



# Weekly Report

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## *A model that restrict growth*

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The government's recent expropriations have been in the spotlight these days as a result of the intensification of the process after September 26 parliamentary elections.

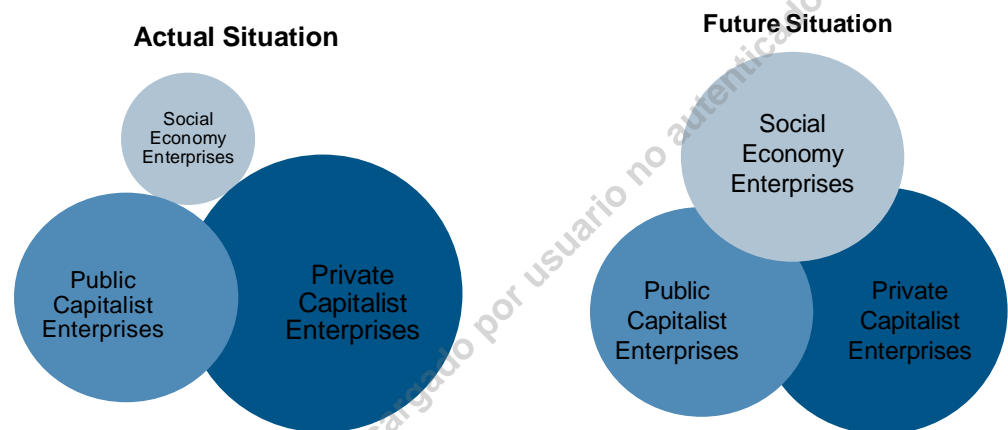
In this report, we will try to present our view as to where expropriations will go over the next years, mainly which sectors are most likely to be affected and the macroeconomic repercussions of these policies.

#### **No reason to be surprised**

The expropriation policy began in 2005, when the government expropriated a total of 35 companies, even though the legal basis that has allowed the Administration to expropriate private assets by means of presidential decrees on the grounds of public interest had been in force since 2002, when the National Assembly passed the Law on Expropriation based on Social Public Interest. The first expropriations took place in 2003, when most oil activities were taken over by the State.



After president Chávez' reelection in late 2006, the Administration, in its Simón Bolívar National Project, the 2007-2013 Socialist Plan, made it clear that it was committed to changing the orientation of the national productive model. The chart below, which we have already presented before in other reports, clearly summarized the State's intention to fully control productive activities which have a strategic value for the country's development.



### Strategic: a flexible concept

The concept of "strategic" for the State and President Chávez has become something very permeable. Initially, Chávez said that the oil, energy and telecommunication sectors had to be under his control because they were strategic for the nation's development. Subsequently, Sidor and cement companies were nationalized. Then the nationalization of food processors came later, with the Éxito hypermarket chain being nationalized earlier this year. All these actions show how the concept of "strategic" has become more and more flexible.

We at **Ecoanalítica** believe that the term "strategic" may be referred to all those aspects which, based on the government's political project, increase the President's political and economic control without substantially deteriorating his popularity. Therefore, the closer an election, the more remote the possibility of the government expropriating any private business.

### The cost of nationalizations

Expropriations don't depend only on the political cost/benefit obtained by the Administration, but also of the economic one. That's why the pace of expropriations is highly dependent on the availability of resources to carry them out, because they end up being very expensive for the State.





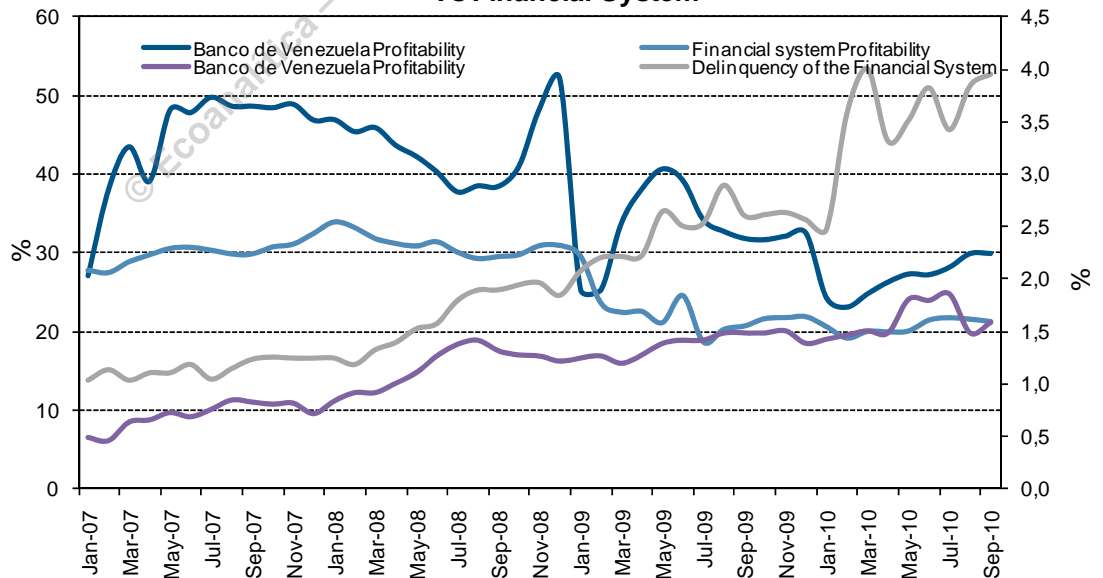
According to our calculations at **Ecoanalítica's**, the expropriations have cost the Venezuelan government over US\$27.0 billion, or 11.4% of the average GDP over the last five years.

