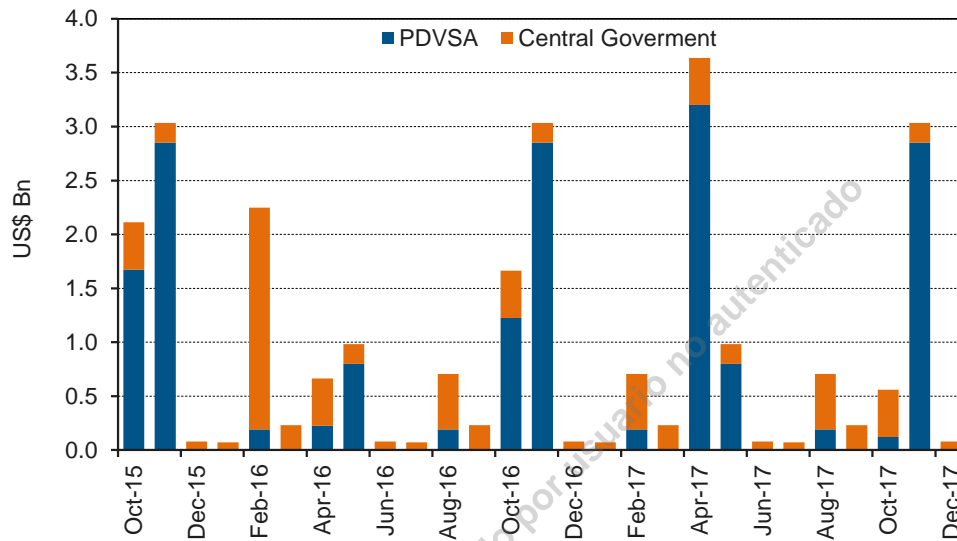


2016 Indebtedness Act: Unreal as the National Budget

Submitted along with the 2016 Budget Bill was the Special Annual Indebtedness Bill for the next fiscal year, a bill that, when enacted, will not only set the ceiling on the amount the Republic (Central Government) will be able to borrow during that period, but also outlines the Executive's financing strategy with regard to obtaining funds and managing the debt.

The main point in the 2016 Indebtedness Bill has to do with honoring the commitments and liabilities acquired by the Republic that are still outstanding. At **Ecoanalítica** we are of the opinion that in 2016, the Republic's payment capacity, which has been seriously questioned in 2015, will be one of the many headaches the Venezuelan Government will have, particularly in view of the very slight recovery in oil prices, from an average of US\$46.2/bl. so far in 2015 to an average US\$52.2/bl for 2016 and the fact that, moreover, no measures of any kind have been taken to solve the distortions in the Venezuelan economy.

External Debt Service



Source: Barclays Capital and Ecoanalítica

With regard to the willingness to pay, although it has been highly questioned in recent months, the government has proved those expectations to be unfounded by making payment of the external debt in the last week of October. In its report on Venezuela, “*Venezuela: Test Passed*,” the investment bank Barclays points out that the government could have fallen into default and capitalized on that decision as a political strategy to whip up popular support and, by not doing so, the Maduro administration demonstrated that it still holds more store by paying international creditors than using default as a political tool.

What does the 2016 Indebtedness Bill seek to do?

Borrowing is a mechanism for financing all activities that cannot be carried out using the nation’s ordinary or extraordinary revenues. The 2016 Indebtedness Bill establishes that the resources obtained under the bill will be used to contribute to social well-being so as to be able to achieve, thereby, improvements in the social indicators that are in line with the guidelines of “*The Plan of the Fatherland*,” the “*Simón Bolívar*” project, and the country’s economic and social plan for 2013-2019.

However, even though the government has not revealed the poverty, inequality and unemployment figures, Venezuela is currently experiencing one of the most severe social and economic crises in its modern history, which shows that, although resources have been allocated, they have not been put to the most efficient use.

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In order to achieve that “social well-being,” the Executive will use resources obtained by borrowing in order to invest in measures with specific targets in mind, whose objective is the prudent and sustainable management of the nation’s public debt. Those measures are:

- Increase the availability of resources for investment by the public sector
- Honor the Republic’s commitments and liabilities in 2016 in a timely manner
- Support economic activity
- Step up social investment programs based on the different projects that are to be executed

According to the 2016 Indebtedness Bill, these “target-specific” measures will be achieved by allocating the resources to: financing projects executed through the intermediation of the organs and entities that make up the public sector; servicing the Republic’s foreign and domestic debt; refinancing or rescheduling the national public debt; and issuing treasury bills.

How much are we talking about?

According to Article 1 of the 2016 Indebtedness Bill, “*the maximum of the amount of debt the Republic may incur in bolivars*” in 2016 will be VEF 147.27 billion, a nominal increase of 35.0% compared to the amount stipulated for 2015 (VEF 109.09 billion). Of that amount, VEF 59.33 billion will be earmarked for projects to be executed by organisms and entities in the public sector and VEF 87.94 billion to servicing the debt, both foreign and domestic.

Calculated at the present exchange rate, borrowing would come to US\$23.38 billion. However, at **Ecoanalítica** we do not expect that this will continue to be the official exchange rate next year. According to our estimates, the official exchange rate could be between VEF 25.0/US\$ and VEF 265.0/US\$, which means that borrowing would come to US\$555 million at least and US\$5.91 billion at most.

Besides that, the bill proposes the possibility of the government borrowing up to VEF 70.76 billion in order to perform debt refinancing or rescheduling operations and raises the maximum amount of treasury bills that the Ministry for Finance may keep in circulation at year-end to VEF 31.64 billion (from VEF 19.65 billion), which means that the gross indebtedness of the Republic next year could go up to VEF 249.67 billion (US\$39.63 billion at the current official exchange rate, US\$9.99 billion at VEF 25.0/US\$, and US\$942 million at VEF 265.0/US\$).

