



Weekly Report

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*Trade relations Venezuela-
USA: Revolutionary red on the
outside, and red-white-and-
blue on the inside?*

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President Hugo Chávez ordered last week an industrialization project to counter the fact that most of the products sold in the country are imported. Despite the discourse on endogenous development, in the last thirteen years Venezuelan imports have increased significantly; thus, at **Ecoanalítica** we are going to mention where most imports come from, and why.

**At some point,
we lost the way**

Figures from the Central Bank of Venezuela (BCV) indicate that from 1999 to the present, Venezuela's imports have increased 222%. In the third quarter of 1999 foreign purchases totaled US\$10.332 billion, and in the same period this year, they reached US\$33.261 billion. "Causally" the one with the greatest deviation from this path is the public sector, in which imports increased 998.7% since 1999, while those in the private sector increased 128.7% during the same period.

Now, the topic came up again, since the productive apparatus isn't showing the expected results, and the Venezuelan economy is still



supported on the oil rent, hoping that the national production will be enough to increase the supply of goods, and help lower inflation. This is something that we will have to see to believe.

Analyzing Venezuela's foreign policy with the United States, hemispherically and bilaterally, both countries are contemplating, beyond the traditional framework, more complex scenarios where oil prevails.

Venezuela, despite its asymmetric relation with the United States, occupies a fundamental place in the strategic interests of that country. As the 4th supplier of imported oil according to U.S. Energy Information Administration (EIA), it is in place number 14 with respect to the countries that trade with Washington. However, the relations have had rocky moments given the bias in our country's foreign policy in the last 13 years.

Ranking of U.S. Oil Imports*

Ranking	Country	Thousand barrels per day
1th	Canada	2,324
2nd	Saudi Arabia	1,465
3rd	Mexico	1,099
4th	Venezuela	759
5th	Nigeria	529
6th	Colombia	510
7th	Iraq	403
8th	Ecuador	299
9th	Angola	283
10th	Russia	275

Sources: EIA and Ecoanalítica

*Data until September 2011

Exports that are improving...

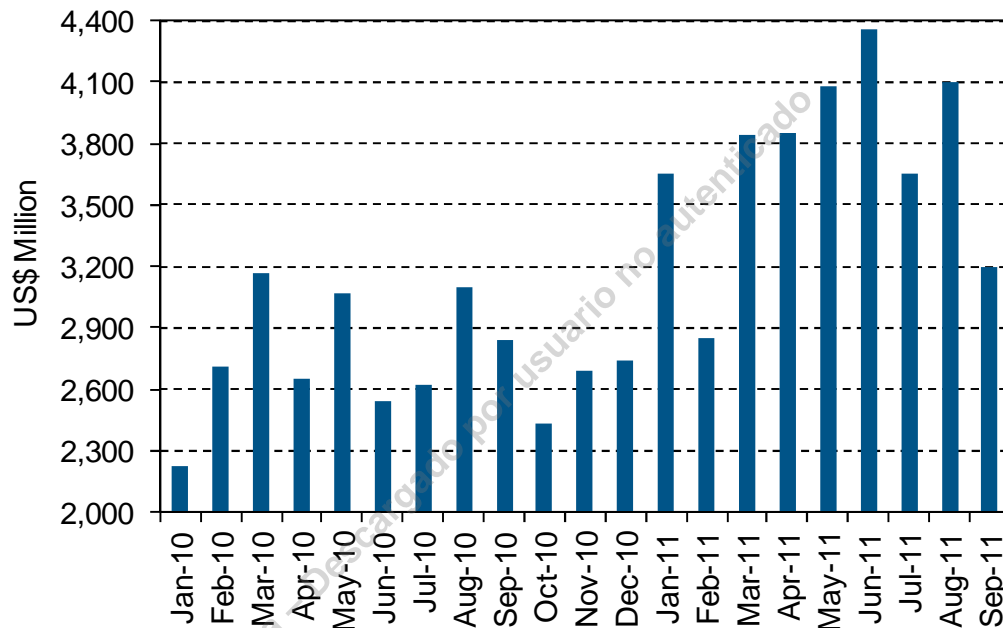
Total exports from our country to the United States were for US\$33.564 billion for the first nine months of 2011, an increase of 34.8% or US\$8.656 billion compared to the same period in 2010.

Only in 3Q2011 exports reached US\$10.943 billion, 27.9% higher compared to the 3Q2010, when total exports amounted to US\$8.556 billion. Likewise, the amount by September 2011 was US\$3.195 billion, which compared to the same month in 2010 reflects an increase of 12% (US\$352 million). It is important to mention that it is the second lowest



amount in the year, after February 2011 when total export amount was US\$2.854 billion.

Total exports Venezuela-U.S.



Sources: U.S. Census Bureau and Ecoanalítica

Just oil...

For September of this year, oil exports represented 96.4% of the total trade, or US\$ 3.079 billion. Thus, for the year, total oil exports (US\$32.646 billion) represent 97.3% of the total exports from the country to the United States (US\$33.564 billion).

Regarding non-oil exports, they represented the remaining 3.6% in September 2011, that is, around US\$116 million. The total amount accumulated for this concept during the first nine months of 2011 was US\$919 million, 13.5% higher compared to those during the same period in 2010.

