There is a precedent for an action of this type, when the UN Security Council authorized the protection of Iraq's assets following the US invasion in 2003.

Just in case there aren't sufficient liquid funds. The sources added that this measure is a contingency plan for the next PDVSA 20 bond payment scheduled for the end of October, when it will be necessary to pay out USD 913 million. The collateral that was given to guarantee payment of this bond is more than half of Citgo's shares.

A day without power, Part I. Three sources at PDVSA consulted by Reuters said that Amuay and Cardón refineries experienced a power out on Thursday that had repercussions for their operations.

A day without power, Part II. As a result of the power out, a fire broke out at Amuay in one of its plants in the hydroprocessing sector, which, according to one of the sources, was 70% destroyed. According to the same three sources, power was restored the next day, but this did not mean that operations at these facilities were back to normal.

Building up stores for winter. Kpler, a data intelligence company, revealed that Venezuela's crude inventories increased by more than 38 million barrels between the end of August and September, their highest since early 2018. The country's storage capacity is approximately 65 million barrels; however several tanks are out of commission due to lack of maintenance.

Putting production into hibernation. According to documents seen and sources consulted by Reuters, this inventory buildup was sufficient cause for PDVSA to suspend some of its blending operations and to cut back its production.

Storage capacity almost to the limit. The causes of this situation can be traced back to the sanctions imposed by the United States, which have scared off buyers and shipping operators. A PDVSA executive told Reuters, "*Storage is almost to the limit. We are barely days away from having to close down production in some fields in the Eastern Region.*"

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The three friends. Because of this situation, PDVSA's customer portfolio has shrunk since January. Now the Russian state-owned oil company Rosneft receives two-thirds of PDVSA's exports, which it then sells in the Asian market. In September, only three companies seem to be aligned for receiving Venezuelan crude: Repsol, Cubametales, and Rosneft.

The upshot. Reuters mentions that, based on statements by its sources and internal documents it has seen, it is apparent that PDVSA has seen how the number of operators that are willing to ship Venezuelan crude has fallen, reducing the company's cash flow in foreign currency with which to pay contractors and suppliers, a situation that is affecting production.

Closed down due to lack of demand. As a result, the company Petropiar (a joint PDVSA-Chevron Corp. venture that was subsequently converted into a plant for producing blends) suspended its operations last week. What is more, the production of extra-heavy crude in the Orinoco Oil Belt fields was reduced by half on September 17.

Using Panama to channel Venezuelan crude. According to a report by Bloomberg, Rosneft's offices in Panama are acting as a center for buying PDVSA's crude. There are three operators at Rosneft's offices who used to work at the Venezuelan state-owned oil company and who have been helping Rosneft to handle nearly 70% of Venezuela's crude exports (August figures).

And what about Venezuela's offices? According to sources consulted by Bloomberg, PDVSA's commercial department is full of former Ministry of Habitat and Housing employees (the present minister of oil, Manuel Quevedo, was previously minister of habitat and housing). Complaints about this department are varied: the operators do not speak English, they are not conversant with the basic language used in the sales that are performed, and emails and calls are left unanswered.

Guaranteeing delivery at any price. A report by The Wall Street Journal revealed that Saudi Aramco is talking with contractors and service and equipment suppliers to speed up the process of repairing its facilities in order to guarantee getting its operations back to normal.

It will have to be later. Contractors working with the company warned that the repairs needed in order to resume operations would take several months instead of the 10 weeks maximum proposed by Saudi Aramco.

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BUSINESS SECTOR TIPS

Asked for tax (I). Luigi Pisella, the president of the Venezuelan Footwear and Components Chamber (Cavecal) explained that imported shoes accounted for 60% of the domestic market. According to Pisella, one of the reasons for this is that imported footwear is duty free.

Asked for tax (II). Because of this situation, he requested that taxes not be levied only on domestically produced footwear but also on imported shoes. He claimed that this would not only benefit the State, it would also close the gap between the two types of footwear and make shoes produced in Venezuela more competitive.

