



Weekly Report

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*About 2012: The art
of formulating public
policies which are
worthwhile*

By:
Asdrúbal Oliveros
José Luis Saboin
María Gabriela Benítez

and Ecoanalítica's Team*

*Adriana Morillo and Pilar Navarro

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The statement that in order to formulate and implement public policies that are effective to solve the problems of societies it is necessary to first know the population under study, seems to be quite intuitive. But, as elementary as this is, if you don't know your target, you won't be able to solve the causes of our ailments, to optimize resources and achieve the "happiness" that societies consider their ultimate goal.

**Stratify to
understand...**

In social structures as complex as the Venezuelan, where inequalities are evident from all points of view, to talk in general about a type of family is a mistaken view of reality, so it is necessary to classify different groups of families according to the class to which they belong, and study, for each class, how their respective characteristics affect not only their social behavior, but also their growth and development.

Until the beginning of the 20th century, the Venezuelan society had not been studied comprehensively. The first studies that tried to relate the economic structure of the country with social strata began to be published



in 1960, and it was in the sixties, when the City of Caracas celebrated its 400 years, when an agreement was made to carry out a multidisciplinary and interdisciplinary study of the city, which included studies about its population, history, ecology, family, religion, and cultural life.

Tropicalizing a Belgian model

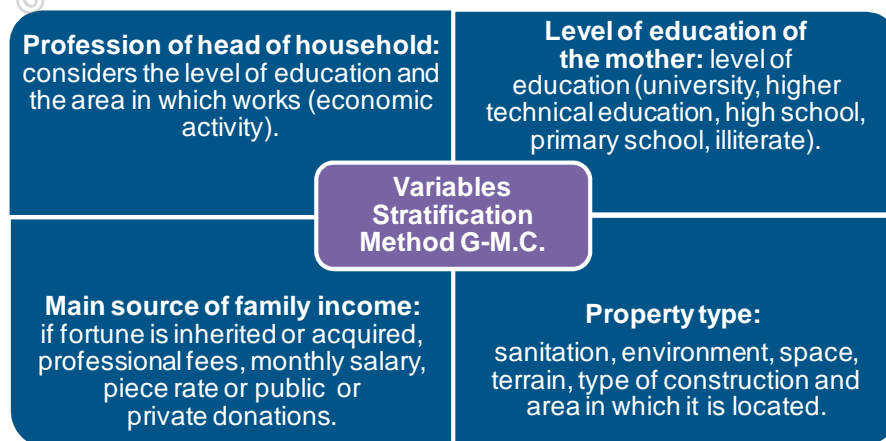
In 1967, the search for a method to closely study the Venezuelan social situation began, which modified slightly the variables that had been used for stratification purposes, since it was believed that this would help understand the needs of the society better.

Thus, it was decided to adopt and implement the social stratification method of Belgian professor Marcel Graffar, an expert in the area –the Graffar-Méndez Castellano Method (G-M.C.)-, which would later be adopted by the Foundation for the Study on Growth and Development of the Venezuelan Population (Fundación Centro de Estudios sobre Crecimiento y Desarrollo de la Población Venezolana - FUNDACREDESA) and used nationwide. This method was modified several times, since it was adapted from a completely different situation, the one in Belgium, due to value differences between the societies, that is, the method underwent a deep tropicalization process.

Going deeper into the method...

The G-M.C. method has four fully qualitative variables, as shown in the following chart:

Variables included in the Stratification Method G-M.C.

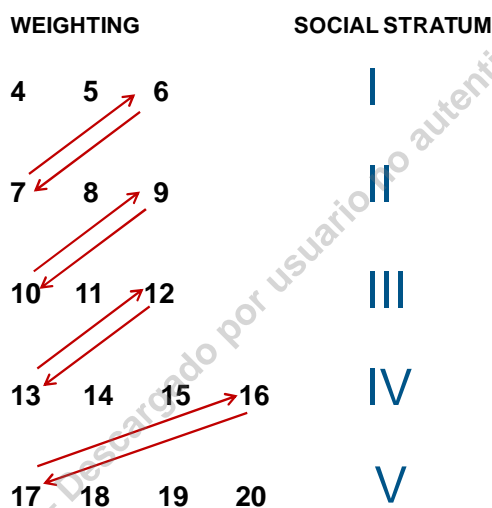


Sources: Stratification Method G-M.C. and Ecoanalítica

Each of these variables is formed by five items, and each item has a decreasing weight, from 1 to 5; the sum of the items established the



stratum to which the family under study belongs, according to a previously designed scale. The less points accumulated by the family, the higher stratum in which it will be dropped in. The following graph shows the social stratification used, which classifies homes according to the following weighting process, that represents the sum of points accumulated in the 4 variables of the method:



Sources: Stratification and Society Book (Méndez 1987) and Ecoanalítica

The arrows indicate social mobility possibilities, upwards or downwards. In general, it is necessary to be careful about the boundaries between strata, because in times of good economic conditions, there are movements upward, and in times of economic difficulties, there are marked movements downward, with respect to a given strata.

Although obsolete, it is still being used...