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Gross Debt 2016 (VEF Bn)

Projects	59.33
Debt service	87.94
Refinance	70.76
Treasury bond	31.64
Total	249.67

Source: PLEEA16 and Ecoanalítica

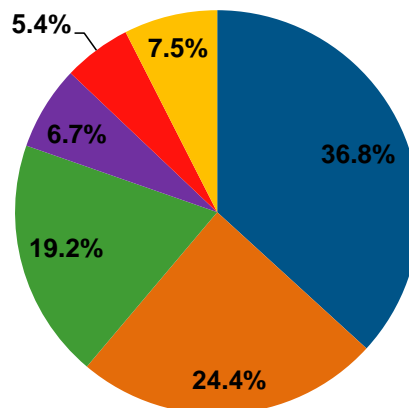
And where do the funds go?

The funds obtained under the 2016 Indebtedness Bill will be distributed as follows:

Public sector projects, VEF 59.33 billion: Most of the funds borrowed for this budget item will be used for projects associated with the different ministries, broken down as follows: Ministry of Oil and Mining, 36.8%; Ministry of Overland Transport and Public Works, 24.4%; Ministry for the Economy and Finance, 19.2%; Ministry of Defense, 6.7%; Ministry for Planning, 5.4%; and Ministry for Industries, 4.9%, with the remainder going to other ministries or agencies.

Project Contracts by Department

- Oil and mining
- Transport and public works
- Economy, finance and public banking
- Defense
- Planning
- Others



Source: PLEEA16 and Ecoanalítica

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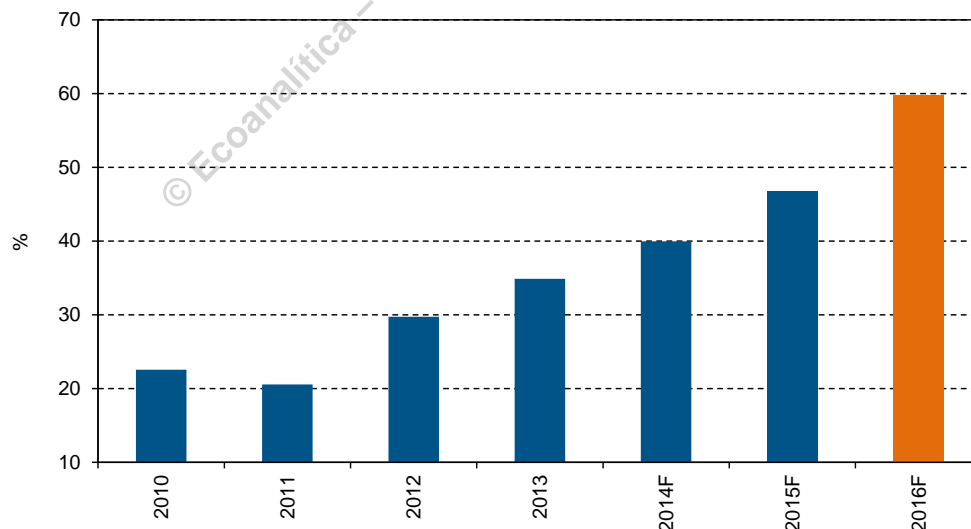
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Although the 2016 Indebtedness Bill states that the funds obtained by borrowing shall be used, among other things, to support economic activity and step up social investment programs, in other words, increase society's well-being, it does not include any infrastructure projects in the areas of health or education, which are necessary in order to achieve the country's economic and social development.

Servicing the public debt (foreign and domestic), VEF 87.94 billion: This amount is equivalent to 34.9% of the total amount payable in interest on and redemption of the Central Government's debt in 2016, calculated in the 2016 Budget Bill at VEF 251.30 billion; the remaining VEF 163.60 billion (65.1%) is to be financed from ordinary revenues.

This is one of the items that have posted most growth in any Annual Indebtedness Bill. In 2013, debt servicing accounted for 35.0% of the total debt; 40.0% in 2014; 46.7% in 2015; and now in 2016, 59.7%; in other words, an average increase of 8.3 percentage points (pp) in four years and an accumulated increase of 24.8 percentage points (2013-2016). This shows that the government has been increasing the refinancing of the public debt.

Percentage of the refinancing of the public debt



Source: PLEEA16 and Ecoanalítica

Public debt refinancing and rescheduling, VEF 70.76 billion: It is not completely harebrained to think that a fair slice of the amount allocated to this item will be used to buy back foreign debt, given the present scenario of financial repression, high

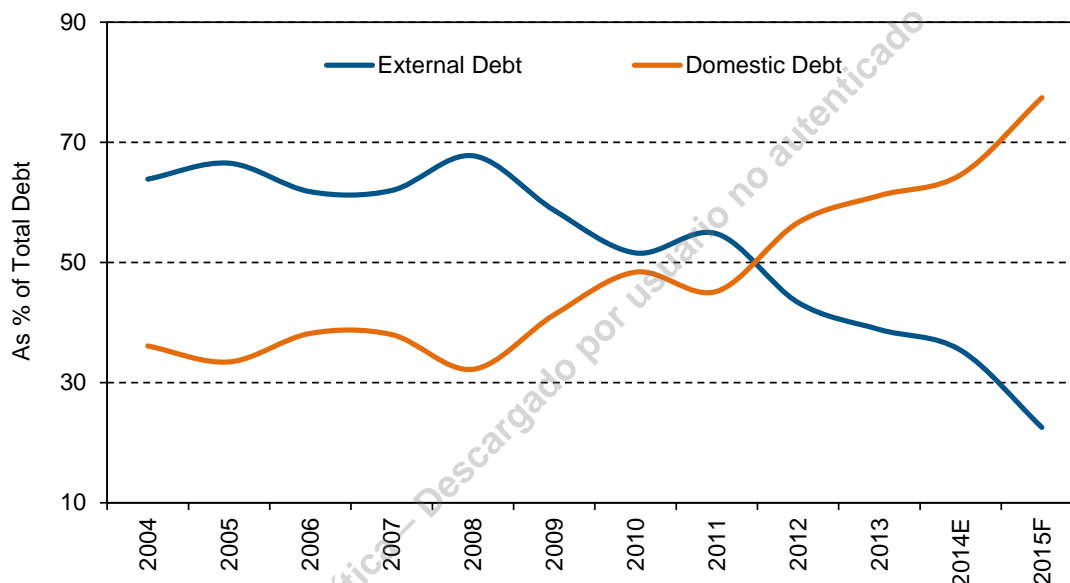
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inflation that facilitates domestic borrowing and makes it cheaper, the possibility of devaluing the bolivar, which would dissolve the domestic debt, and the high country risk rating, which makes borrowing abroad increasingly expensive.

