

Oil revenues: are the dollars there or aren't they?

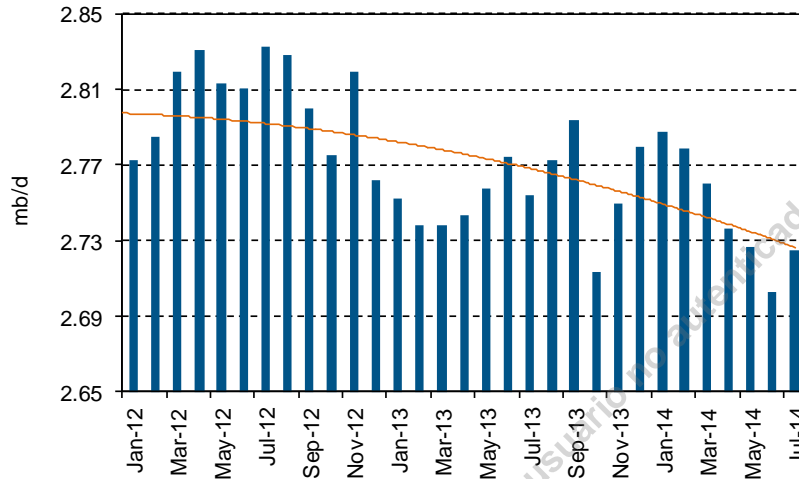
There has been an evident reduction in the allocations of foreign currency for the private sector via official mechanisms in recent months. In view of this situation, at **Ecoanalítica** we have decided to take a look at the behavior of oil revenues so far this year and the various disbursements made by the Executive in order to determine whether, in effect, there has been a sharp drop in both revenues and disbursements.

Off to a good start, but doing badly

Even though oil production started off on the right foot in 2014, the fact is that the drop in production in recent months speaks for itself. On analyzing the production of crude in the second quarter of 2014 (2Q2014), we find that it fell by 36,000 barrels a day (kb/d) compared to the same quarter in 2013 and by 52 kb/d compared to 1Q2014. Even so, if we take the cumulative figure for the first half of the year (1H2014), thanks to the upturn in production in the first three months, we find that, on average, production has remained stable, with a reduction of only 2 kb/d compared to 1H2013.

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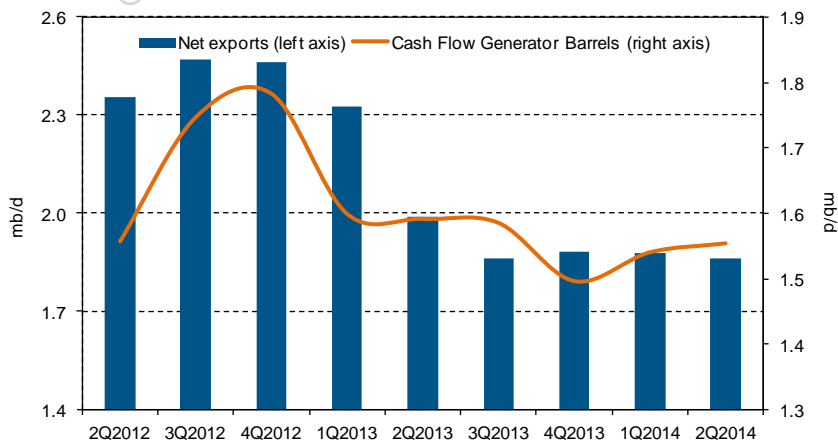
Crude Oil Production



Sources: Barclays Research y Ecoanalítica

As a result of the drop in production, oil exports fell by 195 kb/d in 2Q2014 compared to 2Q2013, for a drop of 140 kb/d during 1H2014. Despite this behavior, we find that cash-generating barrels, which are simply barrels exported less those sent to China and countries that are signatories to energy cooperation agreements, have remained relatively stable, with a reduction of only 37 kb/d so far this year (they even went up slightly, by 27 kb/d, in 2Q2014 compared to the previous quarter), whereas exports to countries under the different agreements were down by 106 kb/d.

Net exports vs. Cash Flow Generator Barrels



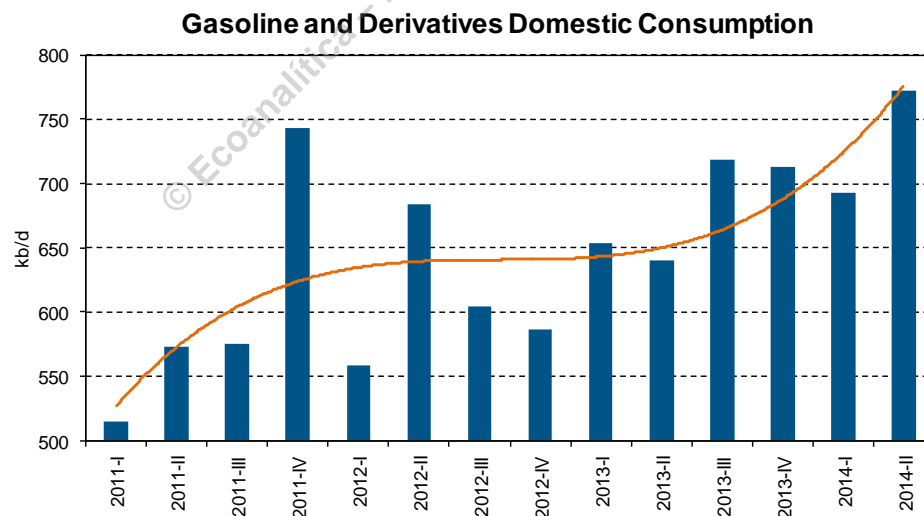
Sources: Barclays Research and Ecoanalítica

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As **Ecoanalítica** sees it, this behavior can be read two ways: one negative and the other positive. On the one hand, production in the Orinoco Oil Belt has been falling in recent months despite the efforts made by Petróleos de Venezuela (PDVSA) to obtain financing and raise production; and, on the other, as we have mentioned on previous occasions, when the industry has been faced with a drop in production, rationality has been the order of the day, with shipments that do not generate revenues being cut. In 2015, we expect a better scenario and that the firm of agreements with Chevron, CNP, ENI, and Repsol start having results on oil production.