Today, the G.M.C is still being used to stratify the Venezuelan population, and is used by national universities, State entities, and commercial, official and academic researchers. The Venezuelan National Institute of Statistics (Instituto Nacional de Estadística -INE) uses the G-M.C. method to carry out its studies; an example is the “survey on food consumption”, which includes: social-economic characteristics of the homes, social stratification according to the G-M.C. method, and food acquisition in the home.

It is obvious that officials and researchers have added variables to the method, or have adapted it to their needs. The problem of this method is that it is used for descriptive and sometimes predictive purposes for many studies and investigations, and it doesn't have an economic content, which



is necessary to stratify any society, and very frequently, the method is not properly or timely reviewed.

It is assumed that the society is becoming increasingly stratified, becoming more complex, while the indicators are more synthesized and produce increasingly non-specific results. Changes in the situation are not reflected in changes in the measuring method, which invalidates it as such or at least causes a basic and relevant problem.

The economic component is very necessary...

Today, stratification is a model that institutionalizes the inequality with which social categories are divided, based on access to scarce resources. Thus, contemporary sociologists and economists define stratification in terms of socio-economic status (SES), which involves a wide variety of measurements, including educational achievements, income, wealth and professional prestige.

When we talk about social-economic condition, it is limited to the most relevant social variables (education, place of residence, occupation, etc.) and gives an even greater weight to economic conditions, particularly income. The form of this SES must stress the differences in what is known as standard of living, but in an ordinal manner. This allows anchoring the stratification in the poorest reference strata, which is related to very specific shortages that by convention are essential for human life.

J.J. Sebrelí, in *“Crítica de las ideas políticas argentinas”*, says that *“Stratification cannot be limited to age, sex, job, education, and habitat; it must not be isolated from the historical and social context, or detached from economic bases”*.

Income in quantitative terms

No one can argue about the relevance of current variables when carrying out a social study, providing the necessary economic connotations that allow understanding a phenomenon as complex as the stratification relations of a society, in this case, the Venezuelan society.

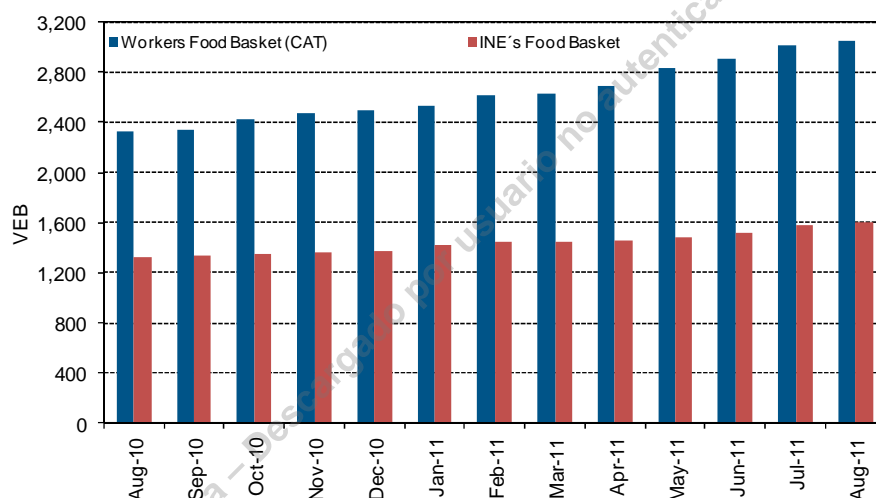
Thus, it is necessary to review the stratification method that is being presently used, including quantitative variables that may be less prone to manipulation, so that they give more information about the real situation of the Venezuelan homes.

An example of this variable could be average income, as measured by the Regulatory Food Basket (Canasta Normativa Alimentaria -CNA), which for analysis purposes provides the necessary economic content, since



through this indicator, a better reference of the Venezuelan economy and its environment can be made; it is an indicator that is constantly updated – every month- and clearly reveals the present effects of variables like inflation, which directly affects the price of food, although we must also take into account the methodology to obtain this indicator, since it differs considerably, depending on the institution making the calculations.

Workers Food Basket Vs. INE's Food Basket



Sources: CENDA, INE and Ecoanalítica

The effects of a temporary variable in a study of social variables help put into context and define better the problem of stratification, providing added value to the analysis.

The census seems not to be the answer

More than 22 million people have been counted in the country by the 18,000 pollsters for the 14th National Population and Housing Census, according to data from INE, to fulfill this important task that is performed every 10 years in our country.

According to specialists from that institution, the census is essential to improve public policies, plan budgets and know the living conditions of the population, since it should help characterize the communities and the populations living in them, in terms of services, social organizations, available infrastructure, and environmental characteristics. It also helps characterize poverty conditions, the process of social inclusion and the indigenous communities of the country, as well as establish the condition of houses, homes and individuals.





But the census doesn't use methods that help us know the true situation of the country from the economic point of view, to help us redirect resources to attack the ailments of our society, since it focuses more on a qualitative characterization of the problems; although it provides relevant information about the active population in the labor environment, and life expectancy among others, it leaves out for example the purchasing power of homes, which could help us not only characterize the needs of the population, but also solve them through the implementation of public policies.

**Colombia,
an example
to follow**

We looked for methods in countries in the north, without turning around towards our neighbor, a society that is much more similar to the Venezuelan. In Colombia, the stratification model is not merely social, it is social-economic, which strives to obtain a stratification in order to grant subsidies for the poorest homes, so that they can have access to services like drinking water, electricity, sewage, gas, telephone, among others.