**Consequences of the expropriation policy**

The cost of expropriations not only includes the amount of compensation to be paid, but most importantly, the economic consequences said expropriation produces. The lack of efficiency of state-owned companies is common knowledge and well documented in economic literature; therefore we won't go deeper into this issue.

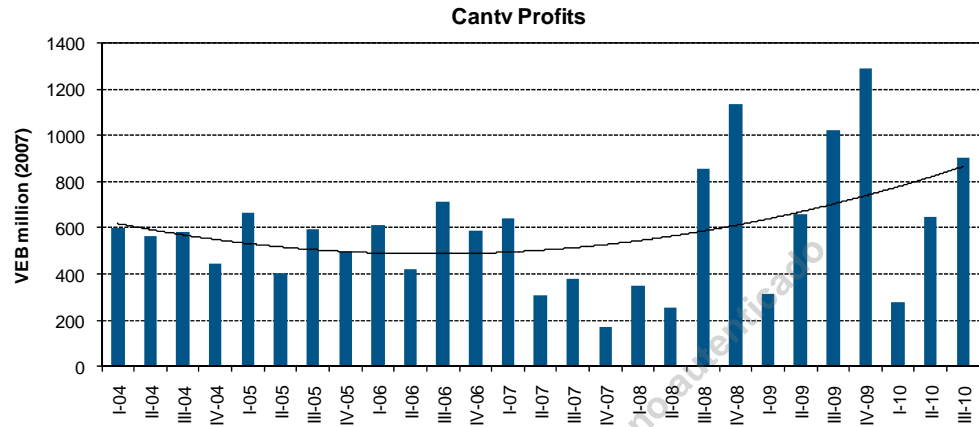
However, it's worth highlighting that the result of expropriations has been heterogeneous so far, because in some cases there is no clear evidence that the State's management has worsened the expropriated company; examples include Banco de Venezuela (the bank's indicators continue to be over the financial system's average) and Cantv, which, in spite of some criticism, is still providing a service with the same quality as when the company was in private hands, and its benefits, even though are more volatile (as the graphic shows), we can see a slight increase tendency.