Imports that don't decrease

Regarding total imports from the United States to Venezuela during the January-September period of 2011, they totaled US\$8.915 billion, an increase of 17.3% (US\$1.315 billion) compared to the same period of 2010.

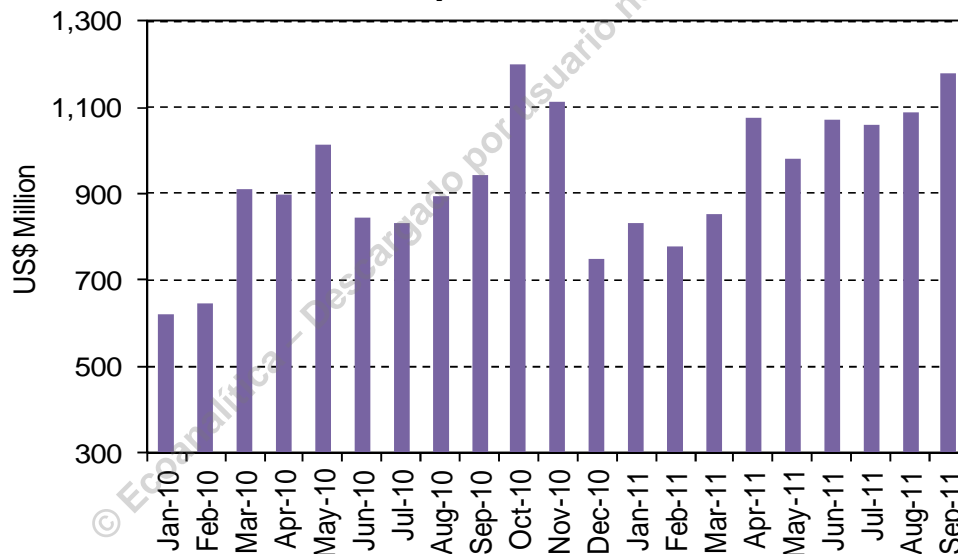
On the other hand, the accumulated amount for the third quarter of 2011 was US\$3.323 billion, 24.5% higher compared to the same quarter of



2010, when the amount for that concept was \$2.669 billion. Compared to the second quarter of this year, the behavior is similar, although the increase was lower, only 6.2% (US\$193 million).

Regarding the amount for September 2011 it was US\$1.179 billion, an increase of 24.9% (US\$235 million) compared to the same period in 2010; it is important to note that the amount for September 2011 is the highest for the year, even higher than in November and December of 2010 (the ones with the highest demand) when it was US\$1.112 billion and US\$748 million respectively.

Total imports Venezuela-U.S.



Sources: U.S. Census Bureau and Ecoanalítica

Everything but oil

In September 2011, oil imports represented 3.2% of the total, a drop that has increased in the last few months, going from 11% in June, then 7% in July, and 5% in August. Likewise, oil imports during the first three quarters of the year were for a total of US\$396 million, representing on average 4.5% of total imports to date.

Non oil imports for September were US\$1.141 billion, representing 96.8% of total imports for that month. On the other hand, non-oil imports for the year represent 95.6%, for a total of US\$8.519 billion for the first three quarters of 2011.

Are we attractive for the US?

The Real Exchange Rate (RER) is a measure of the general competitiveness of the country in international markets, and indicates for



example, how attractive the exports of one country compared to the others are. The RER is defined as the ratio between the price of foreign goods in local currency, and the local price level.

When it increases, foreign products become more expensive compared to domestic products, and it is said that there is a real depreciation; on the contrary, when the RER decreases, it is said that there was a real appreciation, that is, the monetary unit purchases more goods and services abroad than in the own domestic economy.

**More inflation =
less
competitiveness**

In the Venezuelan case, where there is a fixed exchange rate, variations in RER are related to variations in price levels. The continued price increase in domestic products causes an appreciation of the RER, which translates into an increase in the purchasing power of the local currency abroad, making our products less competitive in international markets, which in turn fosters imports. This variation in purchasing power occurs because the prices of exports in local currency increase with respect to prices of imports in local currency.

**The exchange
policy doesn't
help**

Together with this, the policy of anchoring an over-valuated official exchange rate with capital controls, which has been maintained for eight years, has in turn caused a significant real over-valuation of our currency, which significantly affects our competitiveness with respect to our main commercial partners. To know how competitive we are in the production of tradable goods, at **Ecoanalítica** we have updated our RER index with the country that is still today our most important trade partner: the US.

**How do we
understand
the RER?**

A RER above 100 indicates that the currency is under-valuated, and therefore, the purchasing power is higher at the domestic level. If on the contrary, the RER is below 100, we will know that the local currency is weak, so the purchasing power is greater abroad