Rationality, but only up to a point

In previous reports we have pointed out the irrationality of the gasoline subsidy, and in times such as these, with oil production on the decline and an overvalued bolivar, the burden of the subsidy becomes unsustainable. It is even more incomprehensible if we take into account the fact that, despite the drop in production and exports, domestic consumption in 1H2014 grew by 86 kb/d compared to 1H2013 and by 125 kb/d in 2Q2014. At **Ecoanalítica** we calculate that, in 1S2014 alone, the gasoline subsidy and the subsidy on other oil derivatives (such as lubricants, fuels for thermal power industry, among others) came to US\$14.70 billion, an increase of 13.3%, compared to 1S2013.



Source: Ecoanalítica

The irrationality of the subsidy in the present circumstances has led to even the government considering the possibility of putting up the derivative that is most consumed, gasoline; however, given the departure of Rafael Ramírez, who was the

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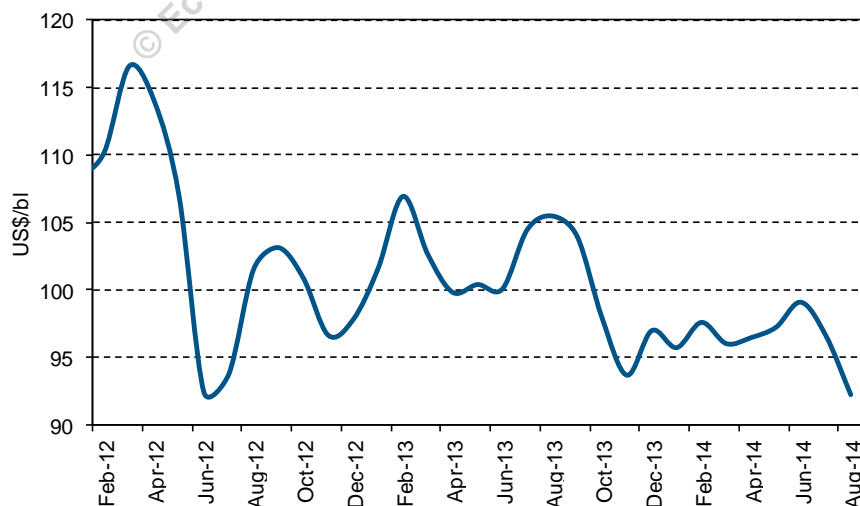
president of PDVSA for ten years and the main promoter of that plan, this adjustment looks unlikely.

The price doesn't help

When estimating oil revenues, we must not forget to analyze the behavior of international oil prices. According to the Oil Ministry's figures, the Venezuela oil basket averaged US\$97.0/bl. between January and June 2014, which implies a contraction of 2.9% compared to 1H2013. Given a situation in which production is declining, this is bad news.

What is worse expectations with regard to prices are that this trend will not change. On the supply side, we have a market that is being well supplied by both OPEC and non-OPEC production, whereas, on the other, we have a weakening of world demand for crude as a consequence of the reduction of monetary stimuli by the US Federal Reserve (FED), the slowing down of growth in China, and the increasingly slow recovery of the Eurozone. Given this scenario, the consensus of analysts at the Organization of Oil Exporting Countries (OPEC), the International Energy Agency (IEA), and the US Energy Information Agency (EIA) is that world demand for oil will grow by 1.2% this year, on a par with supply, which means that there will be no real incentive for prices to take an upward turn. At **Ecoanalítica** we forecast that the average price of the Venezuelan oil basket will be US\$95.6/bl. this year, down 5.5% from last year.

Price of the Venezuelan Oil Basket



Sources: Menpet and Ecoanalítica

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Nevertheless, given that the oil market is one of the most difficult to predict and is strongly influenced by geopolitical factors, today there is a new factor that is hanging over the world oil scenario associated with the appearance of the militant group ISIS in Syria and Iraq, the impact of which has been little commented on owing to the weakness of world demand and the increase in production in Libya, but that could make itself felt in 2015.

Do the math yourself!

Finally, with all these elements to hand, at **Ecoanalítica** we set about analyzing how revenues from oil evolved in the first half of the year. A total of US\$30.51 billion entered the country during 1H2014 from oil exports, only 2.7% less than in 1H2013. However, the drop is bigger if we compare this figure with 1H2012 (-13.9%) or even 1H2011 (-25.3%). It should be noted that we are not referring to the value of the total amount exported, but to what was exported and paid for.

Oil Income				
	1S2011	1S2012	1S2013	1S2014
Cash Flow Generator Barrels (mb/d)	1.75	1.56	1.59	1.55
Refined Exports (mb/d)	0.31	0.27	0.16	0.20
Cash Flow Generator Exports (mb/d)	2.06	1.83	1.75	1.76
Average Price (US\$/b)	100.6	107.6	101.4	97.0
Incomes (MMUS\$)	40,821	35,459	31,357	30,513

Sources: Menpet and Ecoanalítica

In short, the government has not been faced with major restrictions in terms of liquidity from the oil industry this year. The situation is no different from what it was in 2013. Nevertheless, revenues have been posting a downward trend since 2011 and the allocation of foreign currency, as we will see shortly, has not always followed the same logic.

How is the cake divided up?

As we mentioned earlier, the sharpest drop in oil revenues in the past three years was not this year, but in 2012, when they fell by 13.1% in 1H2012 alone. However, since it was an election year, paradoxically, the allocation of foreign currency grew that year by 12.6%, which led to a cut in the allocation of foreign currency for the private sector in 2013 (-36.7% in 1H2013) and to the Executive ceasing to pay its domestic liabilities,

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which brings us to the present situation where the government has a debt of US\$21.96 billion at the end of the 1H2014 with the private sector.