**Profitability and delinquency of Banco de Venezuela Vs Financial System**



Sources: Sudeban and Ecoanalítica

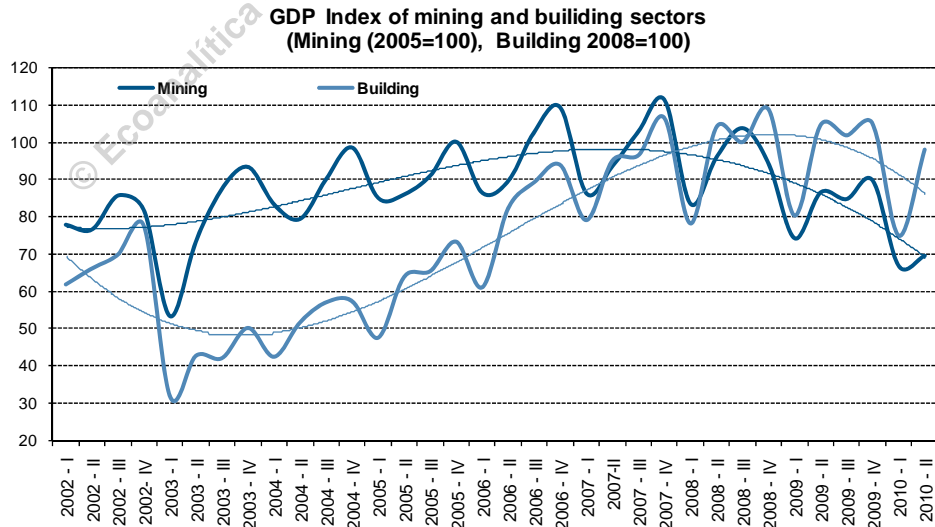




Sources: Cantv and Ecoanalítica

**But in other sectors, results have left much to be desired**

In the construction sector, where the highest number of companies was expropriated in 2008, we can observe how production has progressively decreased. Cement production problems have been well documented by the press. The case of industries in the Guayana region, most of which were nationalized in 2007, is even more dramatic, as shown in the chart below:



Sources: BCV and Ecoanalítica

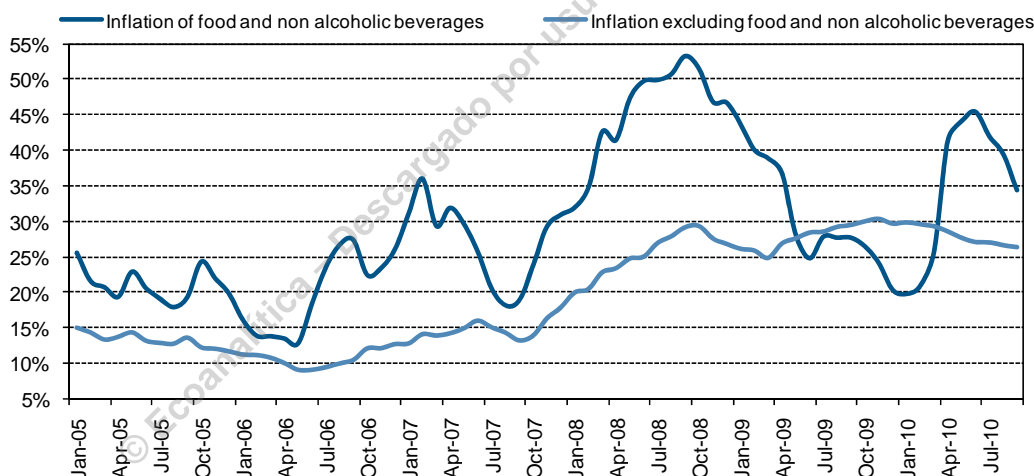
As we have already said in several Weekly Reports, oil production is another clear example of the inefficiency of state-owned companies; however, as explained in our reports dealing with PDVSA this year, this is an issue the government is closely following; therefore, multiple agreements



for oil development projects in the Orinoco oil belt have been closed recently, aimed at dealing with this problem.

Evaluating the case of the food sector is more difficult than older cases; therefore, we at **Ecoanalítica** have used BCV's weighting factors to develop a consumer price index that doesn't include food and nonalcoholic beverages. Comparing this index to the general consumer price index, it is evident that the government has failed to solve the food sector problems and that the price control policy, more than achieving price stability, has instead increased volatility and speeded up the pace at which food prices have increased, a fact that impacts the lower income population the most.

### Food inflation Vs non-food inflation



Sources: BCV and Ecoanalítica

The lack of efficiency and lower productivity of many expropriated companies in comparison to the private sector companies is an additional reason why our GDP growth estimates over the next few years are so discouraging (only 1.6% for 2011-2014 on average).

#### Whose turn is now?

Now that the State fully controls the oil sector and the electricity and water sectors and almost the entire mining sector, the Administration will continue taking over the remaining sectors following a "strategic" order, as it has been doing up until now.

#### Food, a point of honor

The food sector is very important for the government, because this is the sector that most impacts low income families; therefore, guaranteeing food supply and stopping food prices from increasing is of utmost importance.



According to Conindustria's expropriation database, between 2005 and 2010, the government has "forcefully acquired" 37 agro-industrial farms, 22 food processing companies, 30 distribution and storage centers and 6 wholesale and retail supermarkets. Consequently, the State has control over 75% of coffee production, 52% of sugar, 42% of precooked corn flour, 40% of rice, and 35% of dairy products.

This is why we believe that food industries along with the construction sector are those facing the most immediate expropriation risks.

### Housing is essential

It's well known that housing has been one of the most critical weaknesses of this government. According to the National Estadistical Institute (INE); the housing deficit exceed one billion 800 thousand, and 60% of the existing houses needs to be improved or extended. The Administration is aware of this situation and the agreements for the construction of homes signed with Russia during the latest presidential trip are an example of this. However, these agreements don't include the participation of Venezuelan private businesses, but only Russian private companies and Venezuelan state-owned companies, which is another example of the government's stance toward this sector.