Lack of operation. The Association of Chemical Industrialists (Asoquim) stated that, due to the drop in consumption, the shortage of raw materials, and the informal markets, 30% of the domestic chemical industry did not operate in the first half of the year. He also announced that the number of companies operating at minimum capacity had increased.

Increasing. The Caracas Stock Exchange (BCV) posted a variation of 6,246.1 points, equivalent to a change of 10.2% in four days of operations. It also reported that the amount traded by the close of the week was VES 4.84 billion.

Lack of medicine. Eduardo Franco, the president of the Helping Hands for Life Foundation (MAVID), said that there was a 70% nationwide shortage of antiretroviral medicines, which are fundamental for patients with HIV.

Mass closure (I) The president of Carora Merchants and Industrialists Association, Fernando Alejos, announced that 41.5% of businesses had closed their doors. This is due, mainly, to problems with the basic utilities, which prevents points-of-purchase from functioning, a situation that has a huge impact on sales.

Mass closure (II). Gino Fileri, the president of the National Vehicle Repair Workshops Chamber (Canatame), said that nearly 34% of workshops had closed their doors, with body and paint shops being the hardest hit.

Unstoppable rise. Cheese vendors in Lara state said that the prices suppliers of cheese have to deal with go up by 10% a week. Moreover, the average price of cheese has gone up by 100% since June.

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Less sowing. The director for vegetables at the Táchira chapter of the Confederation of Agricultural and Livestock Producers Associations (Fedeaagro), Gerson Pabón, shared his concern over the reduction in the planting of vegetables in Táchira, which is not even 15% of the state's capacity due to the shortage of inputs.

War production. The president of the Venezuelan Society of Agricultural Engineers and Like Professions, Saúl López, denounced the serious decline the sector is experiencing given that the country only has 30% of the food it requires each month. He said that, because of this, production was comparable to that of countries at war.

Minimum wages. The Court Workers Federation complained that the wage earned by a third grade professional analyst was equivalent to 0.006% of the family food basket in September.

Less transport. Giovanni Nieto, claims secretary of the transport union in Mérida reported that 15 of the 52 lines serving the entity have disappeared. In addition, those that are still active, do not have all their units in conditions, so they do not work to their full capacity.

Hard to reach. The president of the Arturo Úslar Pietri Foundation, Antonio Ecarri, denounced that quality education is denied to more than 85.0% of the Venezuelan population, so it has become a privilege for few. In addition, he reaffirmed his concern about the lack of teachers.

Competing with the import. Marco Di Pentima, president of the Association of Graphic Arts Industrialists of Venezuela (AGAI) denounced that the sector is working at 10.0% of its capacity. Di Pentima said that indiscriminate and uncontrolled importation affects them, since there is "unfair" competition regarding the importation of materials for industry.

WORLD ECONOMY TIPS

A new round. The Organisation for Economic Co-operation and Development (OECD) has adjusted its global growth projections for this year and next. Based on the new perception of the nature of the trade dispute between the United States and China, the OECD estimates that the world economy will grow by 2.9% in 2019 and by 3% in 2020.

Minimal growth given the uncertainty. The OECD's latest projections give a slowdown compared to 2018, which posted growth of 3.6%, and they are also below its projections given in May, when it forecast growth of 3.2% in 2019 and of 3.4% in 2020.

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Keeping an eye on the future. One of the OECD's assessments of the situation is that there is a risk of entering a lasting phase of low growth if policymakers in each country continue to dither over the possible solution to the challenges that are emerging.

A closed global order. Laurence Boone, the OECD's chief economist, added: "*What looked like temporary trade tensions are turning into a long-lasting new state of trade relationships,*" and even the volume of trade has shrunk.

How are actors reacting? The OECD expects the US economy to grow by 2.4% in 2019 and by 2% in 2020 instead of by 2.8% and 2.3%, respectively, as predicted previously. As for China, it expects it to grow by 6.1% in 2019 and by 5.7% in 2020 instead of its previous forecasts of 6.2% and 6%, respectively.

The best of the best. The People's Bank of China cut the lending rate reserved to its best customers to 4.2%. This is the second month in a row that this rate has been cut.