In the first half of 2014, the Executive allocated a total of US\$13.30 billion via the official mechanisms (Cencorex and SICAD I and II), which is an improvement of 7.7% compared to 1H2013 but considerably below allocations in both 2011 (23.3%) and 2012 (31.8%). This increase of disbursements may be misleading, since it is associated more to pay past debt that Cadivi maintain with the private sector than to new allocations for imports, a fact it can be confirmed by analyzing the import figures from the National Statistics Institute (INE) that show a contraction of 26.3% in foreign purchases in the first half of the year compared to the same period of 2013

From the amount allocated in the first half of the year, 60.6% was disbursed at an exchange rate of VEB 6.3/US\$ via Cencorex, 17.2% at an average rate of VEB 10.6/US\$ via SICAD I, and 22.2% at an average rate of VEB 49.9/US\$ via SICAD II. As can be seen, 2014 is only worse than 2013 insofar as the problems of the past have been carried over, and, as far as revenues and allocations are concerned, the two years are fairly similar; but inaction on the part of the government and devaluation in slow motion continue.

Currency Allocations to the Private Sector

(MMUS\$)

	1S2011	1S2012	1S2013	1S2014
Oil Income	40,821	35,459	31,357	30,513
Cencorex/Cadivi	13,420	14,383	11,700	8,058
Sicad I/Sitme	3,903	5,122	639	2,286
Sicad II	-	-	-	2,951
Total allocations	17,323	19,505	12,339	13,295

Sources: Menpet and Ecoanalítica

If the dollars are there, what's the problem?

As we have seen, the buildup of imbalances started to have an impact last year and the Executive has still not gotten its act together when it comes to taking measures. Oil production that has still not picked up, despite all efforts, oil prices that are stable but on a downward trend, plus an overvalued currency, have generated fissures in the system of exchange controls and a contraction in allocations of foreign currency, producing high inflation and chronic shortages.

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Nevertheless, in the light of the data for the first half of the year, at **Ecoanalítica** we insist that, in our opinion, Venezuela is not facing a foreign currency liquidity crisis and that, with current oil revenues, it has sufficient liquidity and funds in reserve to be able to honor its liabilities with external creditors.

The problem with the allocation of foreign currency is another matter and has to do with the stability of oil prices and the increase in the proportion of public sector imports. In the first half of 2014, 43.6% of oil revenues went on private sector imports; in 2012 that figure was 55.0%. Every year the proportion of oil revenues that goes on private imports gets smaller, while every year the proportion of public sector imports gets bigger, which restricts supply for the private sector. However, the State's importing apparatus is smaller and more inefficient, which has exacerbated the problems of shortages.

Given this outlook, at **Ecoanalítica** we forecast that, by the close of 2014, disbursements via Cencoex, SICAD I and SICAD II will come to US\$24.32 billion and that private CIF imports will come to US\$27.20 billion, whereas public sector imports will come to US\$22.25 billion, for increases of 12.3% and 24.0%, respectively.

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ECONOMIC TIPS

Tax collection for September. According to the figures released by the National Integrated Service for Tax Administration (Seniat), VEB 42,984 billion were collected in taxes for the month of August. Of this amount, VEB 9.020 billion (21.0%) came from Income Tax, and VEB 25,017 billion (58.2%) from the VAT. The agency raised VEB 268.552 billion during the first eight months of 2014, from which VEB 79,306 billion came from Income Tax (29.5%), and VEB 148,588 billion from Value Added Tax (VAT) (55.3% of the total).

In real terms. Total revenue in August of this year compared with the same period last year grew by 10.6%. The VAT increased 5.1% in real terms, while customs revenues increased 25.4% in real terms. Meanwhile, income tax revenues increased 21.0% in real terms over the same period of 2013. Total revenues in the first eight months of this year grew by 2.4%. VAT decreased in real terms over the same period of 2013, at 1.1% and customs revenues declined 15.6%. Meanwhile, income tax revenues raised 12.0% in real terms over the same period of 2013.

Dollars for the communes. President Nicolás Maduro proposed creating a mechanism for granting foreign currency to communal enterprises and also a “great bank,” which is to be formed by merging the Micro-financial Development Fund (Fondemi), Banco del Pueblo, and Banco de la Mujer and will finance the creation of those enterprises. He announced that an agreement is to be signed between the National People’s Power Fund (Safonapp), the Presidential Communes Council, and the Venezuelan Foreign Trade Corporation (Corpovex) so that the communal enterprises can start to receive dollars.

And it will continue to fall. The cash price of gold fell to US\$1,216 an ounce, its lowest since January. According to the Central Bank, at the close of 1H2014, the gold that is part of the international reserves was valued at US\$15.24 billion or 72.6% of the reserves. According to the consulting firm GFMS of the Thomson Reuters group, it is estimated that gold prices will touch bottom and operate at between US\$1,170 and US\$1,200 next year. That means that this drop in gold prices will have a highly negative impact on the international reserves.

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Special economic zone. President Nicolás Maduro announced the creation of a special economic zone for setting up Chinese companies that are to manufacture machinery and inputs for the construction sector in a bid to meet the requirements of the Great Venezuela Housing Mission (GMVV) and the *Barrio Nuevo, Barrio Tricolor* program, which aim to build and upgrade 6 million homes by 2019.

The Economist thinks it's madness as well. According to the British journal *The Economist*, Venezuela has become a "rare beast," because it is not common for a "big oil producer to be unable to pay its bills in a protracted price boom." It also criticized the bad management of Venezuela's industry, particularly the nationalized industries, and also the price controls, which are the cause of the shortages.

There will be no default. National Assembly (AN) Deputy for the PSUV Hugbel Roa recalled that "Venezuela has always paid its debts," even those with the International Monetary Fund, which is why, according to him, "Venezuela will never fall into default." He also stated that, in view of the fact that 96.0% of the foreign currency entering the country comes from PDVSA's exports, there will be no problems when it comes to honoring debt commitments.