The government already controls the cement industry and the recent expropriation of El Encantado residential project shows its intention of taking over this sector. The consequences of the expropriation policy in some sectors are analyzed below, with those for the contraction sector being the least encouraging.

### Non-priority sectors

In a non-immediate future, sectors with the highest risk of being expropriated are medicines and health, and to a lower degree, telecommunications, financial institutions and insurance, transportation and storage.

The health sector is essential for the government's social policies and, therefore, after food and construction, this is one of the sectors facing the highest risk of expropriation. Although the policy that we at **Ecoanalítica** believe that apply, is a strict price control.

In the case of financial institutions and insurance, clear evidence has appear over the last year that those institutions that don't comply with Sudeban's regulations will be immediately intervened, and if it is convenient for the Administration, they will become part of the state-owned banking



system, as happened with Banco Bicentenario; otherwise, they will be liquidated as has happened on a number of occasions this year.

With respect to the telecommunication sector, we at **Ecoanalítica** believe that major telephone companies will be safe for the coming years, because the government feels comfortable with its position in the sector thanks to the expropriation of Cantv and Movilnet. However, in the case of communication media, permanent harassment against clearly critical media will continue; as a result, they will have to be very careful to rigorously fulfill the relevant laws and regulations.

### How can risks be minimized?

Private companies that plan to remain in the Venezuelan market and wish to minimize their risk of expropriation must work under the rules imposed by the government. In the first place, this implies strictly fulfilling price controls and the diverse regulations established by entities like Seniat, Cadivi, IVSS, INCE, Conavi, the Ministry for Labor, etc.

Second, they have to take care that their business objectives include the collective well-being of their workers and their business environment and not only focus on maximizing profits (the true goal of any private company). To achieve this, private companies must protect their workers, have them participate in the managerial decision-making process, and even include workers into the shareholding structure, as proposed by the new Labor Law. Notwithstanding the fact that some of these requirements are audacious to say the least, in some cases these proposals may be feasible, and companies that have already begun to implement these initiatives have demonstrated that they can dramatically improve their productivity by motivating their personnel. However, clearly this kind of actions aren't applicable in many cases and they are operationally expensive.

In addition to this, from the financial point of view, is important that companies reduce that risk. An important thing is that the companies search or incorporate under the law of a third country that has an investment protection agreement. With that agreement, they could turn to arbitration, in any necessary case.





## Economic Tips

**Deadline for the Pdvsa 2011 bond swap extended.** Pdvsa announced last Thursday the new deadline (November 12<sup>th</sup>) for the submission of swap orders of Petrobono 2011. Pdvsa informed that until October 28<sup>th</sup>, they have received more than 200 swap orders from Pdvsa 2011 bond holders, worth about US\$ 524 million. Calculating on a conversion factor of 1.125, Petrobonos swap translates into US\$589 million in bonds of the new issue.

**Higher VAT revenues for 2011.** The national government decided that the Value Added Tax (VAT) will have a weight higher than 30% in the draft 2011 budget. Therefore, they are trying to minimize oil rentist approach that characterizes the Venezuelan economy. Through VAT collection, the Administration expects to collect about VEB 61.366 billion, up 19% from the 2010 Budget Law, when the expected collection was VEB 51.62 billion.

**Seniat goals continue to be underestimated.** This reality shows the government's intent to finance the largest part of public expenditure with taxes; however, it's well known that Seniat's goals are usually underestimated so as to later brag about having exceeded them at the end of the year. For instance, in 2009 (when the economy contracted by 3.3%), Seniat's collection totaled VEB 82.29 billion, up X% from the goal set for that year; this year, collection for the first seven months of the year had already exceeded by 8.7% the goal for the entire year.

**Venezuela: zero investment.** Foreign direct investment (FDI) received by Latin American countries was presented by the UN Economic Commission for Latin America and the Caribbean (ECLAC). For this year, ECLAC's data show an increase in Latin America's role as FDI receiver. In the first half of 2010, FDI increased up to US\$ 50.34 billion, up 16.4% from the same period in 2009, which reflects a recovery of international financial markets, foreign trade of Latin American countries, and a global economic growth in Latin America. However, Venezuela is the exception: according to the Balance-of-Payments figures published by the BCV, FDI has been negative over the last five quarters (US\$ -1.816 billion for the first half of 2010).