Lowering the cost to create a bigger incentive? This measure has been taken with a view to generating an incentive in the economy to dispel fears that China's growth will be 6% in the third quarter, below the lower limit set by the government for 2019.

It's not the right time. Britain's Prime Minister Boris Johnson warned that he did not expect to find a solution to the no-deal withdrawal of Great Britain from the European Union during his upcoming trip to New York, where he will hold meetings with Ireland's Prime Minister Leo Varadkar, Germany's Chancellor Angela Merkel, and the president of the European Council, Donald Tusk. Johnson recalled that he hoped to reach an agreement at the next summit of the European Union scheduled for October 17 and 18.

On society's terms, not the portfolio's. All banks that have more than USD 47 trillion in assets (130), among them Deutsche Bank, Citigroup and Barclays, agreed to adopt the United Nations' new responsible banking principles to fight climate change.

Disagreeing without threats. US President Donald Trump said he was not in agreement with the work being done by the chairman of the Federal Reserve, Jerome Powell, but that, even so, his job was not in jeopardy.

Justifying the stimulus. The president of the European Central Bank (ECB), Mario Draghi, said he did not expect the euro zone to post any improvement in its economic activity indicators. Indicators for business growth, Germany's manufacturing activity, and manufacturing export orders are some of the arguments used by Draghi for justifying his

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statements, while he continues with the stimulus plan published by the ECB at the start of the month.

Check. According to China's state-owned news agency, Xinhua, talks between China and the United States were "*constructive*." The two countries agreed to maintain communication channels open and during the meeting discussed the items to be dealt with at the next meeting in October.

Everyone's looking to boost their economy. India's finance minister, Nirmala Sitharaman, announced a cut in the effective corporate tax from 30% to 25%. This cut is equivalent to USD 20.5 billion and it is hoped it will be sufficient to revive private investment.

The measure in detail. The minister explained that, starting in fiscal year 2019-2020, any national company may opt for paying income tax at 22%, subject to the condition they will not avail themselves of any incentive or exemptions, and that the effective tax rate for these companies would be around 25%.

Key factors in the future. Peru's Energy and Mines Minister Francisco Ísmodes said they expected copper and gold production to increase by 27% and 12%, respectively, in 2020, due to the start of new operations in the sector.

A necessary cut and with margin for maneuver. The Central Bank of Brazil announced a cut in its reference rate of 50 basis points to 5.5%. Even though this rate is an all-time low, the bank gave assurances that it still has a margin for maneuver for implementing other stimulus measures, as Brazil is way below its inflation target.

POLITICAL TIPS

Visiting friends (I). Nicolás Maduro traveled to Russia to meet with Vladimir Putin, president of that country, to discuss the interference that other countries have on Venezuela. In addition, Maduro said his agenda includes meetings with important business groups in Russia.

Visiting friends (II). Diosdado Cabello, president of the National Constituent Assembly, made an official visit to Pyongyang, capital of North Korea, with the aim of cooperation between the two nations.

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Taking care of the enemy. At the 74th United Nations General Assembly, which is being held in New York, Colombia's Minister of Foreign Affairs Carlos Holmes Trujillo denounced that the Nicolás Maduro regime was harboring terrorist organizations and illegal armed groups in Venezuelan territory.

Still attentive. Holmes also announced "Priority Venezuela: the global reverberations of a humanitarian crisis," organized by Atlantic Council with a view to urging world leaders to continue paying attention to the Venezuelan problem and being prepared to collaborate in the search for solutions.

More pressure(I). Elliot Abrams, the United States' special envoy for Venezuela, announced that the pressure generated by US sanctions would continue to increase, although he did clarify that this did not mean a military invasion.

More pressure (II). The countries that are part of the Inter-American Treaty of Reciprocal Assistance (ITRA), through a resolution approved by 16 of the 19 voters, undertake to identify and investigate persons and entities linked to the Maduro regime that are associated with human rights violations, illegal activities and corruption, with the aim of punishing those who incur them.

Ask for action. The Juan Guaidó administration's delegation met with the United Nations High Commissioner for Human Rights Michelle Bachelet to request the creation of a commission to investigate the cases of violation of human rights revealed by the commissioner in her report.