The economists agree. The economist and IESA professor José Manuel Puentes stated that the dollars the country has will be allocated to purchasing food and medicines by the public sector and to paying the debt. He also pointed out that the only default that exists is that on the debt with the industrial sector, besides the foreign currency that is owed the airlines and other social sectors.

The risk is high. Investor risk perception has approached February's levels when street protests unleashed a political crisis. That means, if the government were to issue a bond today, it would have to pay interest at 14.2 percentage points (pp) above the rate paid by the United States, whereas the average paid by other Latin American countries is less than three percentage points higher.

Exchange houses are still waiting. The Venezuelan Exchange Houses Association announced in a communiqué that they are waiting for authorization from the Ministry of Finance and the Central Bank so that the exchange houses can be incorporated in the alternative foreign exchange

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market as intermediaries. If this authorization is given, the exchange houses will be able to buy foreign currency from tourists and family members of Venezuelans resident abroad and sell foreign currency to Venezuelans for remittances to family members.

There'll be Sundde for a while yet. The National Assembly has authorized a supplementary appropriation for the Vice Presidency of the Republic in the sum of VEB 303.7 million, which will be used to cover the operations of the National Superintendency for the Defense of Socio-economic Rights (Sundde) for the period July 2013-December 2014. It will be remembered that, following the passing of the Fair Costs and Prices Act, Sundde became an agency attached to the Vice Presidency of the Republic.

Interest rates. The lending rate for the second week of September was at 18.1%, down by 2.1 percentage points (pp) compared to the previous week. The time deposit rate was at 14.5%, decreasing 0.2 pp compared to the previous week, while the passive rate was at 14.1%, without variations compared to the previous week.

International reserves. International reserves went up by 3.4%, going from US\$20.83 billion during the second week of September to US\$21.54 billion during the third week of September. Compared to the same period last year, international reserves have decreased by 3.5%.

Central government expenditure. On September 19th according to figures from the NTO primary spending was VEB 18.96 billion, which means an increase of 70.0%; when it is compared to the same period last year. So far this year, the primary expenditure accumulates VEB 591.31 billion 113.2% more than the same period last year.

Monetary liquidity. Money liquidity (M2) decreased 0.2% in the second week of September from the week prior, to settle at VEB 1.5 trillion. The M2 has increased 67.0% in relation with the same period last year.

Supply through SICAD II (US\$ MM)					
Day	Total daily	Public Sector	(%)	Private Sector	(%)
9/9/2014	37.0	34.5	93.2	2.5	6.8
9/10/2014	35.6	33.0	92.7	2.6	7.3
9/11/2014	40.5	38.6	95.3	1.9	4.7
9/12/2014	35.7	34.1	95.5	1.6	4.5
9/15/2014	42.4	40.5	95.5	1.9	4.5

Source: Ecoanalítica

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OIL TIPS

Looking less attractive. In recent months only one of Citgo's three refineries in the United States has generated a high level of interest among potential buyers as the US oil industry is rapidly adapting to the increasing pumping of oil. This means that PDVSA runs the risk of ending up with less cash than expected when it finally sells these refineries. According to calculations by Barclays Capital, PDVSA could obtain US\$7.0 billion from the sale, 30.0% less than previous valuations of the company.

A tempting offer. Everything indicates that Hess Corporation and PDVSA have found a buyer for their Hovensa refinery located in the Virgin Islands and that has a current production capacity of 0.4 mb/d. This could be an excellent opportunity bearing in mind that refining operations were suspended in 2012 and that the refinery has only been used as a terminal since then. This potential sale could be part of a plan by PDVSA to sell off a number of assets abroad.

Still on the agenda. The chairman of the AN's Permanent Energy and Oil Committee, Fernando Soto Rojas, explained that the committee is currently studying various proposals regarding a possible increase in the price of gasoline with a view to submitting a unified project. *"We're in the middle of a debate, because there is no other country in the world with fuel at such a cheap price, and the majority agrees on that,"* added the deputy.

Two more tanks. The state-owned oil company, PDVSA, is building two crude storage tanks with which it seeks to increase oil storage capacity in Monagas state by 2015. The tanks will have a storage capacity of 0.3 mb and are being built at Jusepín Operations Complex. The purpose of the tanks is to *"guarantee reliability not only in the production process but also in the processes of storage and pumping to the shipping terminals located in Guaraguao, Anzoátegui state,"* explained PDVSA in a communiqué.

More power for the military. The National Vice Presidency has published a decree in *Gaceta Oficial* No. 40,501 appointing the new board of PDVSA's General Domestic Market Division, with General Wilmer Barrientos, a former Minister for Industries, as its chairman.

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Immediate impact discarded. Fitch Ratings said that the passage of the energy reform was unlikely to have an impact on Mexico's sovereign debt rating in the near term. It recalled that this energy measure is based on transforming Pemex and the *Comisión Federal de Electricidad de México* (CFE) into state-owned productive enterprises with greater budgetary and financial independence, a transformation that, according to Fitch, should be broadly neutral for fiscal accounts.

A "small" bribe. A money changer was caught by the police taking some US\$444.6 million illegally out of Brazil. The money was obtained from bribes that suppliers paid officials at the Brazilian state-owned oil company Petrobras to win contracts. The money was sent out of the country via six shell companies that simulated import-export operations in Brazil.

Still in Russia. The head of Shell's Russian Division, Olivier Lazare, explained that the company will remain in Russia, although they are currently evaluating the implications of the sanctions imposed by the West on Moscow for its involvement in the Ukraine crisis. The general director of Total E&P Russie, Jacques De Boisseson, on the other hand, said that Total would comply with the sanctions, although it would also continue with its operations in Russia, as it has several projects with the Russian oil company Lukoil.

International oil baskets. At closing time on September 19th in the New York Stock Exchange, the price of the WTI was US\$93.5/bl, up by 0.9% when compared to the reported the previous week. The Brent decreased by 1.1% when compared to the previous week, to reach US\$98.1/bl.