**14 supplementary appropriations approved in a single month.** 14 supplementary appropriations worth almost VEB 4.0 billion were allocated among 12 government entities. This allocation took place between September 15<sup>th</sup> and October 15<sup>th</sup>, for a cumulative amount of VEB 37.34 billion for the year-to-date, equivalent to 23.4% of the initial budget. Supplementary appropriations are applied to current spending including



personnel and bonus expenses and current transfers of the public sector to decentralized entities. With these supplementary appropriations, the total national budget amounts up to VEB 196.75 billion.

**Contributions to Fonden.** Since its creation in 2005 until September 2010, the National Development Fund (Fonden) has received resources worth US\$59.18 billion, of which US\$1.10 billion correspond to Pdvsa's contributions and US\$37,89 billion came from the Central Bank of Venezuela (BCV), informed minister Jorge Giordani in the presentation of the draft National Budget Law and Special Law for Annual Indebtedness for 2011. With these contributions, they have committed to financing 200 projects worth US\$32.71 billion and 110 projects worth US\$27,35 billion currently being executed. However, no clear information on the origin of these resources is available, or no details have been given explaining if the web portal information is current or up to date or about the entities that will receive and execute the disbursed resources. According to data gathered by *Ecoanalítica*, at end-September 2010, Fonden has US\$2.6 billion in available (not committed) resources.

## Oil Tips

**240,000 barrels to China.** Within the framework of the energy agreement signed between Venezuela and China, Petroleos de Venezuela S.A. (Pdvsa) announced the second shipment of 240,000 barrels of fuel jet A1 to different regions of the Asian country. The first delivery took place in October and included 257,000 barrels, thus accumulating 497,000 barrels shipped to China so far. The shipments are being sent from the El Palito refinery.

**New agreement between Venezuela and Iran.** Iran offered Venezuela a 10% participation in the natural gas project South Pars Phase 12 through Pdvsa, so was announced by Qolam-Reza Manouchehri, representative of the Iranian oil company Petropars Oil and Gas Co. In order to participate, the Venezuelan Government paid US\$760 million. Pdvsa justified the investment indicating South Pars was the largest natural gas deposit in the world, located in the Persian Gulf, and has 1,400 trillion cubic feet of natural gas reserves.

**More than one thousand agreements.** According to the national oil company, more than one thousand projects have been executed within the framework of the Cuba-Venezuela Integral Cooperation Agreement, in its 10<sup>th</sup> anniversary. During this period, US\$6.55 billion have been executed through Pdvsa. With these agreements,



Venezuela has approximately 40 thousand Cuban collaborators in national territory, but this is not the country's most important economic activity.

**Heavy crude oil upgrader reactivated.** Pdvsa started the process to restart the heavy crude oil upgrader Petroanzoategui, completely operated by the national oil company, with an installed capacity of 130,000 barrels per day. Petroanzoategui has been out of service for over one month due to different malfunctions, indicated a source of Pdvsa. The problems occurred in the boilers caused a leak of hydrosulfuric acid. This would be the second attempt to startup the upgrader, since the technicians tried unsuccessfully in October. The upgrader is currently working at 80% of its capacity, with two boilers in service. This is not the only crude oil upgrader giving trouble to Pdvsa, so the oil company has been forced to mix extra-heavy crude oils extracted from the Orinoco Oil Belt with solvents.

**New gas pipeline for the petrochemical industry.** Pdvsa Gas has decided to build a new gas pipeline due to the fact that the execution of new projects in the urea and ammonia plants for the petrochemical complex of Moron, make it necessary, for the need to increase gas supply to satisfy the demand of these projects. The necessary investment to build this gas pipeline reaches VEB 30 million, and the project is expected to generate 50 direct jobs and 100 indirect jobs, and to be completed in three stages.

**Satisfied with the price.** The Organization of Petroleum Exporting Countries, specifically the Persian Gulf block, are satisfied with the current oil prices, and hope it remains stable, a different opinion to those expressed in several occasions by President Chavez and the president of Pdvsa, Rafael Ramirez, who indicate that Venezuela's goal price is US\$100 per barrel. They have also said that, if necessary, Venezuela would pump more crude oil to supply an ever increasing demand.

**Brazil's discovery.** Brazil announced that the deep water deposit located southeast of the country reaches 7.9 billion exploitable barrels of oil. This announcement was made by the Brazilian National Assembly of Oil, which indicated that the range of recoverable barrels was between 3.7 billion and 15 billion, with the most likely number being 7.9 billion, which would translate into the duplication of Brazil's proven reserves.