Supervision. Bachelet signed a cooperation document with the Maduro regime, which establishes the continued presence of two officers of the UNO office in the national territory. During the following days, both parties will work to create a schedule of activities and visits.

It goes up like inflation. The Global Corruption Barometer report prepared by Transparency International concluded that Venezuela is the country with the highest level of corruption in Latin America, since 87% of those interviewed consider that corruption has increased in the past 12 months and 50% had paid bribes in order to have access to basic public services.

J'Accuse. Tarek William Saab ordered the arrest of four people on charges of treason for having helped Juan Guaidó to leave Venezuela on February 22, since Guaidó had been forbidden to leave the country. The people who were arrested are three Táchira government officials and the driver of the truck in which Guaidó was traveling.

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More dialogue. Minister of Communication and Information Jorge Rodríguez announced eight working groups for dialog, which are to be installed within a period of no more than 20 days, and that a schedule was already being drawn up. He also said he was in contact with “all opposition factors.”

Keep complains. National Assembly Deputy Timoteo Zambrano reiterated his rejection of the sanctions that the United States has imposed on Venezuela and said that elections could not be held until they were lifted.

Possible freedom Zambrano also announced that they had submitted a list of nearly 60 political prisoners, mainly those who have not been charged with a specific offense.

Return to the ring (I). The deputies belonging to the Patriotic Pole returned to the AN on Tuesday 25. Deputy Edgar Zambrano explained in his speech that 25 parliamentarians have their immunity raided and 125 are persecuted by justice operators.

Return to the ring (II). Stalin González, second vice-president of the AN, commented that the official deputies who accepted other positions during their absence cannot again serve as parliamentarians, since it would be a violation of the internal regulations and debates of the legislative power.

Defending autonomy (I). Given the order issued by the Constitutional Chamber of the Supreme Tribunal of Justice for the *Universidad Central de Venezuela* (UCV) to hold elections in the next six months, the members of the UCV’s teaching staff have declared themselves to be in resistance and civil disobedience.

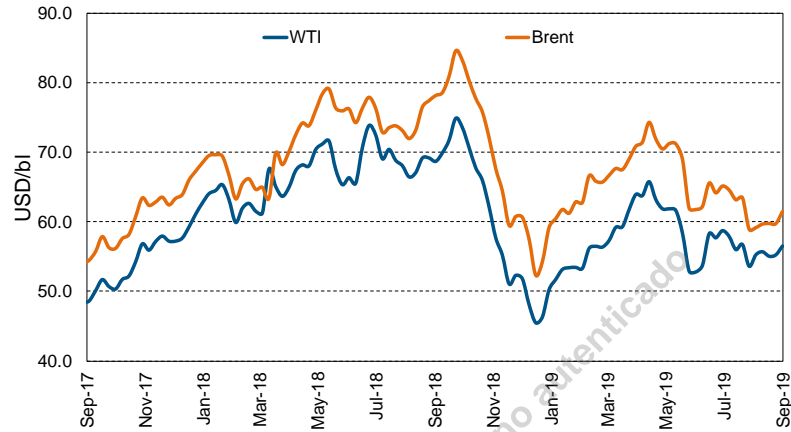
Defending autonomy (II). The students of the UCV have also organized a protest with the Student Movement announcing the holding of the National Students Encounter in five weeks’ time with a view to creating the National Students Confederation.

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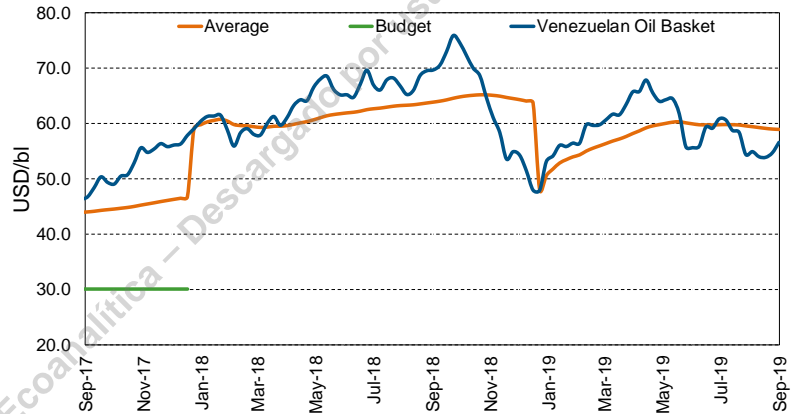
ECONOMIC INDICATORS