The present Colombian system serves to organize the houses in the cities into categories defined according to the quality of the environment and the materials used to build them, to grant subsidies to the poorest residents. They can be organized as a system of crossed subsidies, in which the upper strata pay more for the same service than the lower strata. It is assumed that the houses in which the different families live reflect the purchasing power of its occupants.

According to the Public Policy Evaluation Study, and the Evaluation of the Social-Economic Stratification of the National Planning Department of Colombia, for a social-economic stratification system to be an effective tool to guide subsidies and other public policies in a region, a proper and reasonable classification of users must be done according to their payment capacity, proper in the sense that there is a positive correlation between the payment capacity of the homes and the social stratum to which they belong, and reasonable so that there are no other more cost-effective alternatives, in terms of the errors that can be made and the complexity of its administration.

**Stratifying
with a
purpose...**

At *Ecoanalítica* we consider that it is necessary to review the stratification method in Venezuela, providing it an economic context that allows the re-directioning of State resources, so that it is a tool that helps us know the population in depth, and allows us to begin to glimpse a better future, and not just cover up the problems of the present.





Economic Tips

Central Government spending rose 7.1%. The Central Bank of Venezuela published the Central Government fiscal management figures for August 2011. According to which, total spending grew 7.1% over the first eight months of the year, in real terms on a year-to-year basis, slightly lower than July's cumulative figure of 7.3%. This percentage is substantially higher than the one registered for the same period last year, when the Government's total spending dropped 5.1% in real terms on a y-y basis.

Income, in turn, gained 7.3% in real terms, on a y-y basis, up from July's 6.3%; oil revenues grew 34.3% and non-oil revenues fell 3.6%, both in real terms with respect to the same period last year.

FISCAL BALANCE CENTRAL GOVERNMENT (VEB Million)	Jan-August 2010	Jan-August 2011	Nominal Variation	Real Variation
Total Revenue	112,671	152,991	43.9%	7.3%
Non-Oil Revenue	80,662	98,388	34.5%	-3.6%
Oil Revenue	32,009	54,603	68.4%	34.8%
Central Bank Earnings	-	-		
Total Expenditure	133,088	180,270	35.5%	7.1%
Fiscal Balance	(20,418)	-27,279	33.6%	5.6%
Non Oil Balance	(52,426)	(81,882)	56.2%	23.4%
Debt Amortization	2,005	260	-87.0%	-89.8%
Financing Requirements	22,422	27,538	22.8%	-2.9%
Foreing Debt	6,461	19,052	194.9%	133.1%
Domestic Debt	27,244	37,987	39.4%	10.2%
Tresury Bonds	22,491	34,345	52.7%	20.7%
Tresury Debt	4,754	3,367	-29.2%	-44.0%
Others	(11,283)	(29,501)	161.5%	106.6%

Sources: BCV and Ecoanalítica

Inflation reaches 22.7%. According to the BCV, variation of the National Consumer Price Index (INPC) in October was 1.8%, for a cumulative inflation of 22.7% for the first 10 months of the year and an annual inflation rate of 26.9%. However, food and nonalcoholic beverages, one of the most significant in the INPC measurement, registered a 2.5% variation in October and 27.7% over the first ten months of 2011.



Core inflation slowed down (0.03 percentage points) between September and October 2011, reaching 1.7% in October. Variation of core inflation over the twelve last months was 27.7%. The decrease in the difference between INPC and core INPC is attributable to adjustments in price-controlled products.

The poorest are hit the hardest. Although October INPC varied 1.8%, inflation for the poorest population segment (1) grew 2.7% and surged to 29.8% in one year. This behavior is influenced by food prices.

Inflation in price-controlled products moves faster, because prices of those products jumped 25% over the past 12 months, whereas annual inflation of non-controlled products was 21.0%. Personal care products in October varied 1.9% and increased 29.6% over 12 months.

Barcelona-Puerto La Cruz records the highest inflation. INPC broken down per geographic areas shows that Barcelona-Puerto La Cruz recorded the highest variation in October with 2.3%, followed by Caracas with 2.2% and Maturín with 2.0%. The lowest variations were registered in Barquisimeto (1.3%) and Maracaibo and Mérida both with 1.6%.

Lower scarcity index. Scarcity index dropped from 14.0% to 12.9% in October, whereas diversity index grew 1.7% on a month-to-month basis.

Unemployment rate posts 8.3%. According to figures released by the National Statistics Institute (INE), unemployment rate recorded a slight decrease of 0.1 percentage points in September, in comparison to the same period in 2010, when it closed at 8.4%, meaning that 1,121,346 people were unemployed in September this year.

Women unemployment grew 5.8% over one year. Unemployment affected more women than men. In September, women unemployment rate grew by 5.8% with respect to the same period in 2010, meaning that out of the 5,473,959 women who are economically active, 515,235 lost their jobs.

In contrast, men unemployment went back, from 627,509 in September 2010 to 606,111 unemployed men in September this year. In percentage terms, this segment experienced a decrease of 3.4% over one year.