**The decision will be known next year.** Exxon Mobil, the largest oil company in the United States, reduced its arbitration claim against Pdvsa to US\$7 billion, from the original US\$12 billion plus accumulated interests. Each one of the parties stated their case and the arbitration hearing concluded on September 24. Pdvsa expects a sentence for 2011 and an unfavorable decision for Venezuela could cause a significant loss of assets, as well as a negative impact on the state's oil debt. This



could force the Venezuelan Government to get rid of other international assets, such as Citgo.

**Fuel distribution strengthened.** The new fleet of trucks acquired by Pdvsa to update the National Transportation Company's (ENT) automotive fleet will allow the expansion of the country's fuel distribution network. 750 tractor units and 96 tank trucks from China and Mexico were incorporated. With this, the ENT handles 40% of the market, while the remaining share is handled by the private sector. They expect to reach 2000 units.

## Business Sector Tips

**Siderurgica del Turbio expropriated.** During his Sundays' TV and radio Show "Alo Presidente," President Hugo Chavez ordered the expropriation of the firm Siderurgica del Turbio (Sidetur), an affiliate of the main private Venezuelan iron and steel group, Sivensa, a company devoted to manufacturing rebars and construction wire rods as well as profiles for metallic carpentry. Moreover, six housing developments in construction were also expropriated in Yaracuy, Miranda and Carabobo. During this broadcasting, Chavez also authorized the temporary occupation of eight more housing complexes.

**Cocoa beans declared as "strategic product" for the nation.** President Hugo Chavez declared last Sunday that cocoa beans were a strategic product, so he urged both private and public companies to turn Venezuela into a power in cocoa bean production and thus strengthen the worldwide recognition of this product which has been rated as the best in the world. However, even though representatives of this sector were happy with the announcement, they also acknowledged that cocoa bean production was currently limited in terms of profitability, which brings about doubts regarding the domestic apparatus capacity to satisfy the demand of the industrial sector, which the Government plans to expand.

**Adjustments requested for regulated products.** The precooked flour processing industry, as well as the pasta and coffee production industries requested the National Administration to review the current consumer prices of precooked flour, since the current production cost has the industry in a very delicate situation that could have consequences in product availability.





**Guri dam to be rehabilitated.** The Inter-American Development Bank (IADB) announced a loan for US\$700 million and a complement of US\$609 million to be contributed by the National Government, to rehabilitate and update the turbojets of the hydroelectric complex Guri. With this project, the Government expects to be able to substitute six of the 20 turbo-generators of Guri in no more than six years, a time in which the complex will be able to generate 795 additional megawatts, a 3% increase to the country's current total electric generation capacity.

**Industrial sector worried about the Law of Communal Groups and Social Comptrollership.** According to Cavidea's economic studies, the industrial sector is worried about the 12 current laws and the 8 drafts to be approved at the National Assembly, all of which would seriously threaten both the stability of private property and the existence of a free market, actions that not only attempt against private property but also repel investment. Among the law drafts to be approved that are generating expectations in the sector are: Law of Social Property; Law of Real Estate Leasing; Law of Communal Groups and Law of Social Comptrollership, among others.

**Expropriations will negatively affect the already low supply of homes.** Chavez's order to expropriate six housing developments and to "temporarily occupy" eight more will only complicate the private sector's investment outlook even more, said the president of the Real Estate Chamber, Aquiles Martini, who also explained that the construction sector's problem would not be solved with spasmodic measures, but with a feasible long-term plan and the collaboration of the Government, the banking system, real estate promoters and suppliers.

**Worries in the pharmaceutical and agro-alimentary sectors for the expropriation of Owens Illinois.** The effects of the expropriation of the main supplier of glass containers, Owens Illinois, go beyond the food industry, since domestic drug manufacturers, despite not having yet quantified the volume of raw materials this company used to deliver to this particular sector, fear that after the government takes over, there could be a deficiency in the current production process if Owens Illinois' production is not maintained, so they urge the authorities to maintain the current performance in order to satisfy the demand, so that production does not fall.

**Reactions to Owens Illinois' expropriation keep arising.** The president of Fedecamaras, Noel Alvarez, regretted that the Government's priority is still encouraging an irrational confrontation against all constitutional rights and warranties. In Alvarez's opinion, Venezuela is immersed in a severe crisis of distrust and division, regrettably endorsed by those who should guarantee the national harmony.

**Ecuador to sell tons of rice and milk to Venezuela.** Ecuador plans to sell 40,000 tons of rice and approximately 3,200 tons of milk to Venezuela as part of a bi-national



agreement signed in Caracas. The agreement will last two months, but the amount and details of the transaction are unknown.