**Oil Prices
(WTI and Brent)**



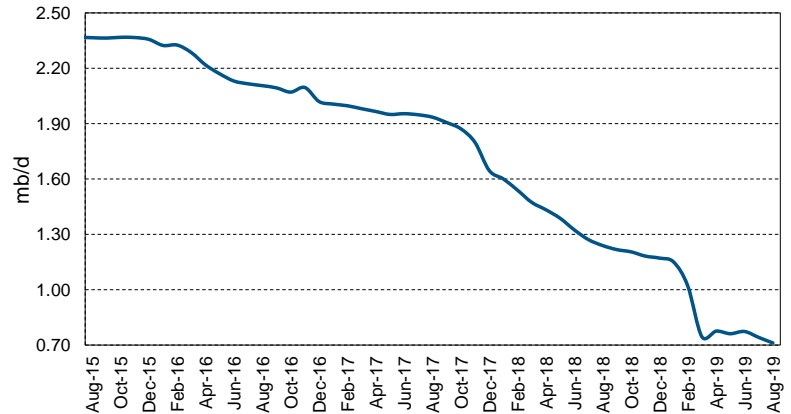
Sources: Menpet and Ecoanalítica

**Oil Price
(Venezuelan Basket)**



Sources: Menpet and Ecoanalítica

**Oil Production
(Secondary sources)**

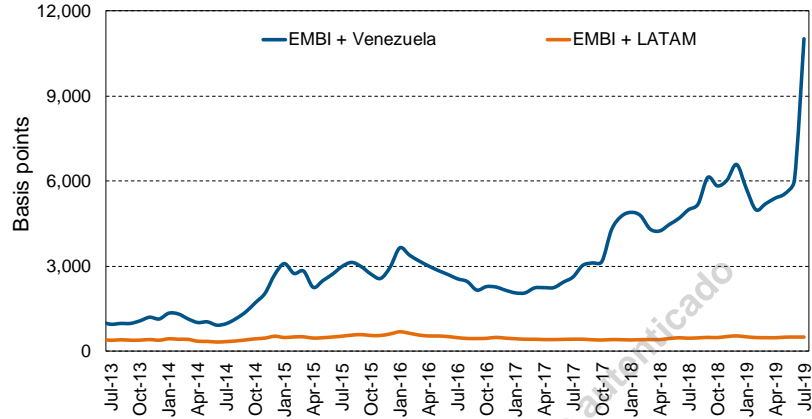


Sources: OPEC and Ecoanalítica

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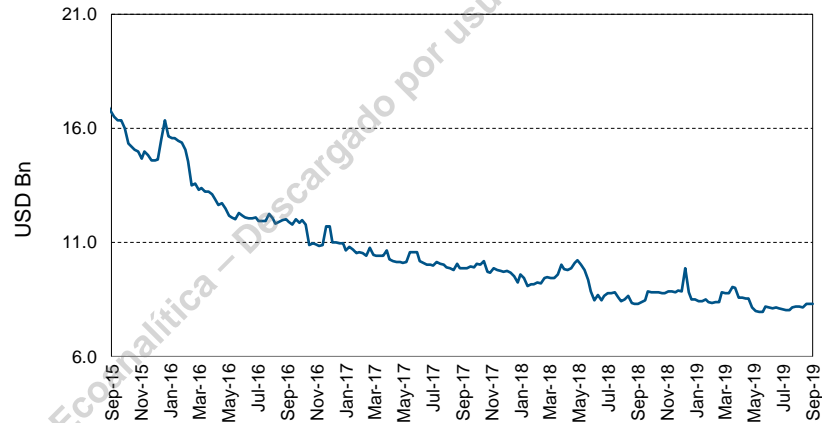
ECONOMIC INDICATORS