Composition of Central Government Debt



Sources: MEFBP and Ecoanalítica

Treasury Bills, VEF 31.64 billion: This amount is the maximum for treasury bills in circulation at the close of 2016. Treasury bills are short-term financing instruments (generally less than one year) that allow the Executive to cope with specific cash flow problems.

Inflation: the public sector's silent enemy

Inflation is the main enemy of nominal increases. As mentioned earlier, the 2016 Indebtedness Bill is 35.0% more in nominal terms than indebtedness authorized for 2015. However, when we take the average inflation in our scenarios (409.6%), that nominal increase becomes a contraction in real terms of 73.5%. Even in our most conservative inflation scenario (250.0%-300.0%), this current increase simply evaporates (63.8%).

The same as in the budget, overestimating inflation is a silent enemy in the indebtedness bill, as policymakers may come to believe that they have resources

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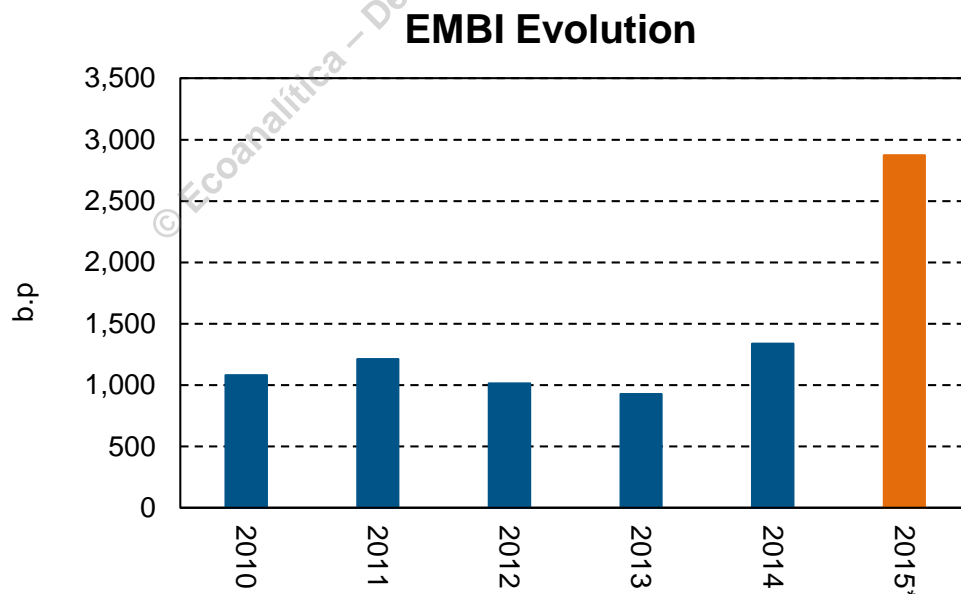
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available, when, in fact, those resources have lost their purchasing power. In the worst case scenario, i.e. hyperinflation, all the assumptions made in this bill would no longer valid and, if this bill were to be passed by the National Assembly, the government would be prevented, legally, from resorting to additional borrowing, thus reducing the options available to it for dealing with such an eventuality.

Borrowing abroad is no longer an option

In order for the government to be able to borrow, there need to be some major incentives for savers to consider buying its debt, the first being the yield-risk ratio offered by the debt instruments.

Given the inconsistency and unsustainability of the economic policies implemented by the government in recent years, the Executive's and the Legislature's failure to act, the scant credibility of the economic cabinet's spokespersons, the drop in oil prices, and the increased risk of nonpayment associated with the reduction in the Republic's dollar funds (including the international reserves), borrowing abroad has ceased to be an option for Venezuela, since it has become extremely costly.



Source: Reserve Bank of Perú and Ecoanalítica
 *Updated to October 27th 2015.

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Proof of that is how the Emerging Market Bond Indicator (EMBI) has evolved. The EMBI is a country risk indicator based on the behavior of bonds of emerging markets compared to US Treasury Bonds. In 2013, this indicator was 926 points, in 2014 it was 1,336 points, and in 2015 2,873 points (as at October 27). In other words, the risk perception for Venezuela has grown by 1,946 points.

As for domestic borrowing, it has lost its capacity to generate productivity, as inflation has reduced its nominal value over time (lower purchasing power). Besides, the interest rates offered on the debt instruments do not provide coverage mechanisms in a scenario where inflation is so high and, therefore, there are no incentives for the local economy to purchase domestic debt.

Either you continue borrowing or you make adjustments

As already mentioned, for Venezuela, borrowing abroad via traditional mechanisms (sovereign bonds) is an almost impossible option and borrowing on the domestic market will not achieve anything given the extremely high levels of inflation. The pressures of an economy that does not deal with reality are increasing daily: in 2015, the foreign currency deficit could be in the region of US\$21.1 billion, whereas for 2016, we forecast a deficit of US\$14.80 billion, with an oil basket at around US\$52.2/bl.

In order to be able to obtain financing that will allow it to cover this deficit, the government will have to resort, once again, to more unorthodox mechanisms, such as PDVSA borrowing from China, gold swap, doing tours of the Middle East, and so on. However, if it fails to raise funds it will be forced either to default on its international commitments or to make adjustments to the economy that will allow it to optimize the use of resources.

Regardless of which option is taken, we the consumers will foot the bill. If it obtains funding, the government will maintain the status quo, which will result in greater shortages and higher inflation; if it does not pay the foreign debt, international creditors could take reprisals; and if adjustments are made, we the consumers will have to go through hell, at least in the short to medium term.