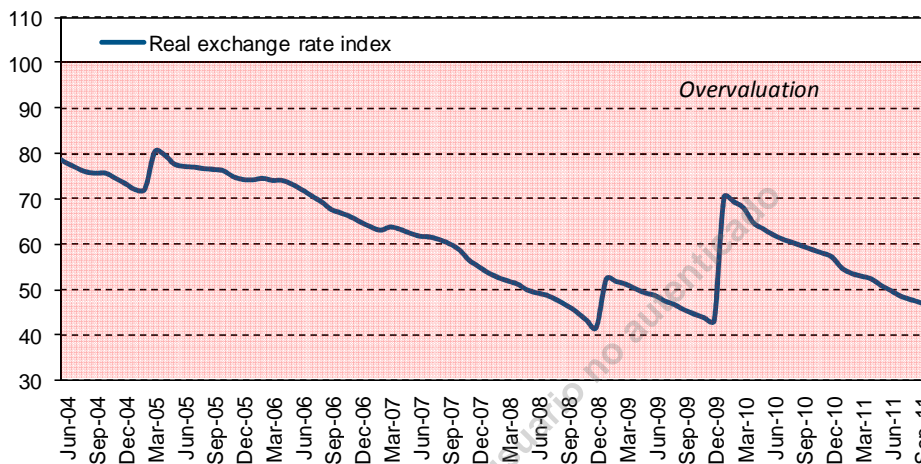
**Adding insult
to injury**

Analyzing the RER index, as a result of relating the inflation of our economy with that of the US, we see that it is still lower than 100 for the totality of the periods studied; that is, the purchasing capacity of the Bolivar is lower in Venezuela than in the US. Therefore, the economic agents are strongly motivated to import all the goods and products they require, rather than produce them here.





Real exchange rate index (U.S. - Venezuela)



Sources: BCV, IMF and Ecoanalítica

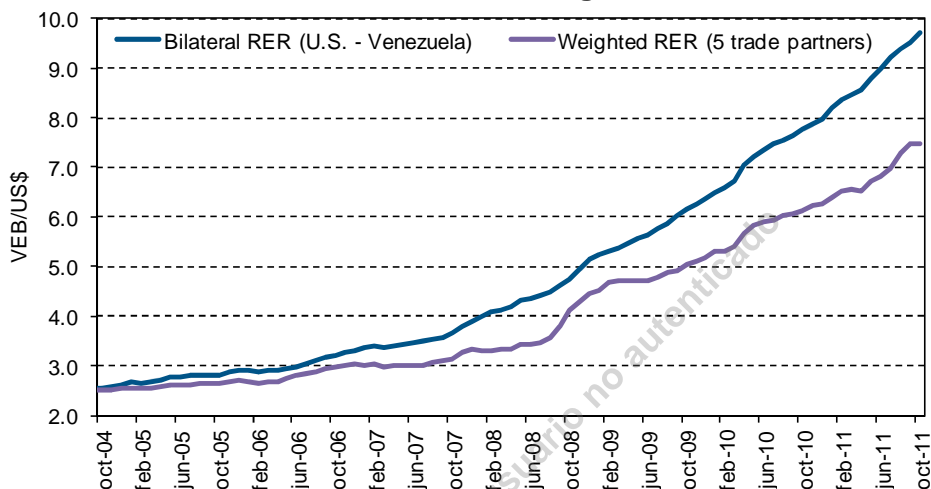
Our estimates show that, taking into consideration the US economy, the exchange rate that would compensate the over-valuation of October would be 9.7 VEB/US\$. This implies that there is a wide gap between the official exchange rate and its implicit value, which translates into a difference of 127% or what is the same, an over-valuation of 54%. The bilateral RER US-Venezuela is even higher than the parallel exchange rate.

Comparing the bilateral RER US-Venezuela with a weighted RER, calculated in relation to the main trade partners, we see that the RER with respect to the USE is much higher (2.2 VEB/US\$) than the weighted RER of the economy (7.5 VEB/US\$), thus, thanks to an increasing inflation, and an over-valuation of exchange rate, imports from the US are cheaper than those from our other trade partners.





Bilateral RER Vrs. Weighted RER



Sources: IMF, BCV and Ecoanalítica

From words to facts...

We are entering 2012 and the fact that it is an electoral year, poses a need to increase imports to meet the needs of the population, and thus obtain political benefits; this makes the US a “necessary evil” given the political interests of the present government.

On the other hand, a policy of a fixed ER and a raging inflation causes an over-valuated RER, which discourages the development of non-oil sectors, and stifles domestic production, making imports increasingly cheaper, and the country’s exports more expensive in world markets, placing the tradable goods of the country in a serious disadvantage in national and international markets.

Despite the anti-imperialist discourse of the present Venezuelan government, the US is still our main trade partner, and the first purchaser of Venezuelan oil, and at **Ecoanalítica** we don’t expect this situation to change in the short or midterm. What we do believe is that in the framework of the foreign policy of the 21st century socialism, the government will continue trying to increase trade exchanges with those countries with which it has a political affinity (i.e. China).





Economic Tips

The first shipment arrived! Last Friday, November 25th, the first lot of gold from European banks arrived to Venezuela, part of the international reserves deposited in banks in England and Switzerland. This first lot of reserves is equivalent to more than US\$300 million and was taken to the Central Bank of Venezuela (BCV). Nelson Merentes, President of the entity said that *"little by little, and with technical strictness, our gold is being placed in the vaults of the BCV"*.

There is still a long way to go. Merentes also explained that this first shipment brought the amount allowed by *"the protocols regarding capacity and tonnage"* and around 200 tons of gold still remain outside the country. He indicated that in a short time, the country will have the 218 tons of gold that were deposited in foreign banks between 1986 and 1992 in the vaults of the BCV.

It cost US\$7 million. The logistic to transfer the gold cost US\$7 million, informed the president of the BCV. He also said that there is a project to install a monetary gold processing plant in Venezuela, the first in Latin America.