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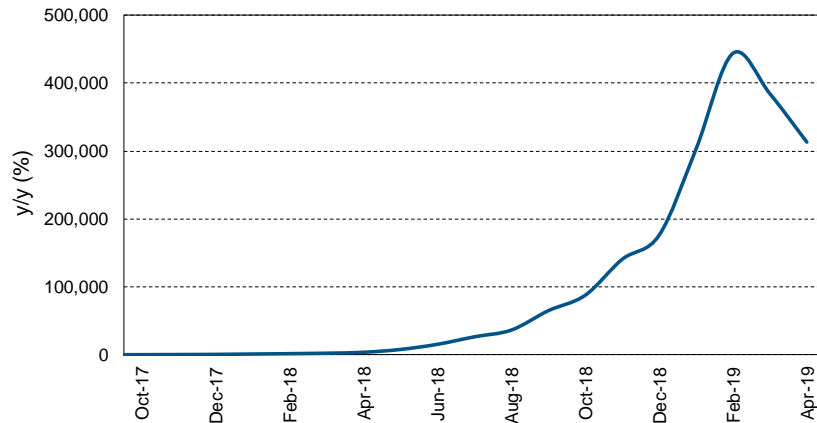
Sources: BCRP and

FX Reserves (BCV)



Sources: BCV and Ecoanalítica

Inflation (BCV)



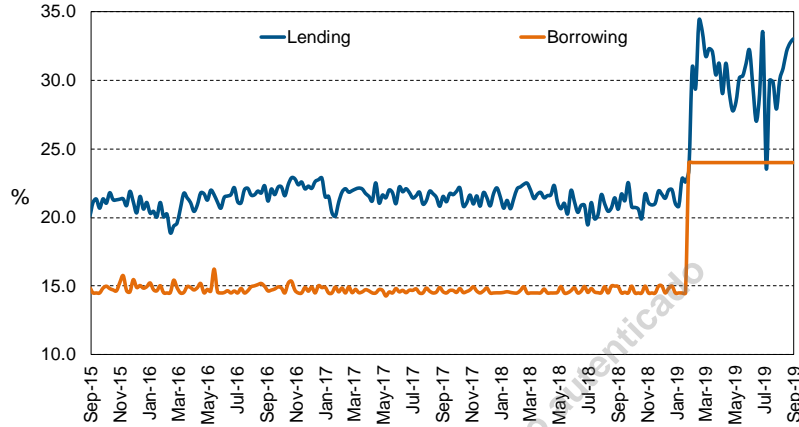
Sources: BCV and Ecoanalítica

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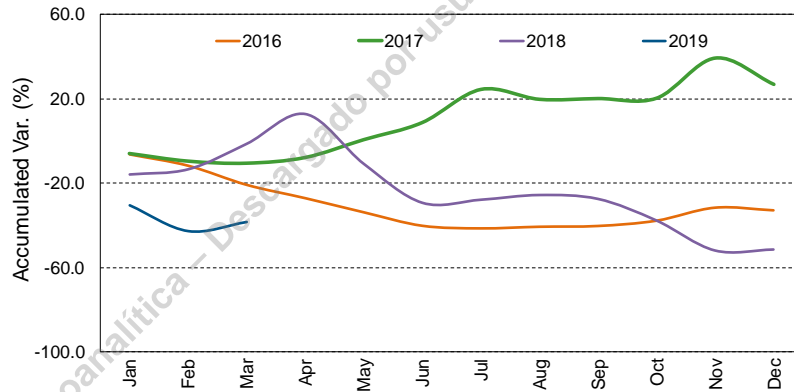
ECONOMIC INDICATORS