Lesner Castillo

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WEEKLY INDICATORS

Weekly Economic Indicators			
	3rd Week October	Weekly var. (pp)	Annual var. (pp)
Lending Interest Rate (%)	21.3	-0.5	3.5
	4th Week October	Weekly var. (pp)	Annual var. (pp)
Overnight Interest Rate (%)	4.9	-3.4	-9.7
	4th Week October	Weekly var. (%)	Annual var. (%)
International Reserves (Bn US\$)	15.05	-1.5	-25.4
	4th Week October	Weekly var. (%)	Annual var. (%)*
Central Government Spending (VEF Bn)	56.2	-30.2	74.9
	3rd Week October	Weekly var. (%)	Annual var. (%)
Monetary Liquidity (VEF Bn)	3,251	2.0	97.2
Price of International Oil Baskets (US\$/bl)			
	4th Week October	Weekly var. (%)	Annual var. (%)
WTI	44.8	-2.7	-43.5
Brent	48.0	-1.4	-44.3
Price of the Venezuelan oil basket (US\$/bl)			
	4th Week October	Weekly var. (%)	Annual var. (%)
Weekly Average	38.6	-2.1	-49.0
Annual Average	47.0	-0.4	-49.9

Source: BCV, MENPET, ONT and Ecoanalítica

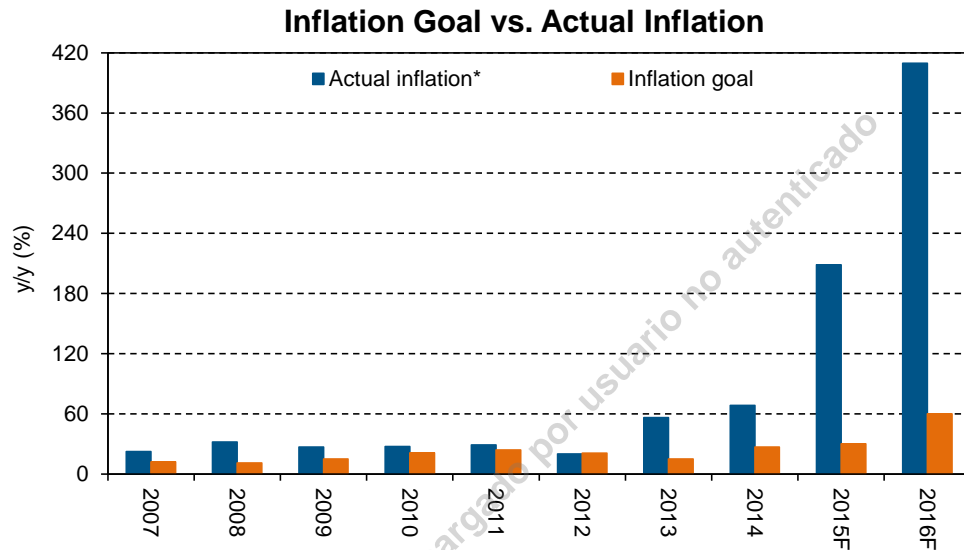
* Annual variation of accumulated expenditure.

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CHART OF THE WEEK: "INFLATION TARGETING IN VENEZUELA: SACRIFICING CREDIBILITY FOR A GREATER DISCRETION"



Source: MEFBP and Ecoanalítica
 *Following BCV methodology.

Of all the figures in the Budget Law, the inflation forecast has been, along with the estimate for oil price, one of the most controversial. During the last decade, none of inflation targets used for the estimation of public sector spending has been met, which has led to an underestimation both fiscal revenue to be perceived as Government expenditures to be executed.

The Government's underestimation of inflation forecasts, which determines monetary policy and regulates the prices of the economy, has led to a loss of credibility in official estimates, not just on price ones.

This policy has allowed the Executive underestimate tax revenues, creating "surplus" that are then used in a discretionary way through the figure of additional credits.

According to the draft Budget Act for 2016, the government projected an inflation of 60.0% for the next year, something difficult to achieve given the political and economic scene of 2015. It is clear that nowadays, the political game joins the need of the executive to manage discretionary, and admitting that inflation got out of the Government's hands is something that can harm an already diminished level of popularity.

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ECONOMIC TIPS

Paying their debts. Minister for Finance Rodolfo Marco Torres said that, in October, Petróleos de Venezuela S.A. (PDVSA) disbursed approximately US\$5.0 billion in payment of mature debt and interest. He also criticized the fact that, despite these payments having been made, the prices of PDVSA's bonds had not gone up. In November, Venezuela will have to pay US\$3.03 billion in external liabilities (PDVSA and Central Government debt).

And what about the teachers? Besides the increase in the meal vouchers, President Nicolás Maduro, announced a 30.0% salary increase for all the country's educators. On May 1 this year, teachers received a salary increase of 50.0%, so this latest raise brings the total increase for the education sector this year to 85.0%. Maduro also said that, even with low oil prices, "social investment" would be maintained.

PSUV militants call for unification. National Assembly Deputy for the United Socialist Party of Venezuela (PSUV) Jesús Faría said it was necessary to modify the present foreign exchange scheme in the interests of achieving greater transparency in the country's economic activities. He also said that it was necessary for there to be a link between the State and private enterprise. However, the government has made it clear in recent statements that it is against the private sector.

OIL TIPS

PDVSA announces figures. PDVSA has reported income of US\$59.8 billion for the first half of 2015, in the midst of plummeting international oil prices, said the company's president, Eulogio Del Pino. Although there are no official figures on the income the oil company obtained in the first half of 2014, it obtained a total of US\$128.44 billion that year, for a drop of 4.4% year-on-year. However, our forecast for 2015 the PDVSA's effective incomes will reach US\$34.3 billion, a difference of US\$25.5 billion between the PDVSA's President report.

It still hasn't bottomed out. The price of crude closed down once again last week, at US\$38.6/bl. on Friday, October 30, a drop of US\$0.8/bl. from the previous week, according to the Ministry for Oil and Mining. "The continuing reports of oversupply

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in the market, the strengthening of the dollar against other currencies, and concern over lower economic growth in China put pressure on the average weekly prices of the main marker crudes,” said the ministry.

The debate over prices heats up. The debate within OPEC is heating up, with its members arguing over the need to shore up the weak oil prices. The draft report on OPEC’s long-term strategy has comments by Iran, Algeria, and Iraq and suggestions from the first two on taking measures to support prices, either by setting a floor or returning to the cartel’s quota system. These differences over policy are being reported in connection with the updating of the cartel’s strategy and do not forebode a harmonious meeting on December 4.