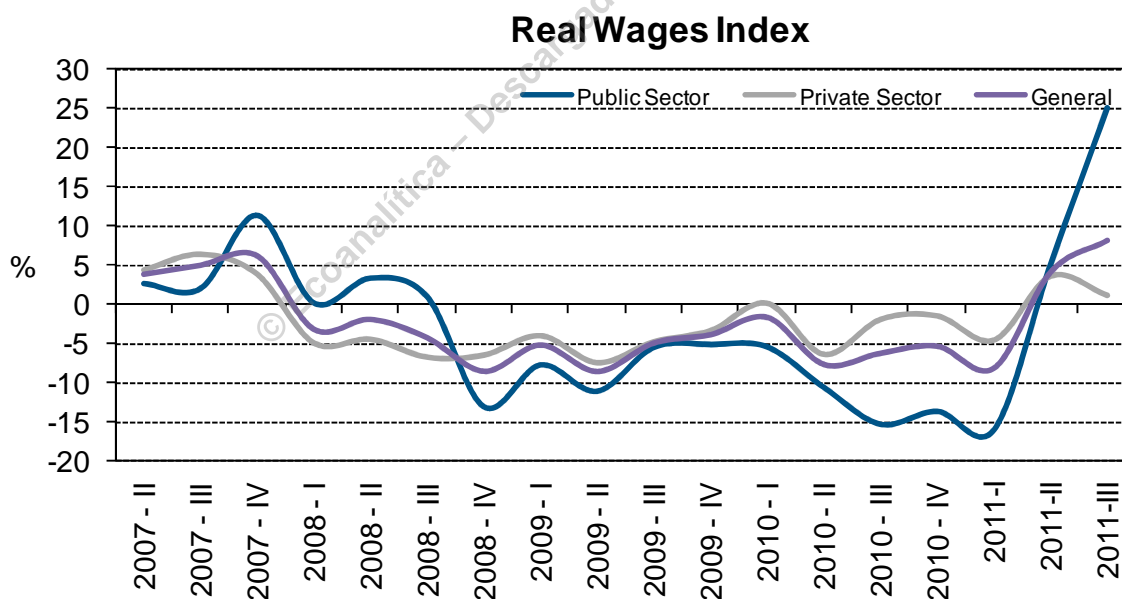
Inactivity rate increases. According to INE, inactivity rate in women experience a slight increase of 0.2%, from 4,953,613 in September 2010 to 4,963,526 inactive women in the same period of 2011. Inactivity rate in men, in turn, also grew (7.8%) with respect to the same period last year, from 2,064,395 to 2,225,419 inactive men.



Inactive women are doing household chores. In September, 59.6% of inactive women were doing housework, whereas 52.7% of inactive men were studying.

The number of employers is decreasing. According to the INE, the number of employers has dropped by 25.7% in 10 years, from 625,030 in September 2001 to 464,471 in September 2011. Furthermore, the number of independent workers has also increased, from 2,963,494 to 3,744,874 over 10 years, for an increase of 26.3%. Private sector workers and employees, which are the highest number, only increased 16.0% between 2001 and 2011.

Finally! After four years dropping, the wage-earning workers Remuneration Index (IRE) seems to be improving, closing the third quarter of 2011 with a recovery of 6.5% with respect to the same period last year and a cumulative variation of 36.5%. This improvement was influenced by the public sector behavior, which showed a better recovery, with a cumulative variation of 58.6%, whereas the private sector only reached 27.2%.



Sources: BCV and Ecoanalítica

Interest rates. The lending rate for the fourth week in October was at 18.5%, increasing by 0.3 percentage points compared to the previous week. The time deposit rate remained reach 14.5%, while the passive rate has not experienced any significant variation since January 2010, placing well at 12.6%.





International reserves. International reserves decreased 0.2% going from US\$29,234 million during the fourth week of October to US\$29,302 million during the first week of November. Compared to the same period last year, international reserves have decreased by 0.4%.

Monetary liquidity. Monetary liquidity in the third week of October increased 2.2 % compared to the previous week settling at VEB 366,695 million. The M2 has increased 42.8% year-on-year.

Sitme figures. So far this year, US\$7.117 million have been negotiated through the System for Foreign Currency Transactions (Sitme), averaging US\$35.5 million a day, with an implicit exchange rate of 5.3 VEB/US\$. During the first week of November the amount traded reached US\$200.6 million, US\$87.4 million less than last week when US\$261.2 million were traded.

Oil Tips

PDVSA will receive Money from the Government to finance projects. Petróleos de Venezuela, the main income source of the national treasury, will change its role, at least this time, and it will receive VEB 2.3 billion from the Administration to finance thermal power generation projects that are being developed in Aragua State (La Cabrera) and Carabobo State (El Palito). The moneys will come through a supplementary appropriation requested by the Ministry of Energy and Petroleum and approved by the National Assembly. The request was surprising because the amount is eight times higher than the budget of VEB 290 million that the Ministry was allocated in 2011.

How much money has the oil sector contributed to social development over the past 10 years? Contributions for social development made by the oil industry total US\$125.25 billion since 2001, Minister of Energy and Petroleum/President of PDVSA, Rafael Ramírez, said last Wednesday to the Permanent Commission on Finance and Economic Development of the National Assembly (AN) at the presentation of the Draft Budget Law for 2012.