Unemployment in October was 8, 2%. According to the Monthly Labor Force Report of the National Institute of Statistics (Instituto Nacional de Estadística - INE), the unemployment rate for October 2011 was 8.2%, a drop of 0.8 percent points with respect to October 2010, when it was 9.0%, that is 81,819 people are no longer unemployed.

Lack of activity increases. Although there was a drop in the number of persons working in October, compared to the previous month, unemployment fell 0.04 percent points inter-monthly, due to an increase of 63,501 inactive people in that month; if we compare this figure with the same period the year before, we see an increase of 1.8% of the inactive population, that is, an increase of 127,012 inactive people.

Youth unemployment was 17%. According to figures of the INE, youth unemployment was 17% in October, which in absolute terms means that 393,086 youth between 15 and 24 years didn't have a job last month. A year ago, the figure was 423,104 affected youth. Although this represents a drop of 1.3 percent points with respect to the same period the year before, youth unemployment is four times higher than the national average, which was 8.2% in October.



The informal sector grows. In October, 43.5% of the employed population was working in the informal sector, that is, a total of 5,402,660 people. This translates into an increase of 0.04 percent points with respect to the same period the year before, when it was 43.49%. There were 7,009,438 people (56.5%) in the formal sector of the economy.

The public sector has more weight. The public sector is still taking on the burden of job generation. In 12 months there was an increase of 163,318 people, while the private sector only employs 92,515.

Unemployment at 6.0%? The president of INE, Elías Eljuri, said that the downward trend of unemployment in the country is the result of the economic recovery, and estimated that unemployment will be 6.0% for the end of December.

The Basic Food, Goods and Services Basket was VEB 6.145,7. According to the last data from the Center for Documents and Analysis of Workers (Centro de Documentación y Análisis de los Trabajadores - Cenda), the cost of the basic basket of food, goods and services (CBT) for October 2011 was VEB 6,145.7, an intermonthly increase of VEB 137.3 (2.3% higher than in September). Thus, the basic basket of food, goods and services had an interannual variation of 26.6% (VEB 1,291.5) and an accumulated variation for the year of 23.4%, or VEB 1,167.2.

Public services increased the most. The more significant increases of the month were in three groups of the seven that are part of it: Basic public services, which increased 10.2% due to an increase in the cost of the transportation, from VEB 2.5 to VEB 3.0 in the Metropolitan Area of Caracas, from September 1st. Then came the 3.0% increase in food, and in health, 1.8%.

Family income only covers 50.4% of the basket. The purchasing power of the hypothetical family income (represented by 2 minimum wages, that is, VEB 3,096.4) is 50.4%, or a deficit of VEB 3,049.3 (49.6%) to acquire food, goods and basic services, so a family requires four minimum wages to cover their basic needs.

More than 25 million people have been counted. Frank Ortega, Assistant Director of the 2011 Census, informed that up to November 22 more than 25 million people were accounted for, and more than 6,475,000 homes throughout Venezuela. He said that this is the last week of the census, so they have planned "a sweep" in those areas that have not been fully accounted for: these "sweeps" are being done in large cities like Valencia, Caracas and some areas of the State of Anzoátegui, and the Barcelona -Puerto La Cruz axis.





There are more women than men. Likewise, the assistant director of the 2011 Census revealed that there are more women than men, 97.3 men for every 100 women. Also, the population between 15 and 64 years old increased, as well as the elderly population.

We are older. Luis Gerónimo Reyes, National Coordinator of the 2011 Census, said that half of the population is 26 years or older, so the mean age increased 3 years, compared to the measurement made in 2001. The 2011 Census started on September 1, and is expected to end on November 30, however, the spokesperson of the INE announced that the process will be extended a few days to cover rural and jungle areas of difficult access.

Interest rates. The lending rate for the third week in November was at 17.1%, increasing by 0.6 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 increased 0.7% going from US\$27,632 million during the third week of November to US\$27,812 million during the fourth week of November. Compared to the same period last year, international reserves have decreased by 1.7%.

Monetary liquidity. Monetary liquidity in third week in November increased 4.1% compared to the previous week settling at VEB 405,642 million. The M2 has increased 47.3% year-on-year.

Sitme figures. So far this year, US\$7,898 million have been negotiated through the System for Foreign Currency Transactions (Sitme), averaging US\$35.3 million a day, with an implicit exchange rate of 5.3 VEB/US\$. During the fourth week of November the amount traded reached US\$207.1 million, averaging US\$41.4 million a day, traded US6.2 million less than last week when US\$213.3 million were traded.

Oil Tips

PDVSA is fine tuning its labor debt payment scheme. Rafael Ramírez, Minister of Energy and Petroleum/President of Petróleos de Venezuela S.A. (PDVSA), pointed out that the company is defining the payment scheme of its labor debts. Ramírez



added that in addition to the payment of that debt, a mechanism to encourage public and private workers to save is being prepared, and explained that *“an instrument will be developed”* to pay labor obligations. He said that in addition to bond issuance, as announced by President Chávez, the delivery of homes is also being considered.