The Venezuelan proposal. Last week Venezuelan Oil Minister Eulogio Del Pino presented a plan for balancing the oil market with a price of US\$88/bl. The Venezuelan initiative contemplates reducing world crude production by 10.0% due to the low costs of black gold and proposes an increase of prices as a way of guaranteeing the recovery of lost production levels.

Supply is also important. Minister Del Pino claimed that the Venezuelan proposal of balancing crude prices would help to guarantee the stability of supply. *“There is much talk of the changes in demand, but little thought is being given to the production side, which has a rate of decline. Those barrels that are being produced have to be replaced, because it is a nonrenewable natural resource and the oil fields are finite,”* stated Del Pino. He added that producer countries have *“a responsibility to mankind to supply more than 92 mb/d and to supply that oil at reasonable prices.”*

PDVSA’s investment in 2016 will come to US\$34.5 billion. The oil sector will continue its pace of production and achieving its operational capacities in 2016, assured the president of PDVSA, Eulogio Del Pino. He also explained that the state-owned oil company’s estimated investment for 2016 comes to US\$34.5 billion, 27.0% of which will be allocated to exploration and production, mainly in the Orinoco Oil Belt.

Production remains the same. During the presentation of the National Budget for 2016 to the National Assembly’s Permanent Finance and Economic Development Committee, the president of PDVSA, Eulogio Del Pino, stated that the bill proposes achieving crude production of 2.93 million barrels a day (2.93 mb/d) and liquefied gas production of 119,000 barrels a day (119.0 kb/d), giving total hydrocarbons production of 3.50 mb/d.

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Less domestic consumption. During his presentation before the parliamentary committee, the Minister for Oil and Mining, Eulogio Del Pino, said that the budget contemplates oil exports of 2.40 mb/d, distribution of liquid fuels to the domestic market of 648.0 kb/d, and gross natural gas production of 8.02 million cubic feet a day (MMCFD).

Venezuela is to receive crude from Angola. This week PDVSA is to receive a shipment of 935,000 barrels of Girassol medium crude from Angola at its terminal in Bullenbay on the Caribbean island of Curacao, after awarding the order to the Norwegian company Statoil, according to Reuters. Venezuela is buying around 2 million barrels of different types of crude a month, mainly Russian and African light and medium crudes, to be processed at its Isla Refinery on Curacao, while freeing up some of its own light crude production to be used as a diluent.

BUSINESS SECTOR TIPS

The hunt has started. Minister for Industries and Commerce José David Cabello announced that the National Fair Prices Commission had started its operations countrywide so as to guarantee that the population will be able to “*acquire goods and services without profiteering levels.*” The minister recalled that the primary producer is allowed a maximum profit margin for marketing goods and services of 30.0%.

With the elections in mind. Minister for Food Carlos Osorio said that the inspections are part of the effort to set up the new system of pricing approved by the Executive. “*We have been deployed since last week and this week we are going to further consolidate the sale of products (marked) with their maximum sales price,*” claimed Osorio.

A different December. Carlos Salazar, the president of Caracas Liquor Vendors Association (Asolicorca), said that alcoholic beverages for December are guaranteed, but that there will be scant variety. “*A lot of people will have to forget about the customary end-of-year whisky,*” he said. Salazar also reiterated that alcoholic beverages should not be regulated as they are not essential products.

It’s difficult to make ends meet. The Documentation and Social Analysis Center of the Venezuelan Teachers’ Federation (**CENDAS-FVM**) reported that the Basic Family Basket for September went up to VEF 97,291.8, which gives an increase in

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the cost of living in the past year of 283.3%. CENDAS-FVM reported that the monthly variation in the Basic Family Basket was due to the increase in prices in all the groups of products and services making up the basket.

Not enough to meet needs. The president of the Venezuelan Teachers' Federation (FVM), Orlando Alzuru, said it was necessary to have a collective employment contract in order to solve the salary issue and the clauses on social and academic issues and on the functioning of the Venezuelan teaching profession. *"The problem isn't just the salary; it's much more than that. Those things are contemplated in the clauses covering social and academic issues and the functioning of the teaching profession,"* explained Alzuru.

An unsustainable situation. The president of the CANTV Labor Union, Juan Veliz, gave details of the reasons why the Internet service offered by the state-owned telephone company is so slow and constantly has problems. *"One of the big problems is that CANTV has become just another ministry. It hasn't made any major investment in maintaining equipment and tools that would allow users to have a better service,"* said Veliz.

A sector in crisis. Workers at Corporación Eléctrica Nacional (Corpoelec) have denounced that 42,000 people are being affected by the crisis at the company. They claimed that they are working in unsuitable conditions, besides having problems with salaries. Aldo Torres, an executive member of the Electricity Federation, explained that the collective employment contract expired five years ago and that the company is taking advantage of this situation to force workers to retire, disregarding their labor rights.

A contingency measure. The Ministry for Health has published the National Essential Medicines List (LNME), the use of which is compulsory when allocating medicines to the National Public Health System. Drugs on the list include medicines for gastrointestinal functional disorders, laxatives, antidiarrheal medicines, vitamins, preparations for treating anemia, diuretics, antibiotics, and medicines for treating blood pressure.

WORLD ECONOMY TIPS

Still braking. During the tenth meeting of monetary policy, the Board of the Central Bank of Colombia decided to increase, for the second consecutive month, the

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interest rates. An important price level of the basket increase, encouraged the decision to increase by 50.0% this indicator reaching a value of 5.25%. Additionally the Republic Bank (Banrep) plan to take measures to control the exchange rate volatility.

Somewhat disappointing growth. In its first revision the Bureau of Economic Analysis reported that, despite the fact that in the third quarter of 2015 (2Q2015) the United States' Gross Domestic Product (GDP) rose by 1.5%, year-on-year, it fell short compared to its performance in 2Q2014, 4.3%; in other words a drop of 2.8 percentage points. In 2Q2015, GDP grew by 3.9% and in 1Q2015 it grew by 0.6% (year-on-year).