The change was ok, but with the revolution. Oil royalties to be paid by transnational companies were just 1% before the revolution and PDVSA always held



a minority interest in projects. Now, the Administration has established a 33.3% royalty, 50% Income Tax and at least a 60.0% stake for PDVSA in joint ventures.

Less dependent on rent? The 42.0% contribution from non-oil revenues (about VEB 165.0 billion) estimated by the Draft Budget Law for 2012 reflects the effort deployed by the Administration for the Venezuelan economy to be less dependent on oil revenues, Jorge Giordani, Minister of Planning and Finance, said at the discussion of the Draft Budget Law for 2012.

A sensible measure that won't be changed. Minister Giordani reiterated last Wednesday to the Commission on Finance of the National Assembly, where next year's budget is being discussed, that setting oil price at US\$50/bbl. for the 2012 budget was a sensible measure that *"won't be changed."*

2012 budget estimates a daily production of 3.1 mb. Rafael Ramírez, Minister of Energy and Petroleum, explained last Wednesday, during his presentation to the Commission on Finance of the National Assembly, that the Draft Budget Law for 2012 calls for an oil production of 3.1 million b/d (mb/d) and 165,000 bbl. of natural gas liquids. *"We are going to keep at 3.1 mb/d so as to meet our OPEC-mandated production quota."*

PDVSA doesn't have plans to issue more debt this year. The Venezuelan state-owned oil company PDVSA doesn't have plans to issue more debt for the rest of the year, Administration officials said last Wednesday amid speculations that the company would go out to the markets to look for fresh money. The highly indebted PDVSA has issued bonds for US\$7.93 billion this year. *"(Issuing more bonds) is not foreseen at this moment,"* Minister Rafael Ramírez answered when asked if the oil company will place more bonds in the last two months of 2011.

PDVSA's crude oil and product exports continue to fall. Price defense continues to be a priority strategy for the Administration, while exports of both crude oil and products continue to shrink. In almost 13 years of Chávez' administration, oil exports have reduced by 24%, from 3,116,000 to 2,370,000 b/d in the first half of 2011.

Oil-consuming countries are promoting destabilization in oil-producing countries. At the discussion of the Draft Budget Law for 2012 held by the Permanent Commission on Finance of the National Assembly, Minister Rafael Ramírez said that instability prevailing on oil markets is due to the fact that large oil-consuming countries (Europe and the US) are promoting destabilization in oil-producing countries.





South African company discovers 1.0 billion barrels of crude oil in Venezuela.

South Africa's PetroSA said last Wednesday that a joint venture with Venezuela's PDVSA found about 1.0 billion barrels of recoverable crude oil in the Orinoco Oil Belt. In 2008, PetroSA signed heavy oil exploration and production contracts with PDVSA, which paved the way for both oil companies to certify reserves in the Boyacá 4 block and cover about 700 square km in the Belt.

Argentina discovers the largest oil deposit in its history. The "historical" finding of non-conventional hydrocarbons confirmed by Argentina's oil company YPF comes at a key moment for both its major stockholder Spain's Repsol and Argentina, which economic growth is limited due to the lack of energy.

International oil baskets. At closing time on November 04th in the New York Stock Exchange, the price of the WTI was US\$93.1/bl, a 0.1% increase compared to the US\$93.0 reported the previous week. The Brent increased by 0.02% to reach US\$109.82 /bl, compared to the previous week's US\$109.84/bl.

Local oil basket price. The Venezuelan oil basket price increased last week, closing at US\$106.5/bl on Friday October 04th, a 0.3% increase compared to the US\$106.1/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$99.98/bl.

Business Sector Tips

Unicasa, Central Madeirense (supermarkets) and Farmahorro (drugstores) are shut down. The Institute for the Defense of People in the Access to Goods and Services (Indepabis) ordered a 24-hour closure of Unicasa and Central Madeirense supermarkets and Farmahorro drugstores for infractions such as fraud against consumers including charging prices higher than those exhibited on the price tags, remarking of prices, not presenting the sale price on the product, among others.

Cement and iron bar supply grows, albeit slower. Figures for cement companies show that 3.6 million tons of cement had been sold in June. Even though sales increased 3% with respect to the same period in 2010 (3.5 million tons), there weren't as high as previous years. In the first half of 2009, sales reached 3.9 million tons.



...**In the case of iron bars**, sales amounted to 275,000 tons in the first half of 2011, up 14% from the same period in 2010, when they were 241,000 tons. However, sales reached 389,000 tons in other years.

...**As to other materials**, non-flat iron and steel product sales closed June at 526,000 tons; however, even though it's 20% higher the same periods in 2010, supply was lower than the levels registered in other years,

Basic industries' production was impacted by power rationing in 2009 and 2010 and although authorities claimed that companies in this sector were already increasing their capacity, they haven't still reached 2008s's levels.

Venezuela is interested in buying power from Ecuador. Ecuador is moving forward with its plans to increase hydroelectric power generation capacity and it's already hearing about the interest of potential buyers. Everything seems to indicate that Venezuela would be one of the countries interested in buying energy generated by Ecuadorian hydroelectric power plants to replace thermal energy produced in Venezuela, Jorge Glass, Ecuador's Minister of Strategic Sectors, explained.