Rafael Ramírez pointed out that a new savings scheme will be applied. *“The idea is that once people are paid their debt, they should invest.”* That investment would be in projects to be developed in the Orinoco Oil Belt. According to Ramírez, a workers’ savings fund would be involved in any of the oil joint ventures. *“We aren’t going to hand over property titles, but share accounts in the companies and a share in dividends of the joint venture.”* Minister Ramírez stated that details will be revealed soon.

Plans to increase oil shipments to pay the Chinese Fund. Financing of the Chinese Fund, which has been fiercely upheld by the Administration, could entail an increase of PDVSA’s production if the renewal terms of the Heavy Fund II, that are being discussed since last week within the framework of the 10th Meeting of the Venezuela-China Mixed Commission, are finally agreed. Rafael Ramírez admitted on November 22nd, that increasing the oil volume being shipped as payment for the financing granted by China to the Venezuelan government is being negotiated.

In numbers... Ramírez said that the payment volume for the renewal of the Heavy Fund II, for US\$4.0 billion, plus current commitments, won’t exceed 410 thousand barrels per day (kb/d), which accounts for about 15% of PDVSA’s production. Minister Ramírez explained that the oil price fixed in the agreement is US\$70/bl., the same as that set for the Long-Term and Large Volume Fund.

PDVSA signs new loan agreements with China. PDVSA contracted new credit facilities with China for US\$6.0 billion, in the framework of the 10th Meeting of the China-Venezuela Mixed Commission. Minister Ramírez pointed out that the state-owned oil company receives a US\$4.0 billion loan from China, to be repaid over eight years at an interest rate of LIBOR + 5%, and added that these funds will be used to advance Orinoco joint projects, because the intention is to expand production in this area up to 1.1 million b/d (mb/d) by 2014.

More financing...The Development Bank of China grants two further loans worth US\$2.0 billion; one for US\$1.5 billion to be applied to fund refining projects and a credit letter for US\$500 million to purchase Chinese-made equipment.

Less and less. Obligations by the oil industry to earmark part of its revenues in foreign currency to pay the so-called Government’s parallel expenses are reflected in the BCV’s movement of income and expenses. The information provided by the



Central Bank shows that it received 45% of foreign currency derived from oil sales as of the closing of 3Q2011. Over nine months, income reported by the BCV amounted to US\$30.2 billion and revenues from oil exports were US\$66.2 billion, with the rest being applied to the company's operational expenses and the so-called contributions to social development.

PDVSA will be paid with bonds and food. Countries beneficiaries of the hydrocarbon shipments under favorable conditions from Venezuela are balancing their accounts to pay their debts to PDVSA. Paraguay's Petropar is ready to make a first payment to PDVSA for US\$20 million, as announced by Sergio Escobar, president of the Paraguayan state-owned oil company. Petropar's debt to PDVSA as of November 9th amounted to US\$285.4 million. A payment scheme that included purchasing Venezuelan bonds was agreed upon on April this year. Uruguay is considering paying with food a part of its debt of about US\$600 million to Venezuela.

Japan and Venezuela check progress in the Orinoco. Workers of PDVSA's Carabobo Division on the Orinoco Oil Belt, representatives of the Venezuelan Petroleum Corporation and a multidisciplinary delegation from Japan checked the projects that are being developed in the areas of infrastructure, roads, housing and industrialization of the communities neighboring the Orinoco Oil Belt. During the visit, Executive Director of Operation on the Belt, Pedro León, presented the different efforts made by PDVSA jointly with its international partners, to develop extra heavy crude production.

Oil workers expect to define collective bargaining contract. The oil union Futpv estimates that they will meet with the Minister of Labor next week at the latest to define the 2011-2013 collective bargaining contract. According to Wills Rangel, president of Futpv, several worker commissions were set up last week to analyze, along with PDVSA, the proposals for the new contract.

International oil baskets. At closing time on November 25th in the New York Stock Exchange, the price of the WTI was US\$97.0/bl, a 2.8% decrease compared to the US\$99.8 reported the previous week. The Brent decreased by 4.3% to reach US\$107.7 /bl, compared to the previous week's US\$112.5/bl.

Local oil basket price. The Venezuelan oil basket price decreased last week, closing at US\$105.5/bl on Friday November 25th, a 5.1% decrease compared to the US\$111.2/bl of the previous week. The annual average price of the Venezuelan oil basket is US\$100.2/bl.





Business Sector Tips

Banks forced to grant long-term mortgages. In accordance with Presidential Decree No. 8628, published in the Official Gazette No. 39809, dated November 28, 2011, public and private banks are obliged to grant long-term loans from the mandatory mortgage portfolio, *“to purchase any property that has been totally or partially built”* with financing from said institutions and funds from the compulsory portfolio.

New guidelines for companies. Resolution establishing the new guidelines for the National Registry of Prices of Goods and Services entered into force on November 22, 2011, and was published in the Official Gazette No. 39805, dated that same day.

These guidelines establish the requirements to be fulfilled by individuals and companies, including registering in the new registry. Registration will take place in stages and in relation to those products selected by the Superintendent's Office, as follows: 1) submission of information on prices; 2) submission of information on costs; 3) analysis of the information provided; and 4) price setting.

Devaluation brought about loses for food industries. Food industries have had troubles to purchase raw materials for reposicion of stocks, due to the high prices of commodities on the international markets; these costs aren't compensated for by controlling prices of finished products. Devaluation imposed earlier this year significantly increased import costs, as stated by Pablo Baraybar, Chairman of the Venezuelan Chamber of Food Industries (Cavidea).