**Coca-Cola Femsa will continue to bet on Venezuela.** The general director of Femsa, Jose Antonio Fernandez, said recently that after having evaluated the situations the company has lived in Venezuela, and being forced to adapt to each different circumstance, they are still optimistic and consider there are still opportunities to grow, so they don't hesitate to study options to consolidate their expansion not only in Venezuela but also all throughout the Latin American region.

**National Administration extends rent control for six months.** The Ministry of Housing and the Ministry of Commerce extended the rent control of properties built before 1987 for another six months. The time extension was published in Official Gazette N° 38,539 of October 27, 2010, and indicates that those who do not comply with the rent control measure will be penalized according to that provided in the Law for the Defense of People in the Access to Goods and Services and the Law of Real Estate Leasing.

**Milk distribution kicked-off to guarantee supply.** Corporacion de Abastecimiento y Servicio Agrícola (Casa) kicked-off the distribution of 21,000 tons of powdered milk to supply supermarkets' shelves and guarantee the product's presence. It is worth mentioning that, days ago, representatives of dairy companies said they had not been able to execute their importation licenses because said permissions had been granted for amounts lower than the current price of milk in the foreign market.

## World Crisis Tips

**US GDP growth remains stable.** The US economic growth in the third quarter of 2010 exceeded the previous quarter (1.7%) to reach a seasonally adjusted annual rate of 2.0%. However, the expectations of analysts surveyed by Bloomberg were not met, since they expected a 2.1% growth in the same terms. Since the recession, the Gross Domestic Product (GDP) growth has reported a quarterly average of 2.8%, less than the economic growth reported in the subsequent years to the post-World War I recession. In y/y terms, the GDP growth of Q3 reached 3.1%.

**The reasons...** The components of the demand justifying this performance are personal consumption, fixed investment and government consumption, which grew by



2.6%, 9.8% and 3.3% respectively in the third quarter of 2010, SAAR. In y/y terms, this growth has been by 1.9%, 8.1% and 1.0% in the same order.

**Construction spending increases.** The value of finished constructions recovered by 0.5% in September, to counteract the slight 0.2% fall reported in August. This result is sufficiently better than consensus expectations of a 0.5% fall. However, the indicator's y/y variation shows a 10.4% decrease, mainly caused by the value of non-residential constructions which have dropped by 24.6%, also in y/y terms.

**Still disappointing.** The behavior of personal income and consumption is still disappointing. Income fell unexpectedly by 0.1% during September, after a 0.4% increase. The adjective of disappointing comes from the fact that analysts were expecting a 0.2% increase for September. The reading leaves the y/y increase at 3.1%, not encouraging enough, after the 1.7% fall reported in 2009. In the consumption side, the disappointment comes from the increase by only 0.2% in September, after a monthly rate of 0.5%, and an expected 0.4% increase, considering season adjustments. The annual indicator reaches a 3.7% increase, which is still positive, after the 1.0% fall reported in 2009.

**No major changes.** The index published by the University of Michigan about consumers' expectations regarding the economy decreased to 67.7 points after having reported 68.2 points in September. The level of the tenth month of the year is practically the same as the level shown by this indicator in July, and is short of consensus expectations of 68.0%. This indicator could explain the poor performance shown by consumption, as we mentioned in previous paragraphs.

**Manufacturing industry recovered in October.** The institute of Supply Management said its national manufacturing activity index went from 54.4 points to 56.9 points between September and October. This is the highest level since May and exceeds consensus expectations of 54.0 points. Readings above 50 points indicate the sector is growing, and according to this indicator, this sector has been growing since August of 2009, showing a slightly slow growing trend during the last few months, until October.

**Case-Shiller falls.** The Case-Shiller home price index fell for the second consecutive month, reporting a 0.3% decrease in August, after a 0.2% drop reported in July. The y/y indicator does show a price recover by 1.7%, a quite positive reading, after reporting falls by 15.7% and 13.3% in 2008 and 2009 respectively. However, in August, the y/y increase had reached 4.7%, and this number has been consecutively decreasing. Also, consensus projections placed y/y home price growth at 2.2% for August.