Summit held to prevent Ecuador from leaving CAN. Countries member of the Andean Community of Nations (CAN) held a Presidential summit in Bogota to enhance cohesion within the organization and promote interaction, after the threat by the Ecuadorian government to leave the CAN due to differences with Colombia. The special summit was announced on November 4th by the Secretary General of CAN, Adalid Contreras, AFP reported.

...**In the meantime, Venezuela is financing energy, but in Nicaragua.** Nicaraguan President, Daniel Ortega, opened the power generation plant "*Victorias del Alba*" with a capacity of 30 MW and an investment of US\$52 million financed by Venezuela.

CAF approved \$380 million for Guri modernization. The Andean Development Corporation (CAF) reported that it has approved a US\$380 million loan for Venezuela to carry on the comprehensive modernization project of the six first power generation units of the Simón Bolívar Hydroelectric Power Generation Plant (Guri). According to CAF, the loan is supplementary to a parallel financing operation authorized by the Inter-American Development Bank (IDB).

How is the Gran Misión Vivienda Venezuela doing? President Hugo Chávez pointed out that 84,517 housing units had been completed at the end of October within the framework of the Gran Misión Vivienda Venezuela. President Chávez said on the state-owned TV channel (VTV) that "*95% of the goal has been achieved.*" However, the construction goal for this year, which was announced by President



Chávez, is 153,000 homes. In that case, homes already finished would account for 55% of the goal.

According to President Chávez, construction inputs shortages are a mirage. Chávez reported that thanks to Misión Vivienda, *“families don’t have to pay a single penny for the plots of land”* and added that there are *“industries producing iron bars, cement, blocks to guarantee the construction of housing units”* and that *“now the plan is taking gas to homes; the power supply issue is being solved.”*

China offers opportunities to Latin American businesses. Latin American businesses should look China differently. The Asian giant not only is a large factory, but also is a large geographic region which offers selling opportunities, Chiho Ley, director of RGX (construction company) operations in China said. *“There isn’t a single market in China. China is a collection of markets.”*

China-Venezuela trade is boosting DHL’s activity. Boom in the China-Venezuela trade exchange has translated into an increase in DHL Express’ activities, César Ramírez, general manager of the German company in Venezuela, reported that the route from China to the Venezuelan market has grown 140% with respect to last year.

Venamcham reports sales volume figures for September. The Committee on Consumption Products reported in September that sales volumes have stopped their decreasing trend and had recovered 3%; average on a year-to year basis was -5%. Grow in the value of sales is slower, with 22% last month, and year-to-year average was 32% and 29% for the past six months. The sector’s portfolio has remained stable.

...And in terms of foreign currency allocation, Venamcham’s Mass Consumption Committee reported that 89% of its members said that foreign currency allocation by CADIVI in September was similar or slightly better, while the other 11% said that they had received less hard currency last month. With relation to SITME, 88% reported in September that their situation is more or less the same or has worsened, because they are getting less and less foreign currency.

...Likewise, 56% of members of Venamcham’s Committee believe that their losses in terms of sales due to the lack of foreign currency exceed 20%, whereas 33% of Venamcham members register sales losses of about 10-20%. 37% of the interviewed believe supply failures are higher than 20%.

Next year’s automobile market is estimated at 130,000 cars. The automotive industry develops its forecasts for next year. Salvador Lo Cascio, Director of



Marketing and Sales of Ford Andina, 130,000 cars could be sold in 2012. “*Conditions are similar to the ones in this year,*” Lo Cascio stated last Friday at the presentation of the new pick-up van Fortaleza.

The automotive industry hasn’t found the road to growth. In January-October this year, automobile production dropped 0.98%, according to figures released by the Automotive Chamber of Venezuela (Cavenez). In the first ten months of the year, the seven assembly plants operating in Venezuela produced 88,396 units, down 128 from the same period in 2010. Production in October 2011 was 19% higher than in October last year. However, the industry production has decreased in comparison to September’s levels.

World Economy Tips

Global economy will grow 3.9% in 2011 and 4.1% in 2012. According to a study conducted by BBVA Research, global economy will grow 3.9% in 2011 and 4.1% in 2012, underpinned by the increase in the emerging economies, which will expand 6.7% in 2011 and 6.5% in 2012. This growth will partially compensate for the slow-down in advanced economies, mainly the US and Europe, which will grow about 2.9% in 2011.

Fed: “Growth is facing risks.” In its November 2nd meeting, the US Federal Reserve kept unchanged its monetary policy and offered a somehow more positive economic panorama; however the Fed pointed out that growth is facing risks, thus leaving the door open for a new monetary relief. Even though the FED didn’t give any hint that it may be considering restructuring its policy, the statement points out that the door is open for new bond purchases if it’s necessary to sustain economic recovery.

G-20 with its eye on Greece. Although the summit was initially scheduled to review reforms of the global monetary system and measures to control speculative capital flows, the decision of Greece’s Prime Minister, George Papandreou, to hold a referendum on a new assistance package for its country changed the situation. Papandreou was called to Cannes, where he was warned by Nicolas Sarkozy and Angela Merkel due to this action that made global markets and euro go back.



...**The referendum will be held, but, as G-20 leaders urged,** it will focused on deciding if Greece wants to remain in the bloc, instead of limiting it to vote about the assistance package to which many Greeks are opposed.