They're still waiting. After several meetings, last week the US Federal Reserve (FED) confirmed that interest rates would remain unchanged until December, but that they would continue studying the behavior of the main economic variables. Unlike last September's meeting, at this meeting no mention was made of the impact that the performance of the world economy could have on the United States.

Consumption has room to grow. China's prime minister said that China is committed to implementing restructurings and reforms and that consumption has a wide margin for growth, rejecting rumors regarding the risk of making a "forced landing." *"We will firmly seek restructurings and reforms. It may be that there will be fluctuations in the economic indicators but they will not be large,"* explained the prime minister.

It's recovering, but not enough. The Caixin/Markit Purchasing Managers' Index (PMI), which measures industrial and commercial activity, indicated that industrial activity in China contracted for the eighth month running, but less than in September. In October, the index was 48.3, up 1.1 points from September, when it was 47.2. Even so, it remained below 50, the indicator's score that separates contraction from expansion.

Services were also down. The PMI also showed that growth in China's services sector has been slowing down. In September, the index was 53.4, whereas in October it was 53.1, in other words a drop of 0.3 of a point. Although the services sector in China offset the weakness of the manufacturing sector, the drop in this indicator shows that even the strongest sectors are being affected by the world economic crisis.

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United in a brotherhood of nations. The leaders of China, Japan and South Korea made a commitment to work towards greater economic integration during their first joint meeting in more than three years at the Regional Comprehensive Economic Partnership (RCEP), at a time when they are working to reduce the tensions stemming from their past of being at war with Japan. The leaders have been working on proposing a free trade zone among different Asian countries.

Coming out in favor of monetary stimulus. Ewald Nowotny, a member of the Governing Council of the European Central Bank (ECB), said that the bank is right to consider increasing its bond purchases in order to boost inflation, but that it should think carefully before doing that, as the outcome could be different from what was expected. Last month, the ECB raised the likelihood of implementing more monetary stimuli.

Getting poor marks. Fitch Ratings expressed its concern over the deterioration in Brazil's fiscal accounts after the Brazilian Government reported that it would post a record budget deficit in 2015. According to data supplied by the Brazilian Government, the budget deficit could be as much as US\$13.3 billion this year. Brazil's sovereign bonds are currently rated just above junk bonds and, if economic adjustments are not made, they could slip into that category.

POLITICAL TIPS

From bad to worse. According to Jesús Seguías, the president of polling Datincorp, the opposition could get 56.0% of the votes and *Chavismo* 39.0%. He also revealed that 82.0% of Venezuelans rate President Nicolás Maduro's performance negatively, whereas the opposition has increased its lead for the parliamentary elections from nine to 20 points.

A strategy that comes as no surprise. The executive secretary of the Democratic Unity Alliance, Jesús "Chuo" Torrealba, stated that the government's strategy will be to activate the so-called maximum fair price five days before the parliamentary elections on December 6th, referring to the "*Dakazo*" phenomenon (forced sale of household appliances and electrical goods at below cost) that occurred two years ago on the eve of the 2013 municipal elections.

A strong projection. The executive secretary of the Democratic Unity Alliance, Jesús "Chuo" Torrealba, said that it would be the votes of the people that would

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“snatch” the power (of government) from Nicolás Maduro’s hands. *“Maduro finally got one right. Maduro’s right. First of all, he’s not going to hand over the government; we’re going to take it from him with the votes of the people, with the mechanisms and procedures that the Constitution establishes,”* said Torrealba.

International factors continue to insist. A delegation of European deputies is to visit Venezuela to meet with representatives of the government and the opposition and to evaluate the political situation in the country. The parliamentary mission plans to hold meetings with a view to “supporting democracy” in Venezuela, which is to hold legislative elections on December 6th this year, and human rights, they stated in an official communiqué.

Delayed procedures. The Uruguayan Electoral Court (CEU), which is currently chairing the UNASUR Electoral Council, warned that the “sense” of the bloc’s observation mission for the Venezuelan legislative elections on December 6 is at risk. Official sources explained that the CEU ruled that the delay in and expiry of the lapses for approval are putting at risk the very sense of the mission in terms of its effectiveness and results based on the backlog of experience.

Let the law speak for itself. The International Commission of Jurists (ICJ) has criticized the “significant degradation” that there has been in Venezuela in the matter of violation of human rights and the Judiciary’s lack of Independence. *“There is a clear disconnection between what is contained in the Constitution and the country’s international obligations and what happens in practice,”* said Alejandro Salinas, who headed up the ICJ’s investigation.

Telling things like they are. An *“authoritarian, populist government that violates human rights”* were the words used to describe the Nicolás Maduro administration in a joint statement by seven former Latin American presidents. The statement regarding Venezuela was supported by former presidents Andrés Pastrana (Colombia), Laura Chinchilla (Costa Rica), Ricardo Lagos (Chile), Felipe Calderón (Mexico), Luis Alberto Lacalle (Uruguay), Jorge Quiroga (Bolivia), and Alejandro Toledo (Peru).

They’re hard put to come up with excuses. Juan Carlos Gutiérrez, Leopoldo López’ defense counsel, announced that the case file of López’ trial was not sent to the Caracas Court of Appeal within the timeframe established by law. The cause of the delay is that they do not have the means for taking photocopies of one of the files. *“They didn’t send the copies because the photocopier broke down. If it isn’t ready, I’ll pay for it. I’ll go to a store and make the copies,”* said Gutiérrez.

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LEGISLATIVE TIPS

New law eliminates ceiling on meals vouchers. The new law that regulates the meal voucher benefit (Socialist *Cestaticket* Act) does not stipulate a wage ceiling for entitlement to this benefit. The old law, repealed this week, stipulated that the worker should earn less than three minimum wages in order to be entitled to receive this benefit. That condition does not appear in the Socialist *Cestaticket* Act promulgated last week.

New fair prices. The National Superintendency for the Defense of Socioeconomic Rights (Sundde) published a directive in *Gaceta Oficial* No. 40,774 confirming the majority of the announcements made recently regarding the setting of prices. The amendment to the Fair Prices Act incorporates more severe sanctions and additional sanctions for foreign exchange crimes.