## Political Tips

**Polar will not be expropriated, for now...** President Hugo Chavez executed a new warning to the corporation Empresas Polar, after announcing new expropriations. Chavez said his government had no plans to expropriate Empresas Polar, at least for now, though he sent a new warning to the company's president, Lorenzo Mendoza, *"no strike of Polar will ever overthrow Chavez. A strike of Polar could possibly overthrow Mendoza,"* Chavez said before adding: *"Let me tell you something, Mendoza, I have no immediate plan to expropriate Polar, I'm not interested, right now, I don't know about the future."*

**Laws of communal power to be presented to citizens.** The vice minister of the People's Power for Communal Groups and Social Protection, Margout Godoy, invited the Venezuelan people to read and know the laws of the people's power so they wouldn't be victim of manipulation by the private media. Godoy also informed that a nationwide consultation process would take place between November 2 and November 14 to take the block of laws of the people's power to the communities, including the following instruments: Organic Law of the People's Power, Organic Law of Planning and the People's Power (both subjected to first discussion in plenary session on December 16 of 2009); Organic Law of Communal Groups; organic Law of Social Comptrollership (debated in first discussion on June 22 of 2010) and the Organic Law for the Development and Encouragement of Communal Economy, still pending for first discussion in the Assembly.

**What's next?** According to this process' schedule, on November 15, State parliamentary blocks are to compile the consultation instruments to start the next day and until November 19 with the systematization and consolidation of the information. Then, the Citizen Participation Commission shall discuss, approve and prepare the report to be presented before the Parliament's plenary session on Thursday November 25, and start the discussion and approval process of these regulations. The Vice president of the National Assembly, Representative Dario Vivas, ratified that this group of laws *"will complement the legislative structure that boosts the People's Power, already founded in the laws of Communal Councils and the Federal Government Council."* The People's Power translates into the direct participation of communities in



public administration, a constitutional concept expressed in article 5 of the Venezuelan Constitution.

**PSUV intellectuals criticize internal flaws.** Pro government intellectuals Edgar Figuera and Ruben Reinoso evaluated the results of the S-26 election and concluded that the official party's contraction was the voters' response to five years of bad management in national, regional and local government as well as in the National Assembly. *"There is a dislocation between the speech and practices of the socialist management that keeps socialism from being gratifying,"* said Figuera, anthropologist and college professor, to an audience integrated by AN representatives and PSUV followers. Professor Figuera offered some tips to worry about, in his opinion: *"The Chocolate Board has been waiting for resources for three years and the cocoa bean processing plant is not working."* Therefore, Figuera expressed the need to review some regional and municipal rulings: *"On September 26 we fooled ourselves and tried to fool people with the work of governors and mayors we should be supervising. Before others overthrow them, we need to get ahead in that process."*

**All set for the extraordinary election.** The rector of the National Electoral Council, Sandra Oblitas, explains the electoral schedule set for the election of December 5, including 2 State governments and eleven municipal governments, has been met. She said all the pertinent audits have been carried out, including the Voters Registry, and indicated they are working on the contests. *"The final Voters Registry is being prepared,"* and just like in other electoral processes, audits are being carried out.

**Eveling de Rosales won the primary election in Maracaibo.** Eveling de Rosales, candidate for Un Nuevo Tiempo, is the Unity Table's representative for the Mayor office of Maracaibo, in the upcoming election of December 5, after taking the victory in last Sunday's primary election against her contender Juan Pablo Guanipa, of Primero Justicia. The wife of former Mayor Manuel Rosales received 124,052 votes, while Guanipa got 52,007. 803 void votes were counted, for a total of 176,998 votes. The proportion between both candidates was 70%-30%, respectively. Luis Holmes, president of the electoral commission, said that the first bulletin contained 97% of the ballots submitted. There was an 80% abstention (Over 900 thousand voters), but Holmes still considered it to be a good participation, doubling the official party's participation in its primary election.

**Protecting owners.** Vice president Elias Jaua said this week that the announcements of expropriation and temporary occupation of housing developments aimed to protecting the owners of the apartments. *"This is a measure to protect the families who deposited their resources and signed a pre-sale agreement, and they are perfectly identified because Indepabis carried out a census."* He reminded that in previous opportunities the authorities had warned real estate promoters, especially when the



CPI adjustment was eliminated. “We are willing and we gave them a period of time to see whether real estate promoters would reconsider their actions, but they didn’t and now the government has enforced the law”.

**Political persecution continues.** The Comptrollership General of the Republic decided to disqualify Representative Wilmer Azuaje from performing political duties for the next 12 months. According to the resolution published yesterday in Official Gazette N° 39,541, “the official entity determined in the wealth audit carried out that the accused had failed to declare goods or assets in his wealth situation statement, as well as information about the economic origin of non justified administered funds for VEB 490,900 which appeared disproportional to his legitimate income perceived during the period between 04/01/2007 and 11/30/2008, thus failing to comply with the obligations established in articles 26 and 27 of the Law Against Corruption.

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**ECONOMIC OVERVIEW**