China to the rescue. According a member of the Committee for Monetary Policy of the Central Bank of China, that country could contribute about US\$100 billion to the European Fund for Financial Stability, provided certain conditions are fulfilled. The same official pointed out that Beijing wants to make sure that the *“Fund will be effective”* and obtain certain guaranties from the Europeans, which should be provided by *“selected debts,”* such as France’s and *“above all, Germany’s.”*

Drop in European stocks due to Italy’s political crisis. The leading European stock index FTSEurofirst 300 reportedly closed 0.6% down at 974 points, after falling almost 2.0% in the round. This was due to the political turbulence in Italy, which overwhelmed by debts saw yields of its bonds grow to the highest level since their accession to the euro zone. However, markets reduced their losses due to expectations that the Italian Prime Minister, Silvio Berlusconi, is about to resign.

Latin American GDP would drop to 4.0%. According to the report prepared by the Economic Commission for Latin America and the Caribbean (Cepal) and the Organization for Economic Cooperation and Development (OECD), Latin American economies will slow down in 2012 to about 4.0%, from a 4.4% growth in 2011. The report points out that the international economy continued to be the main source of uncertainty for the region, above all, in terms of the impact of a possible slow-down of the Chinese economy in the region.

Latin American performance would close at 7% in 2011. The Assistant Director General of the International Labor Organization (ILO) and ILO Director for Latin America, Elizabeth Tinoco, pointed out last Tuesday in El Salvador that this region is experiencing a *“decrease in urban unemployment, which reached 7.1% in 2011 and is estimated to reach 7%, or even less, at year-end.”* However, Tinoco warns about the effects of *“uncertainty”* and *“concern”* due to the impact of a new economic crisis on the region.

China will grow 6.0% at the end of 2011. Chile’s Minister of Finance, Felipe Larraín, pointed out that Economic Activity Monthly Indicator (Imacec) in September (5.7%) would make it possible to assure that Chilean economy would expand 6% at the end of 2011. Larraín added that the trade sector is the main driver of domestic activity as well as the recovery of the industry and the mining sector.

Only lies. November 4th statements of France’s Nicolas Sarkozy according to which Uruguay is included in a list of countries considered fiscal havens made Uruguayan



government very angry. Luis Almagro, Uruguay's Foreign Minister, described the statements as exaggerated and the Minister of Economy, Fernando Lorenzo, pointed out that the thanks to the "tax system" Uruguay is "firmly protected" against any description as fiscal haven.

Political Tips

According to Datanálisis, López is second to Capriles Radonski. Leopoldo López is going up; Henrique Capriles Radonski and Pablo Pérez are going down. This is the conclusion of the poll carried out by Datanálisis in September 19-28, 2011. The survey covered 1,300 people (18 years and older) from the socioeconomic segments identified as A/B, C, D and E. The study was conducted among homes and has a confidence level of 95%. Of the citizens that expressed their intention to vote in the primary election of the Democratic Unity Panel, 35.6% inclined for Capriles Radonski, 20.2% for López and 18.4% for Pérez.

Keller & Asociados pollsters about the primary election. According to the most recent study performed on November 3rd by Keller & Asociados, 37% of the population would be absolutely sure to vote in the primary election of February 12, 2010 and 31% of the opposition voters would surely vote. Only 14% of the "hard" opposition voters would be willing to vote in that election.

And how is candidates' popularity doing? According to the Keller & Asociados, Henrique Capriles would be leading the polls among hard opposition voters with 90%, followed by Leopoldo López, with 85%, María Corina Machado with 78% and finally Pablo Pérez with 76%.

The weight of the independent voters. The poll reveals that 33% of the population would vote for President Chávez, 40% would vote for any other candidate and 27% would choose any opposition candidate.

And who would you choose within the "process"? According the same study (Keller & Asociados), 41% would vote for a candidate different from Chávez, 39% would vote for Chávez, 13% don't have any favorite yet and 6% would not vote in the presidential election of October 2012.





A four-horse race. Polls reveal that Henrique Capriles Radonski is the favorite, whereas María Corina Machado is the independent candidate that is proposing a contrast with her popular capitalism; Pablo Pérez would be seen like a significant machinery of the opposition supported by the regions, and Leopoldo López is seen as the defender of the right to equality and progress.

If Chavez doesn't participate, who would be the government's candidate? Only among people identified as Chavistas, 34% would vote for Elías Jaua, 13% for Adan Chávez, 9% for Nicolás Maduro, 6% would vote for José Vicente Rangel, 5% for Tarek el Aissami, 2% for iris Varela and 0% for Diosdado Cabello.

Popularity is still afloat. According to Keller & Associates, 57% of the people like President Hugo Chávez, whereas 37% don't like him.

Chávez met Brazilian Foreign Minister. President Hugo Chávez met the Brazilian Foreign Minister, Antonio Patriota, who visited Caracas to review binational issues and prepare a next summit between both countries' presidents, the state-owned TV channel, Venezolana de Televisión (VTVI) reported. Venezuela and Brazil maintain a strategic association that makes it possible to have a high level of trade exchange and bilateral investments, and, at the same time, play a fundamental role within the regional integration process.