Indepabis will now have new functions. The Institute for the Defense of People in the Access to Goods and Services (Indepabis) *“will not have any competence regarding prices, but it will be engaged in fighting boycott and hoarding, and will guarantee quality of products,”* Vice President Elías Jaua informed. Therefore, starting now, the Office of the National Superintendent of Fair Costs and Prices (Sundecop) will have “exclusive” powers in terms of price control and oversight.

Price oversight began... although with little coordination. Businesses and industries have already begun to fell fear for the potential distortions provoked by the Law of Fair Costs and Prices. In the first two days since the entering into force of the law, businesses and stores have been charged with hoarding of basic products; however,



authorities had to rectify in some cases, once they realized that stocks detected had the required permits and corresponded to the market's own dynamics.

“Companies won't have to go to an illegal exchange market or Sitme,” Karin Granadillo, National Superintendent of Fair Costs and Prices, stated, adding that *“we cannot recognize a parallel exchange market; the State's policy is administering foreign currency, which is guaranteed for the productive sector.”*

Beef imports from Nicaragua increased 120% over one year. Nicaragua has exported to Venezuela a total of 10,996 heifers this year, up 120% from 2010, Salón Guerrero, President of the Cattle Raising Federation of Nicaragua (Feganic) informed. According to Guerrero, these cattle on the hoof exports to Venezuela reported US\$143 million for Nicaragua, three times higher than the 2010 income.

Cadivi has authorized more than US\$3.0 billion for health and pharmaceutical sector. As of October 31, 2011, Cadivi has authorized US\$3.93 billion for the health and pharmaceutical sector, which has been used for regular imports and for those processed through Aladi and the Regional Single Clearing Payment System (Sucre). This figure accounts for an increase of 23.8% in comparison to 2010, when US\$3.17 billion were allocated, Cadivi informed through a press statement.

Bank liquidation process will be completed in December. The last three audits of all banks that went into bankruptcy in the aftermath of the financial mini crisis will be completed in the first week of December with the payment of outstanding debts to savers, including individuals and legal persons with more than VEB 30,000 deposited. Those that had accounts with Banco Federal will be paid on November 30th, Bancoro, on December 5th, and Casa Propia, on December 9th.

Public transportation rates' new adjustment. Minimum rates of Caracas Subway (round trip) will be increased up to VEB 3, VEB 1.5 for one-way trips, and VEB 13 for multiple trips. Haiman El Troudi, President of Metro de Caracas, insists that tickets are still subsidized by the Government and that rates are cheaper than those of land transportation.

CANTV's cable TV. President Chávez formally announced the launching of CANTV cable TV services. Ricardo Menéndez, Minister of Industries, explained that the system's backbone will be the Chinese Simón Bolívar satellite and offer *“better image quality and cheaper prices”* than those of the competition. The project will start now in Turmerito and will offer 48 local and foreign channels, 20 audio channels, with plans ranging from VEB 60 to VEB 80.





Chávez announced that 102,000 homes have been built in 11 months. President Hugo Chávez announced at Ministerial Council that 102,000 homes were completed in 11 months through the *Gran Misión Vivienda Venezuela*. The number of homes reveals that 65% of the year's goal (153,000 homes) has been accomplished. President Chávez explained that 36,000 of these homes correspond to the private sector and 65,619 to the public sector.

Uruguay's debt will be repaid with food. Uruguay will repay with food part of its oil debt to Venezuela. The corresponding agreement will be signed next week during the visit of President José Mujica in Caracas, official sources confirmed recently. Sources from the Foreign Ministry said to EFE that this agreement is part of the various plans that are already in place between both countries and contributes to the "smooth and constant" development of the relations between Montevideo and Caracas.

Energy waste has declined 7.6%. Alí Rodríguez Araque, Minister for Electric Energy, underscored that the program for an Efficient Use of Energy has contributed to reduce energy waste, especially in the peak demand hours. According to the Minister, since the launching of this energy saving program, consumption has dropped to 17,000 MW, from a projected estimate of 18,400 MW for the late months of the year, accounting for a 7.6% saving.

Chávez ordered Parmalat to be investigated for alleged hoarding. At a Ministerial Council held last Sunday, President Chávez instructed Vice President Jaua and the Minister of Agriculture, Juan Carlos Loyo, to "enforce in a radical manner the Bolivarian Constitution of Venezuela and the sovereign laws so as to avoid food hoarding in the country," in what he described as a "battle against capitalism, which is the road to perdition of societies."

World Economy Tips

Pressure on Europe increases before Finance Minister's meeting. Euro-Zone finance Ministers will announce on Tuesday, the details on how they plan to strengthen their bailout-fund thereby eliminating any domino effect the debt crisis may create. This action prompted by much pressure from the United States and risk classifying agencies.



OCED suggests that ECB lower rates and purchase bonds. The European Central Bank (ECB) should lower its interest rates and enhance its program to purchase bonds in order to promote confidence and Euro-Zone economic activity which is beginning to slip into a slight recession and is one of the main risks facing the world economy, stated the Organization for the Cooperation of Economic Development (OCED).