Maximum profits. The directive stipulates that the allowed profit margin for domestic producers is up to 30.0%, as indicated in the Fair Prices Act, whereas the maximum profit margin for importers is 20.0%. It also sets a ceiling of 60.0% *“allowed for the entire distribution or marketing chain, regardless of the number of intermediaries involved.”*

As for price marking... The directive states that marking the price on the packaging of the product or service is compulsory. *“No good or service may be offered commercially unless its Maximum Retail Price or its Fair Price has been affixed and is visible and opportune for informing any potential purchaser.”*

New categories. The directive establishes three price categories: Maximum Sales Price of the Producer, Importer or Intermediary (PMVPI), which is to be determined by the producer or importer; the Maximum Retail Price (PMVP), also set by the producer or importer respecting the maximum profit and intermediation margins (*“this will be the result of adding the PMVPI to the profit that corresponds to the final seller”*); and the Fair Price, which is the price set by Sundde for the services and goods for which a “Fair Price Certificate” has been issued.

Merchants and representatives of Sundde are confused. The recent amendment to the law, published in *Gaceta Oficial* No. 40,774, which places restrictions on the setting of prices and profits is detrimental to the sector and is creating confusion, not only among merchants, but also among representatives of the National Superintendency for the Defense of Socioeconomic Rights (Sundde),

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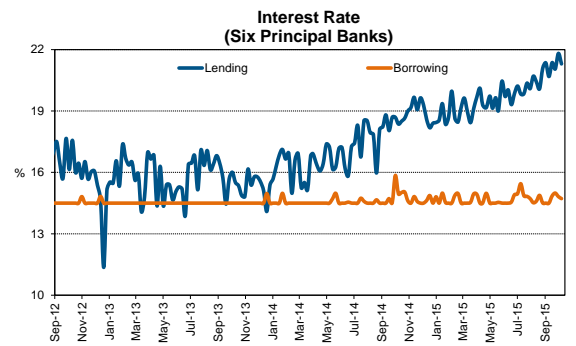
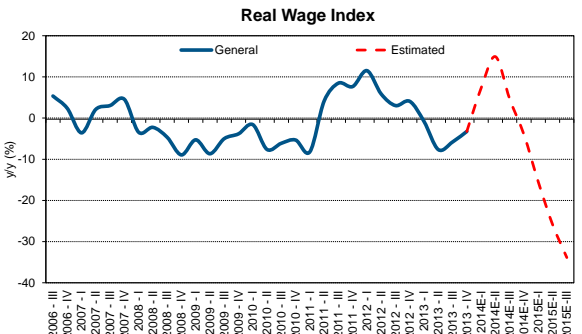
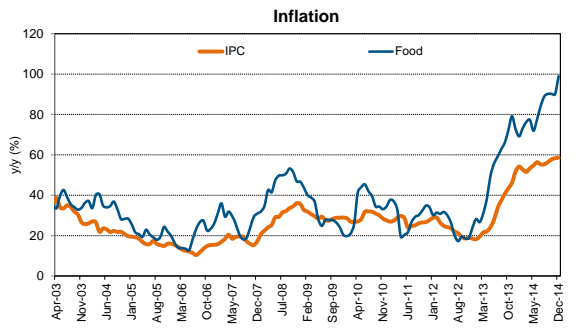
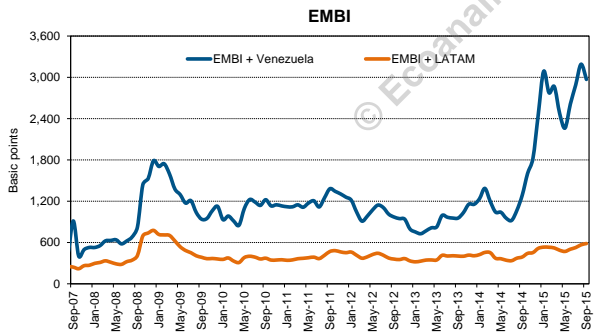
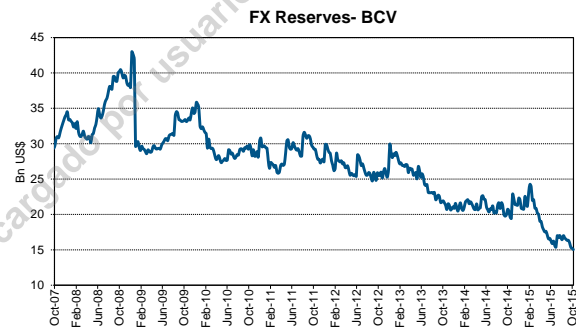
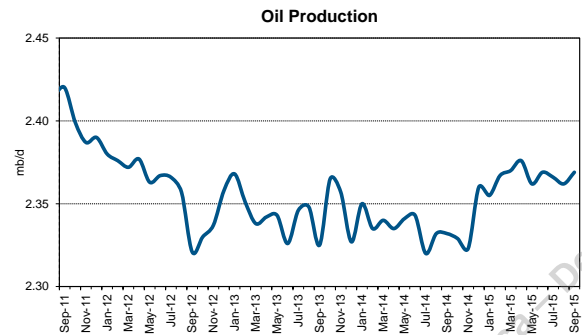
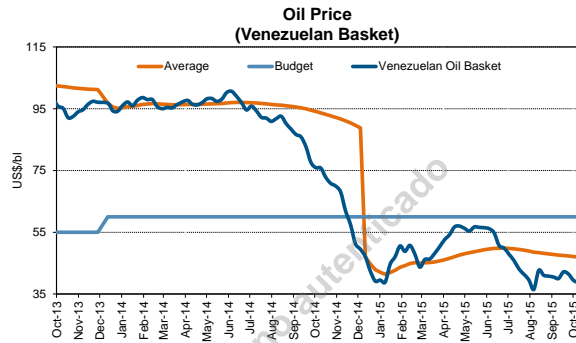
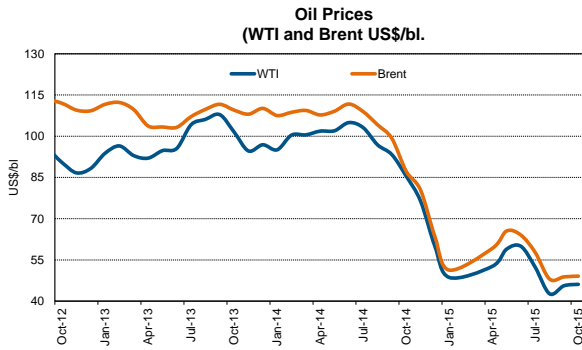
who are not clear with regard to the methods of calculation set forth in the law either. These comments were made by Cipriana Ramos, the president of the National Commerce and Services Council (Consecomercio), who explained that this law, far from benefiting consumers, will prove to be detrimental to their interests.