Chávez splits the Ministry for Transportation and Communications and creates two new ministries. President Hugo Chávez informed on November 2nd that he decreed the splitting of the People's Ministry for Transportation and Communications (MTC) into two new ministries, allegedly to strategic reasons. The two new ministries are Land Transportation and Air and Water Transportation, as reported by the Head of State in a TV program on VTV.

President authorized payment for US\$ 198 million to Spain's Navantia. President Hugo Chávez authorized the disbursement of US\$198 million for the Ministry of Defense earmarked for one of the payments to the Spanish state-owned company Navantia for the manufacture of patrol boats.

Chávez rejects criticisms from president of Polar. President Chávez rejected the statements by Lorenzo Mendoza, president of Empresas Polar, in which Mendoza questioned the benefits of price controls and the Lay on Fair Costs and Prices. *"They are very strong signals of selfishness, which is the sentiment that prevails in the minds and souls of big capitalists. They are worried; in this case, Mendoza is worried about his company; he doesn't care Venezuela at all; he is worried about his patrimony, his capital,"* Hugo Chávez said on VTV.



Diego Arria closes the registration process for the primary election. Former Governor of Caracas, Diego Arria registered for February 12 election of the Unity panel. Arria closed the postulation cycle that started last Tuesday with the registration of Leopoldo López' (Voluntad Popular party) registration.

Primaries will include president, mayors and governors. *"In a special meeting, the Democratic Unity Panel (MUD) decided to hold primary election for candidates to mayors, governors and president in a single electoral process on February 12, 2012, as established in the Regulations for the Selection of Candidates,"* the opposition alliance informed in a press statement.

2012 primary election. Of the 52 mayor's offices currently held by the opposition, consensus was reached as to 29 municipalities and the consensus postulation of Antonio Ledezma for the Metropolitan Mayor's Office was ratified, as informed the MUD. Of the 23 Governor's Offices, 18 candidates will be chosen in the primary elections and five were agreed by consensus: Carabobo with Henrique Salas Feo; Lara with Henry Falcón; Nueva Esparta with Morel Rodríguez; Táchira with César Pérez Vivas and Zulia with Enrique Márquez. Of a total of 335 municipalities country-wide, 275 candidates will be selected through primary election, whereas 58 candidates were chosen by consensus.

Opposition mayors are proposing to postpone local primary election. The Asociación de Alcaldes del Pueblo proposed the Democratic Unity Panel (MUD) to hold primary election to choose mayor candidates on the second half of 2013 instead of next February 12th, as announced this week, since they consider that holding primary election on a same date to select candidates for president and mayors would result in unnecessary political troubles.

Inflation as a starting point. Voluntad Popular's presidential pre-candidate Leopoldo López said that in his Government he will be implacable when it comes to inflation, because at present, the Administration is taking 30 from every VEB 100 which are earned by every Venezuelan thanks to their job and effort and are lost due to the lack of economic measures that curb the increasing inflation.

Labor commitments to the public sector will be honored. With the commitment to honoring debts to public sector workers, the independent candidate to presidential primary election, María Corina Machado, visited several sectors in Porlamar, Nueva Esparta State.





Legislative Tips

Reform of the Law on Medical Practice was passed. The National Assembly (AN), at its November 1st regular session, passed the partial reform of the Law on medical Practice, which proposed the inclusion of community comprehensive doctors in this legal instrument.

Final wording of article 4 of the law refers to the medical practice in Venezuela and reads as follows: *“Having a degree as Medical Doctor, Surgeon, or Community Comprehensive Doctor, issued by a Venezuelan University, according to the special laws on this matter.”*

“Government irresponsibility”. Representatives from national Medicine schools, the Academy of Medical Sciences and the Venezuelan Medical Federation describe the reform as irresponsible. In opinion of Juan Correa, oncologist surgeon and secretary of the Venezuelan Medical Federation, the Administration should have convened a broad group of experts eight years ago and explain those sectors related to medical practice what was expected from this project of social nature.

We are all donors. The AN also approved at the same session the Law on Donations and Transplants of Organs, Tissues and Cells in Human Beings, which turns every people into donors, once they have been diagnosed with *“brain death,”* unless the individual still alive has personally expressed otherwise.

Is tax reform coming? At the detailed presentation of income that will comprise spending in 2010 at the AN, Jorge Giordani, Minister of Planning and Finance, urged once more the AN to discuss the tax reform. Giordani assured that there is room to receive additional income from taxes. *“Those who earn more have to pay; we have a margin of 7% of GDP to receive much more from taxes.”*

The session is adjourned due to lack of laws. Even though the Rent Law was expected to be enacted on November 4th, the AN adjourned its Thursday’s session for not having any law to discuss. The final reading of two legal texts was scheduled for that date: the Law on Donations and Transplant of Organs, Tissues and Cells in Human Beings and the Law to Regulate and Control Home Rent. Upon fulfilling of this requirement, President Chávez would enact these laws; however, final reports were not ready.



...**Furthermore**, the second discussion of the Organic Penitentiary Code was also scheduled; however, this legal instrument is still being reviewed by the members of the Commission on Cults and Penitentiary Regime. The Commission on People's Power and Communication Media hasn't finished the debate on the Draft Communication Law for the People's Power.

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ECONOMIC OVERVIEW