Euro-Zone economic growth estimates. The Organization for the Cooperation of Economic Development (OCED) latest estimates for Euro-Zone economic growth levels is: 1.6% in 2011 and 0.2% in 2012, in a context where the debt crisis persists. In 2013, the growth level will be 1.4%, according to the organization.

European stocks close with highest gains in a month. European stocks registered their highest daily gain in a month on Monday, November 28, spearheaded by the financial sector and insurance, and the hope that European leaders will solve the current Euro-Zone debt crisis. FTSEurofirst 300 close up 3.5% settling at 939.91 points, highest single day gains posted since October 27.

Moody's considering lowering classification of 87 banks in EU. Moody's announced on Tuesday, November 29, that it was considering lowering the classification of the subordinate debt of 87 banks from 15 different countries belonging to the EU due to fears that the government doesn't have enough funds to cover holders of the banks debt. Moody's continued to say that most of the classifications that will be reviewed are banks in Spain, Italy, Austria, and France.

Unemployment in Spain getting worse. Spain's unemployment is almost at 5 million people after increasing almost 3 percentage points (around 144,700 people) during the third quarter compared to the second quarter, putting unemployment at 21.5%. All in all, 4,978,300 were out of a job at the close of September, and this figure supposes that another 403,600 are also out of a job, according to the Spain's National Statistics Institute. It's been 15 years since Spain has had such a high unemployment level, during the fourth quarter 1996, when unemployment was at 21.6%.

Asian stock exchange continues to do well on positive Euro-Zone expectations. The Asian Stock exchange and the Euro continue to do well, for the second day in-a-row on Tuesday, November 29 with investors still hoping European policymakers will announce how they are going to solve the region's current problems. Non-Japanese Asian Stocks were up 1.6% and the Nikkei closed up 2.3%.

Colombia: Foreign Investment surpasses expectations. According to statements from Colombian Minister of Commerce, Industry, and Tourism, Sergio Díaz-



Granados, the country's Direct Foreign Investment surpassed the government's expectations, which reflects just how well the country's economy has been doing lately. "We'd estimated US\$9.70 billion for 2011, but at the pace we are going now, we'll be reaching historic levels," stated the Minister referring to the latest report released by the *Banco de la República* regarding the exchange balance. This past November 4, Direct Foreign Investment was at US\$12.55 billion, up by 54.2% compared to the same period last year.

Peruvian economy slows down during the third quarter 2011. The Peruvian economy slowed down during the third quarter 2011 growing by only 6.5% compared to the same quarter last year, the lowest growth rate posted since the first quarter last year, according to a government report released on Monday, November 28. Notwithstanding, Peru has posted 8 consecutive quarters of economic growth and it is expected to close the year out with an economic growth rate of between 6.7% and 7%, according to official figures. The Peruvian economy, one of the world's big raw material producers, grew at a rate of 8.8% last year.

Political Tips

Chávez welcomed Santos. President Hugo Chávez received his Colombian counterpart, Juan Manuel Santos, at the Miraflores Palace. Both presidents talked about the possibility of boosting bilateral relations and strengthening trade cooperation and infrastructure agreements in border areas.

Santos thanks Chávez for having captured the drug trafficker known as "Valenciano". Santos thanked Chávez with the following remarks: "Mr. President, allow me to thank you and your authorities for having captured this drug kingpin (Maximiliano Bonilla Orozco, aka Valenciano). This individual was on the list of high ranking targets of Colombia and the world." Hugo Chávez congratulated the Minister of the Interior and Justice, Tarek El Aissami, on the capture of "Valenciano" in the capital city of Carabobo State.

...and goals set were attained. Juan Manuel Santos, President of Colombia, stressed on Monday, November 28th, that he and his ministers have attained the goals they were aiming at with the signing of a number of trade and cooperation agreements with Venezuela.



President Chávez merged two ministries. President Hugo Chávez announced last Friday that the ministries of Basic Industries and Intermediate Industries will be merged into a single ministry under the name of Ministry of Industries. The new Ministry will be headed by Ricardo Menendez, current Minister of Intermediate Industries.

New Mission launched. President Hugo Chávez explained that the new *Gran Misión Hijos de Mi Pueblo Venezuela* will benefit pregnant woman and teenagers; boys, girls and teenagers under 18 years of age; and disabled children, regardless of their age, who are living in extreme poverty.

Chávez denies rumors. At the launching of the new Law on Fair Costs and Prices, President Hugo Chávez said on a phone interview that his "*health couldn't be better*" and explained that his "*platelets continue to go up.*" "*I'm better than Magallanes (Venezuelan winter league baseball team). I thank God, science, my love for the people and the medical treatment we followed exactly,*" he added.

A further arbitration claim joins the old ones. Claims arising from expropriations and takeovers of assets are still causing problems to the Republic in international courts. On November 21st, the World Bank's International Center for Settlement of Investment Disputes (ICSID), headquartered in Washington, recorded a new claim against Venezuela brought into by Hortensia Margarita Shortt, a Venezuelan citizen.

This arbitration claim presented by Hortensia Shortt is related to damage suffered by Zulia Towing and Barge Company since 2009. This company provided towing services for oil and petrochemicals tankers' docking and undocking, and lake transportation.