Local oil basket price. The Venezuelan oil basket price closed at US\$88.4/bl on Friday September 19th, decreasing by 2.0% when compared to the reported the previous week. The annual average price of the Venezuelan oil basket is US\$95.8/bl.

BUSINESS SECTOR TIPS

Increases in regulated prices continue. The Sunde has approved increases in the prices of milk, coffee, white and yellow corn, and rice. In the case of milk, the farm gate price of fresh milk is now VEB 13.7/liter, for an increase of 279.2%, and pasteurized milk goes up to VEB 18.0/900 milliliters, for an increase of 172.7%.

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And here are some more. Corn has gone up to VEB 7.0/kg, rice to VEB 8.6/kg, and coffee to VEB 4,500/*quintal* (46 kg), for increases of 218.2%, 244.0%, and 69.3%, respectively.

Keeping his ear to the ground. Vice President for Food Security and Sovereignty Yván Gil held a meeting with various government officials responsible for granting loans in order to define the guidelines for financing the primary sector. Gil explained that the Socialist Agricultural Development Fund will focus on enhancing financing for the cattle-raising and breeding sector in order to improve its situation.

Operating at 12.0%. Juan Pablo Olalquiaga, the president of the Venezuelan Chemical Industry Association (Asoquim), claimed that the companies that manufacture mosquito repellents are suffering from the ills common to Venezuela's entire productive sector: the lack of foreign currency for importing raw materials and problems in obtaining domestic inputs. One consequence of this situation, according to Olalquiaga, is a marked drop in production, claiming that the sector is operating at more or less 12.0% less than it had been, and that, as a result, it is practically impossible to keep the market supplied.

Another "good" idea. Sundde has announced that it is preparing a directive so that the Fair Sales Price (PVJ) is put on all products that are marketed. Sundde's chief, Andrés Eloy Méndez, explained that the PVJ will be set "*not at a price decided by capitalism, neoliberalism or the market*" but at a fair price "*set by the Superintendency and by self-regulation of the accounts.*"

They want an increase too. The Venezuelan Association of Corn Processing Industries (Venmaíz) has requested the authorities to revise the price of pre-cooked cornmeal following recent increases authorized by Sundde. "*The price of the new white corn harvest should be reflected in setting a price for pre-cooked cornmeal that maintains the present price and profitability conditions that are adequate for all actors in the chain,*" explained Venmaíz.

Problems on wheels. The Association of Motorcycle Industrialists, Manufacturers and Assemblers of Venezuela (Aifem) has warned of the real possibility of the motorcycle industry ceasing to operate owing to the huge debt it has with international suppliers. Apparently, the amount of foreign currency pending disbursement from 2011-2013 comes to more than US\$800

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million. *“With the best will in the world we are continuing to dialog and to contribute to the search for solutions that will make it possible to resume full operations at our members’ plants so as to guarantee more than 15,000 jobs,”* said Aifem in a communiqué.

SIDOR, again. After activities were supposedly resumed at the slab and billet plants at Siderúrgica del Orinoco “Alfredo Maneiro” (SIDOR) last week thanks to the deployment of military personnel in the production areas, the hot and cold rolling mills were still not operating at the end of last week. Moreover, a number of the company’s workers claimed that the slab plant is only operating at 37.0% of capacity and the billets plant at 32.0%.

Another sector in difficulties. The liquor sector in Nueva Esparta has declared an emergency because of the drop in imports. Commenting on this situation, Héctor Cruces, the director of the Venezuelan Liquor Association in Nueva Esparta, said that, bearing in mind the approaching Christmas season, imports on the island are in a *“critical state”* and that there will not be a variety of products this Christmas season, added to which there will be a marked lack of domestic products due to the serious shortages of raw materials.

And more of the same. The vice president of the National Association of Parking Lot Owners and Administrators (Anpage), José Baldó, stated that, so far, they have not managed to make contact with Minister for Transport Haiman El Troudi or Price Superintendent Andrés Eloy Méndez to discuss a possible increase in parking rates. Baldó added that, in the sector’s opinion, the rate should go up to VEB 11.0 an hour in September and that there should be a further increase of VEB 1.0 shortly after that.

WORLD ECONOMY TIPS

Renewing undertakings. The FED renewed its undertaking to maintain its reference interest rate at a level near zero percent for a “considerable” period of time after its bond purchasing program ends and it also revealed projections that the reference interest rate could experience bigger increases than expected a few months ago. The FED also announced a further US\$10.0 billion reduction in its bond purchasing program, which will be ended next month.

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Until the job market reacts. The FED based its decision regarding the stability of interest rates on the “significant” weakness of the US job market. FED Chair Janet Yellen said that the employment issue continued to be the core element of the monetary policy and stated that *“there are still too many people who want jobs but cannot find them, too many who are working part time but would prefer full-time work, and too many who are not searching for a job but would be if the labor market were stronger.”*

Modernizing the country with Chinese money. China’s President Xi Jinping and India’s Prime Minister Narendra Modi signed 12 economic cooperation agreements in which the Chinese Government undertakes to invest US\$20 billion in infrastructure in India. Under these agreements, it has been established that China’s contribution will be a program for modernizing India’s railway system with high speed connection and projects in the areas of public services works and production of goods.

The ECB is ready to act. The president of the European Central Bank (ECB), Mario Draghi, stressed once again that the ECB is ready to adopt unconventional measures (in addition to cuts in interest rates) to fight the deflation the region is facing and to support the region’s growth. *“We stand ready to use additional unconventional instruments within our mandate, and alter the size and/or the composition of our unconventional interventions should it become necessary to further address risks of a too prolonged period of low inflation,”* said Draghi in a speech before the European Parliament.

Europe and the FED pose the biggest risks for the G-20. The Finance Ministers of the G-20 (the group of the world’s 20 most industrialized nations) stated that the group is very close to adding US\$2.0 trillion to the world economy’s added value this year, creating millions of jobs, but that the continuing stagnation of Europe is still an obstacle to world growth. The G-20 also highlighted the need for the FED to avoid scaring the financial markets as it closes down its unconventional stimulus campaign, which would have a negative impact on the world economy.