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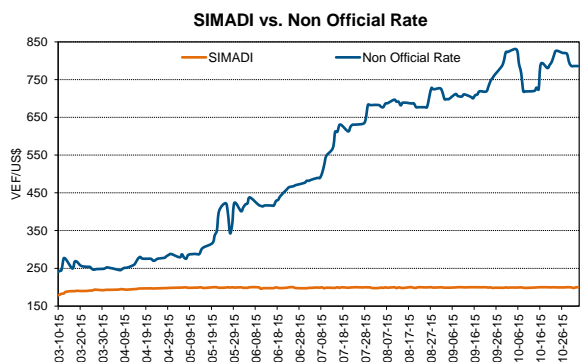
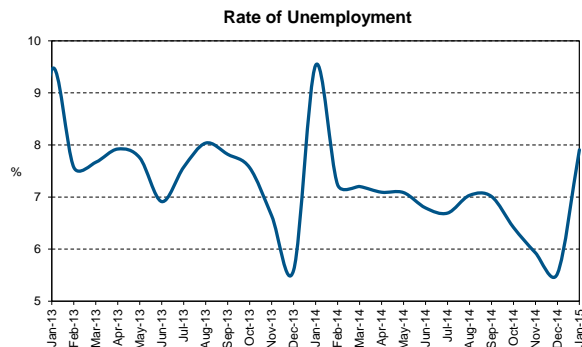
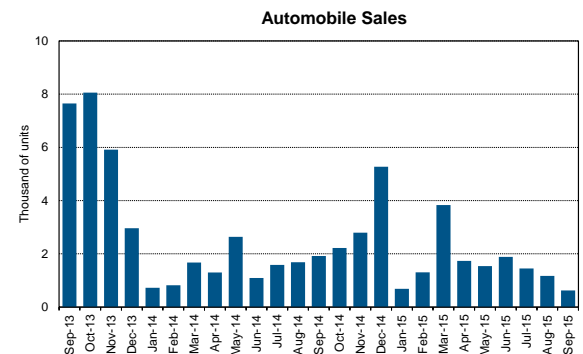
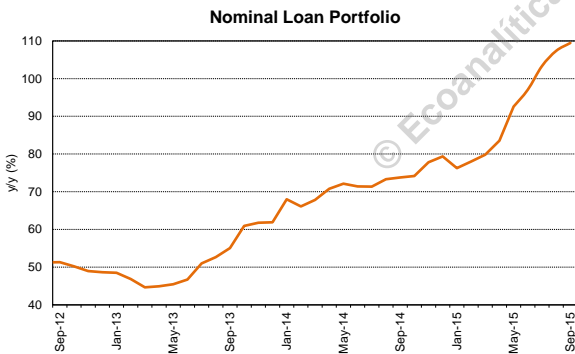
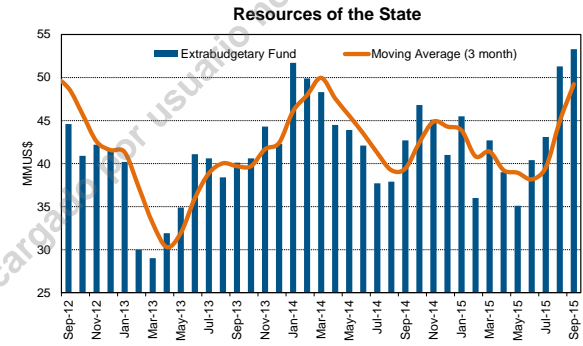
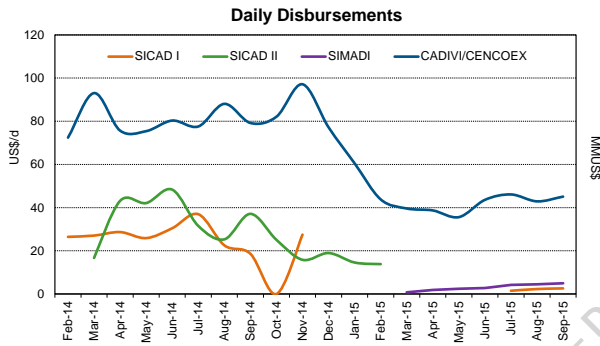
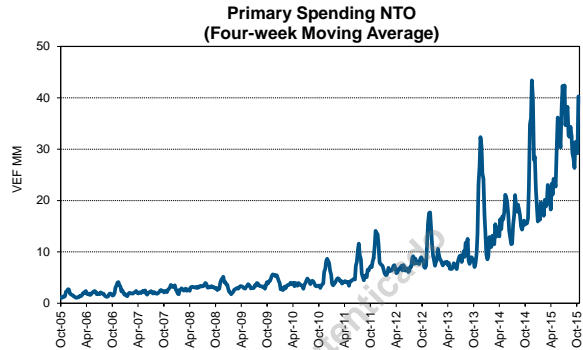
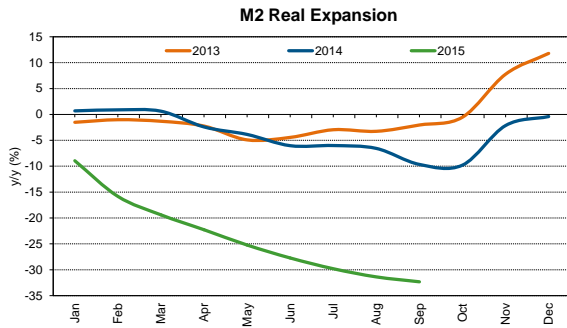
ECONOMIC OVERVIEW



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