**Interest Rate
(Six major banks)**



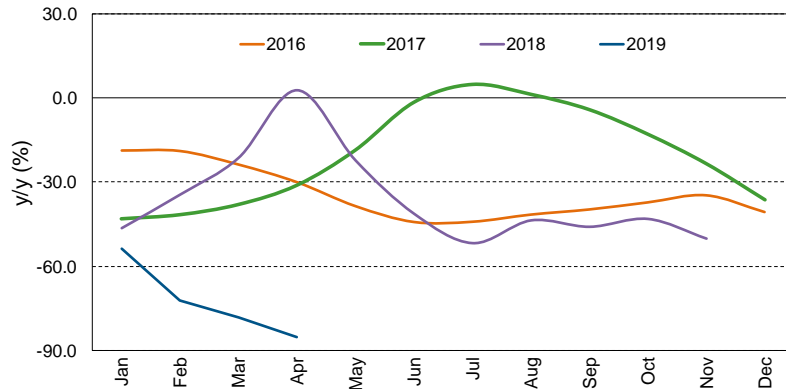
Sources: BCV and Ecoanalítica

**M2 Expansion
(Real)**



Sources: BCV and Ecoanalítica

**Loan Portfolio
(Real)**



Sources: SUDEBAN and Ecoanalítica

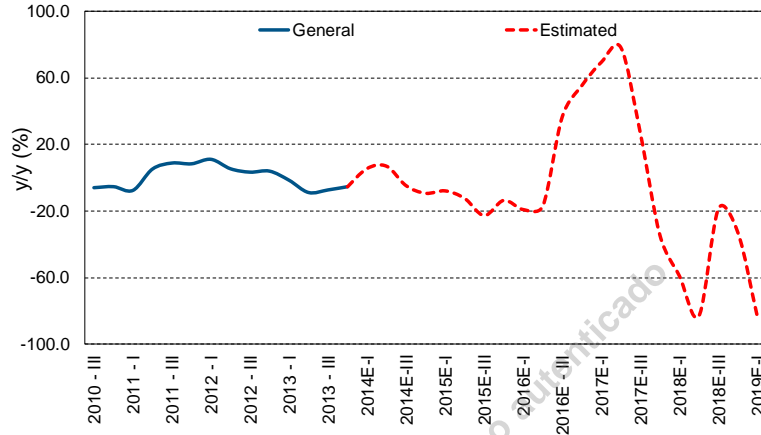
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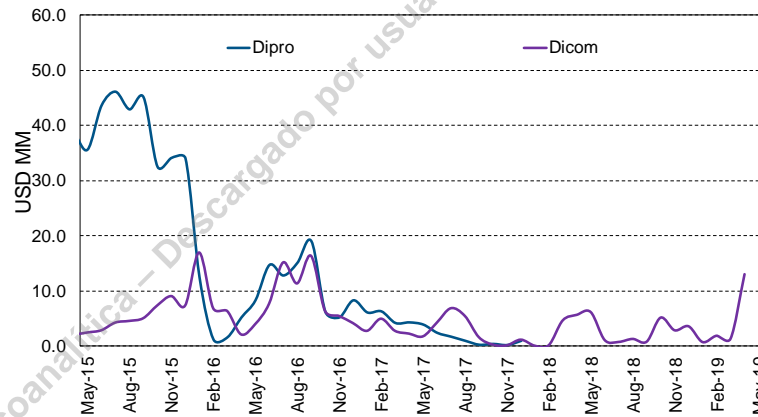
ECONOMIC INDICATORS

Real Wage Index



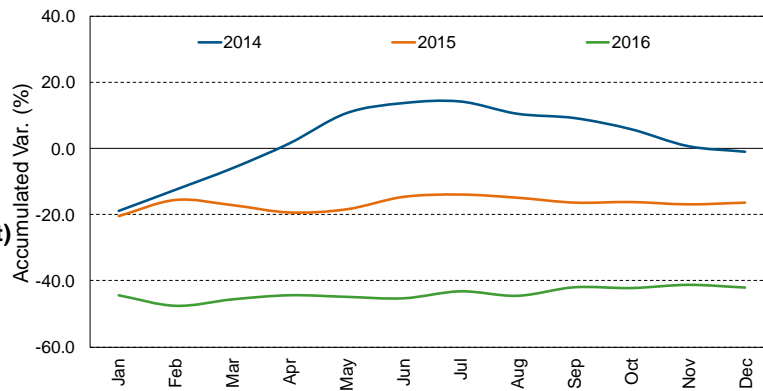
Sources: BCV and Ecoanalítica

Disbursements to the Private Sector (Daily Average)