Opposition governors propose leaving 50% of VAT in the states. Governors of Amazonas, Carabobo, Lara, Miranda, Nueva Esparta, Táchira and Zulia, and the Caracas Metropolitan Mayor, met on the occasion of the 4th Summit meeting of Governors, held in San Cristóbal on November 23rd, and informed that they will send an official letter to the President proposing the creation of the Law on Regional Public Finance.

The eight governors agree that at least 50% of Value Added Tax (VAT) revenues, which would account for about VEB 43.0 billion, should be earmarked for states for them to depend not only on funds from the Constitutional revenue sharing.

Strategic alliance with China is based on respect, equality and development. Venezuela's Foreign Minister, Nicolás Maduro, recently said that the strategic alliance with China is based "*on deeply rooted values of respect, equality and joint*



development.” At the opening of the 10th Venezuela-China Mixed High-Level Commission, Maduro underscored that bonds created in different areas with China over the past twelve years have allowed the country to make significant progress; therefore, Maduro ratified that Caracas will stay “*on the road of this strategic alliance, today and forever.*”

Venezuela and China signed nine agreements. The Government of Venezuela and China recently closed the 10th meeting of the Mixed High-Level Commission with the signing of nine new cooperation agreements in the areas of petroleum, energy, technology, industry and agriculture. The newly signed agreements include a framework agreement between Venezuelan entities, the Development Bank of China and CNPC (China National Petroleum Corporation) to deepen joint development of strategic cooperation between both nations and promote financial cooperation for the implementation of large projects at national scale.

Venezuela has signed antidrug cooperation agreements with 38 countries. The Bolivarian Government has signed antidrug cooperation agreements with 38 countries, the Minister for the Interior and Justice (MIJ) Tarek El Aissami, reported on Wednesday. “*Our Government has signed new agreements with Italy, Syria, the Dominican Republic, and Gambia, for a total of 52 agreements with 38 countries,*” El Aissami informed at the opening of the 36th Plenary Meeting and the 18th Meeting of the Ministerial Council of the Caribbean Financial Action Task Force, held in Margarita Island, Nueva Esparta State.

This allows the Venezuelan Government to secure the chair of the Caribbean Financial Action Task Force, which Venezuela assumed last week at the 36th Meeting of the group, held in Margarita, Nueva Esparta, State, Minister Tarek El Aissami reported.

Opposition candidates will hold two further debates. Opposition presidential pre-candidates will hold two further debates, on December 4th, 2011, and February 5th, 2012. The debates will start at 9 o'clock in the evening, will last two hours and will be broadcasted by Venevisión TV channel. Venevisión's sources confirmed that the six pre-candidates that will take part in February primary election, Diego Arria, Henrique Capriles Radonski, Pablo Pérez, María Corina Machado, Leopoldo López and Pablo Medina, have accepted to participate in the exchange of views.

The Administration signs agreements with three Colombian companies. President Hugo Chávez informed that the trade agreement that will replace the agreement between Venezuela and Colombia within the framework of the Andean Community of Nations (CAN) is almost ready, on the occasion of President José Manuel Santos' visit in Venezuela.



CELAC aims at joining 33 nations. Two additional summits (Petrocaribe and Unasur) will be held simultaneously with the CELAC summit meeting, President Chávez announced. The proposal is intended to create an organization of Latin American countries which would exclude the US and Canada.

Legislatives Tips

Reform of Law against Corruption broadens its radius of action. The reform of the Law against Corruption, passed on Wednesday, November 23rd by the National Assembly's Finance Control Commission, broadens its radius of action to include former public servants. Article 2 of the reform provides for that *"Those who are occupying or have occupied permanent or temporary, remunerated or non-remunerated public posts, either elected by the people's vote or by virtue of appointment, designation or contract (...) are subject to this Law."* The legal text, which was discussed at the AN's plenary session on November 22nd, classifies cooperatives, savings funds and community councils as public servants.

AN passed draft law on the rational use of energy. The National Assembly, at its plenary session, approved the draft law on the Rational and Efficient Use of Energy, which contains specific provisions for public entities to implement plans and mechanisms intended to rationalize the use of electric power. The AN president, Fernando Soto Rojas, pointed out that the draft law will be submitted to the President for him to sign it into law. Luis Acuña, president of the AN's Commission on Energy and Petroleum, presented the draft law and announced the results of the people's consultation process that took place in 20 states and Caracas.

The legal text approved has 38 articles and six interim provisions. The draft law delegates to the Ministry of Electric Energy the power to dictate general guidelines and policies on the rational and efficient use of energy, in a maximum period of six months, once the law is published in the Official Gazette.

Consultation on the Law against organized Crime has begun. The AN started on November 21st the public consultation process on the draft reform of the Organic Law against Organized Crime and Financing of Terrorism. Consultations will take place at the National Assembly and are to be led by Elvis Amoroso, representative by the Partido Socialista Único de Venezuela (PSUV). Representatives from the ministries of the Interior and Justice and Defense, from the Attorney General's Office, the



Supreme Tribunal of Justice and different law enforcement entities will participate in the consultation process.

The 78 articles of this reform that was unanimously approved in its first discussion at the AN on October 27th provide for increasing years of sentence for drug trafficking, money laundering and financing of electoral campaigns with moneys obtained from drug trafficking. Likewise, penalties for crimes against humanity, terrorism and the financing thereof are also established.

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ECONOMIC OVERVIEW