A golden loan. According to the president of China Construction Bank, Wang Hongzhang, the People’s Bank of China launched a debt issue in the sum of YUAN 500 billion (US\$81.4 billion) last week to help China’s five largest banks to meet the increase in the demand for cash at the end of the month and during the “Golden Week” holiday, during which China celebrates

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its national day and there is a considerable upturn in the consumption of goods and services.

Another bubble? According to the IMF, the world economy is facing a growing risk due to heavy financial market bets that could be reversed if geopolitical tensions or a change in the United States' monetary policy scare off investors. According to the IMF, the financial indicators suggest that bets by investors financed with borrowed money are "excessive" and that the markets could suddenly plummet if there are surprises in US monetary policy or in the conflicts in Ukraine and the Middle East.

2104 will be disappointing. The president of the World Bank, Jim Yong Kim, said that this year has been "disappointing" as far as economic growth is concerned and recalled that the bank revised its global growth projections for this year downward from 3.2% to 2.7%. Jim Yong Kim highlighted the improvement in the US economy but said that "*Europe still gives much cause for concern,*" while indicating that many mid-revenue countries are experiencing uncertainties, mentioning the slowing down of Brazil's economy by way of example.

Increasingly less. According to a report by Brazil's Planning Ministry, the Brazilian Government revised its growth forecast for this year downward to 0.9%, half what it had estimated two months ago, whereas the forecast for inflation remained unchanged at 6.2%. The low economic growth is one of the flanks most exploited by presidential candidate Marina Silva, who attributes it to President Dilma Rousseff's handling of the economy, whereas Rousseff claims that it is due to the impacts of the world crisis on the Brazilian economy.

POLITICAL TIPS

A new year, new powers. The chairman of the AN's Homeland Policy Committee, Elvis Amoroso, said that it was "*most likely*" that the appointments of the new justices to the Supreme Tribunal of Justice (TSJ) and the new directors of the National Electoral Council would be made this year. Amoroso recalled that the names of nearly 600 candidates had been received for the 11 vacancies at the TSJ. "*We're going to make an effort to have the most suitable men and women in those positions,*" he added.

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Disarmament's here. President Nicolás Maduro signed the National Disarmament Plan, a government initiative to strengthen the territories of peace in Venezuela. Maduro said that VEB 300 million is to be allocated to the plan and that 60 points are to be set up for people to hand in their guns voluntarily. Another of the plan's initiatives, explained the President, is the creation of a disarmament incentives bank with the participation of state-owned and private companies.

Making contact with the man in the street. The Democratic Unity Alliance (MUD) has appointed the journalist Jesús Torrealba as its new executive secretary following the resignation of Ramón Guillermo Avelo. The party coalition's spokesperson, Cristóbal Fernández, explained that Torrealba was offered the position as a result of a "political agreement" reached by the majority of its members. A number of political analysts have pointed out that Torrealba's appointment will allow the opposition to keep in contact with what is happening with the people and to win over the lower-income sectors of the population.

At home, for now. TSJ granted former Police Chief Iván Simonovis the humanitarian measure of house arrest on health grounds in order to facilitate the medical treatment he requires due to the health problems he has been suffering from in recent years. The TSJ clarified that the house arrest measure is only temporary and that, when Simonovis' health improves, he will go back to prison and warned that the Bolivarian Intelligence Services (Sebin) will be in charge of guarding Simonovis' residence.

Others consider it an act of injustice. The "Association of Victims of the April 11, 2002 Coup" (Asovic) expressed their outright repudiation of the Supreme Tribunal of Justice's decision to grant former Police Captain Iván Simonovis, sentenced for "*having supplied weapons and of having given instructions*" to those who opened fire on government demonstrators during the events of April 2002, this humanitarian measure. Asovic's spokesperson, Yesenia Fuentes, said that at no time were the victims consulted about the measure and warned that they would be watching to ensure that the house arrest measure is properly carried out.

The constituent assembly's the answer. In a communiqué published in the press, the political party *Voluntad Popular* urged Venezuelans to bring pressure to bear so that Article 348 of the Constitution is activated in order to be able to call a national constituent assembly. *Voluntad Popular* explained

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that it had proposed this constitutional mechanism because it would make it possible to obtain a *“truly impartial National Electoral Council, a system of justice that puts an end to impunity, an Ombudsperson’s Office that really defends the people, and a Comptroller General’s Office that pursues the corrupt,”* and that, moreover, it would be a tool for calling new presidential and parliamentary elections.

Less and less freedom. The Inter-American Commission on Human Rights (IACHR) issued a communiqué expressing its concern over the dismissals in the media that have changed hands recently, the shortage of newsprint, and the alleged blocking of some news portals on the Internet. The IACHR considered that the freedom of expression in Venezuela is deteriorating and mentioned, by way of example, President Nicolás Maduro’s criticism of the media that reported the deaths from an alleged new virus in Maracay.

State policy. Prosecutor General Luisa Ortega Díaz gave assurances that respect for human rights is a policy of the Venezuelan State, in response to accusations of alleged torture in Venezuela that, according to her, have been made within the United Nations Human Rights Council. *“I’ve been implacable when I’ve learned of an isolated incident or an individual who violates human rights,”* added Díaz.

LEGISLATIVE TIPS

Anything but a parliament. According to the Latin American Legislative Transparency Index published by *Transparencia Venezuela*, Venezuela’s Legislative Branch was bottom of the class in terms of performance compared to other parliaments in the region. Transparency’s index covers four aspects: rules, where the National Assembly scored 32 out of 100; work of the parliament, 12 out of 100; budgetary transparency, 12 out of 100; and mechanisms of participation, for attending to the citizenry, and accountability, 27 out of 100.