Source: Ecoanalítica

Primary Spending NTO (Real - Central Government)



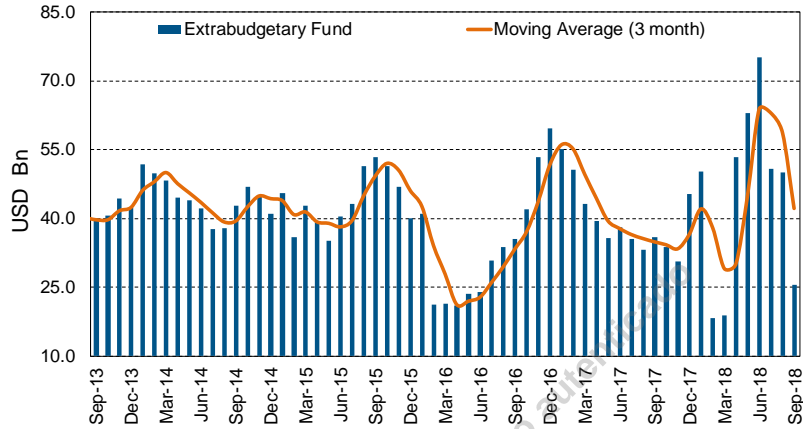
Sources: ONT and Ecoanalítica

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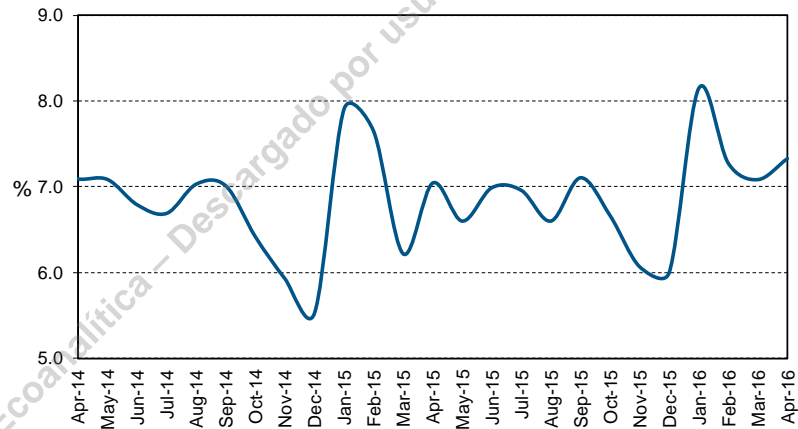
ECONOMIC INDICATORS

State Extrabudgetary Resources



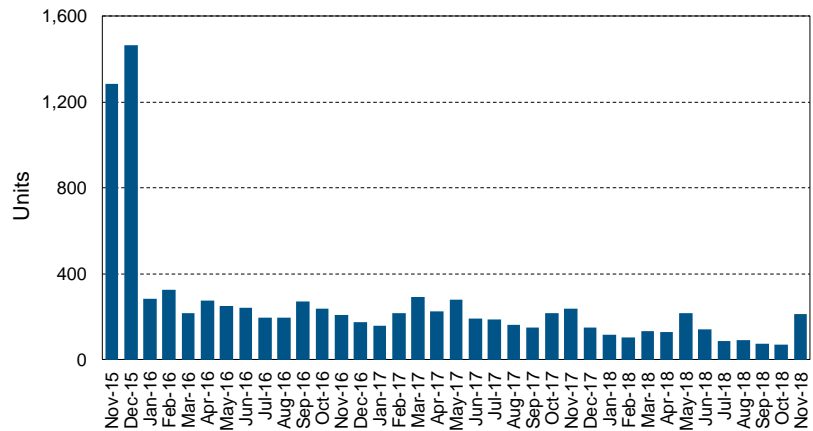
Source: Ecoanalítica

Unemployment Rate



Sources: INE and Ecoanalítica

Vehicle Sales



Sources: CAVENEZ and Ecoanalítica

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