Agropatria has a new cacique. In a joint resolution by the People’s Power Ministries for Food, Commerce, and Agriculture and Land, José Berroterán Núñez has been appointed acting president of the social production enterprise Agropatria. The appointment was published in *Gaceta Oficial* No. 40,501, as were the appointments of Humberto Laurens, Alfredo Baldizan,

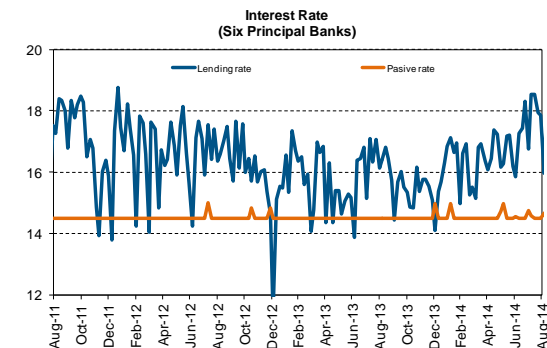
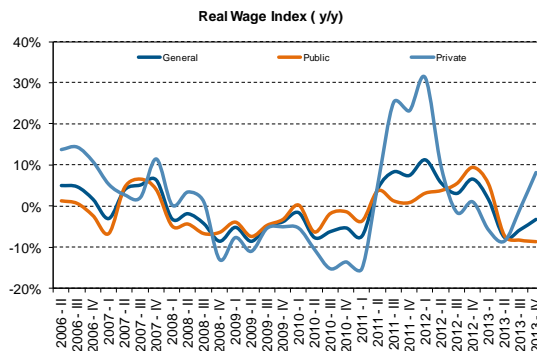
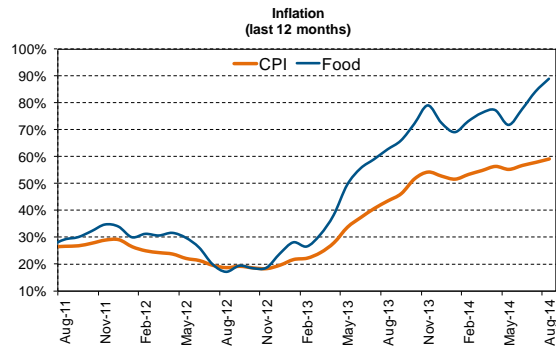
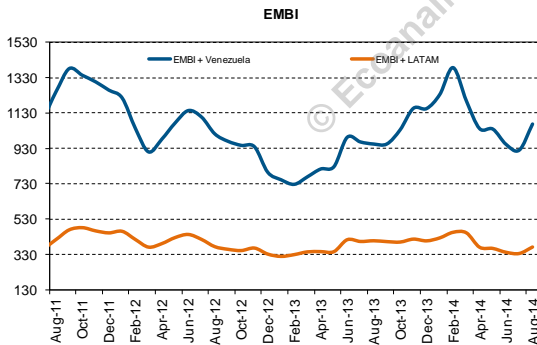
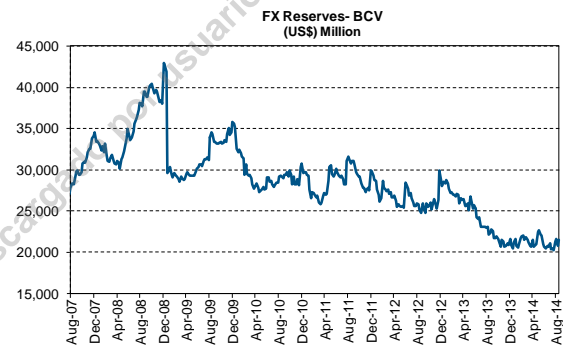
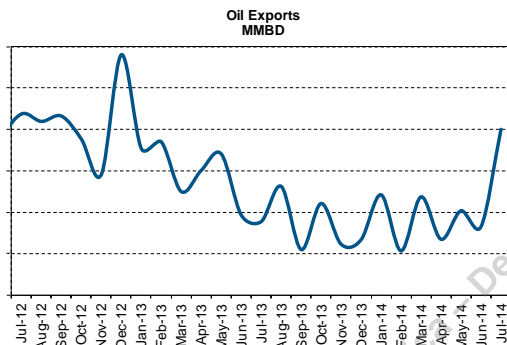
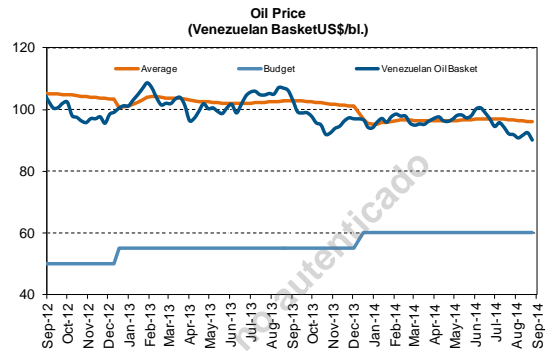
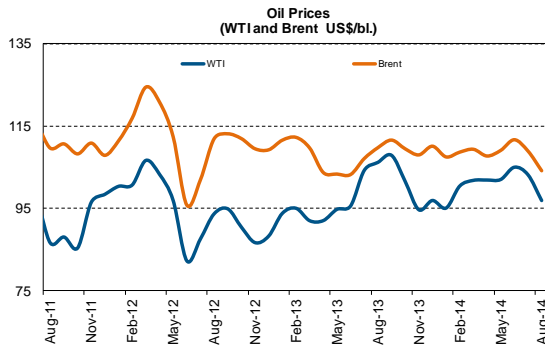
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Margaret Gutiérrez, and Eric Martínez as regular directors of the Agropatria board and Miguel Ascanio, Agustín Ridell Paraguán, Oscar Abarca, and Mary Medina as alternate directors.

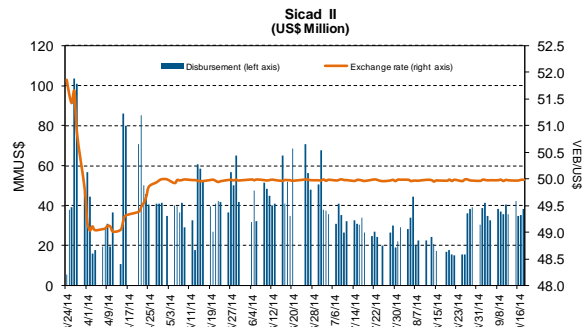
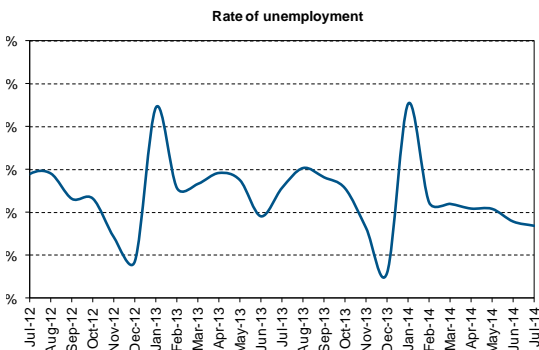
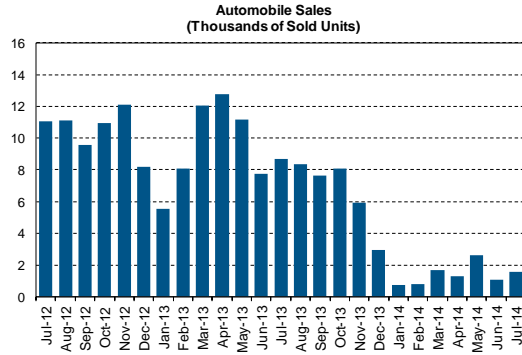
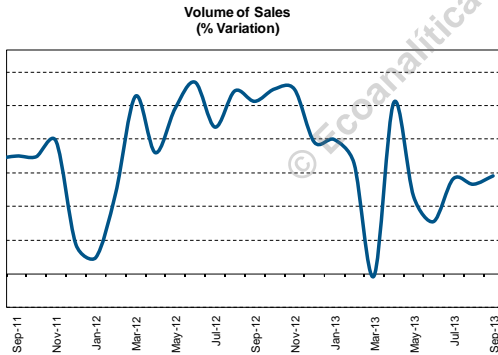
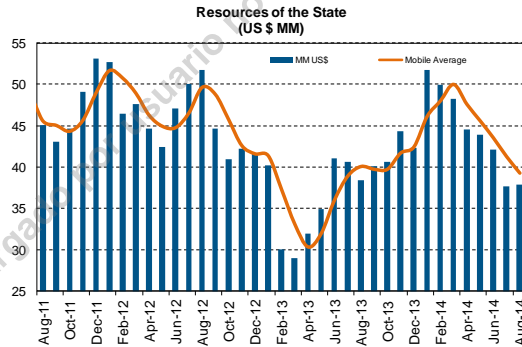
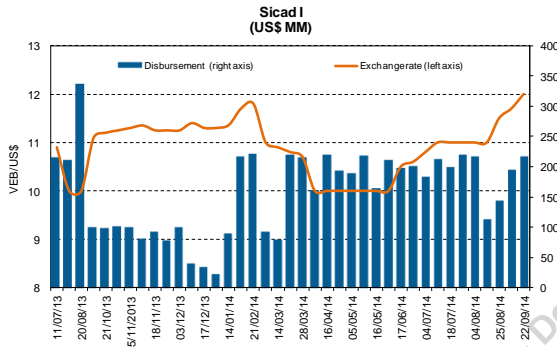
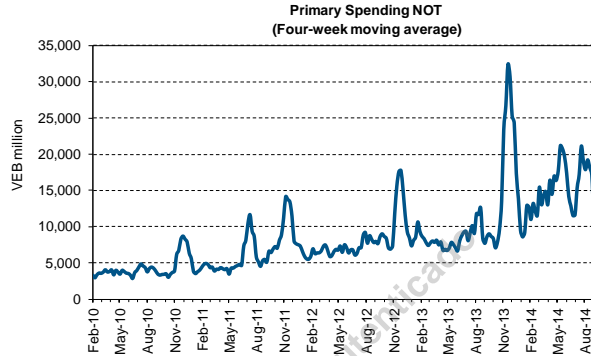
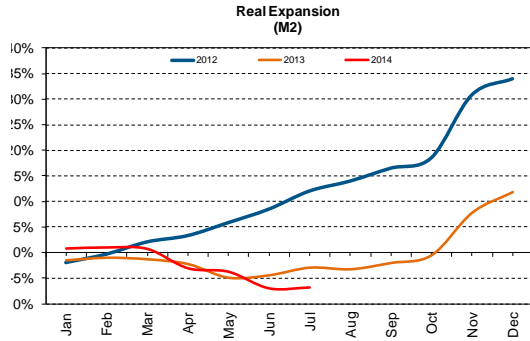
New vice ministers. Also published in the *Gaceta Oficial* No. 40,501 is Presidential Decree No. 1,256, in which the President of the Republic appoints the five new vice ministers at the People's Power Ministry for Agriculture and Land: Agustín Ridell Paraguán as Vice Minister for Agriculture; Alfredo Emilio Baldizan Seco as Vice Minister for Agricultural and Livestock Production; Javier Enrique Sánchez Quintero as Vice Minister for Plant Agricultural Production; Miralay Cristina Herrera Colmenares as Vice Minister for Fisheries and Aquiculture; and Eric Ricardo Martínez Gómez as Vice Minister for Agro-industry.

At the service of a party. At a forum on parliamentary law, the former secretary of the Democratic Unity Alliance, Ramón Guillermo Avelledo, stated that the latest reform of the National Assembly's Internal Rules destroyed what is the nature of any parliament by reducing the time allowed for deputies to take the floor, extending the powers of the president to control the debates, eliminating the parliamentary blocs, and preventing the access of the media. He also pointed out that under the leadership of Diosdado Cabello, confrontations between parliamentarians have increased.

ECONOMIC OVERVIEW



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