

## What Does an Adjustment Program Need to be Successful?

Throughout her history, Venezuela, like any other country, has had periods of economic plenty and periods of crisis. In economic theory, these periods are known as economic cycles and, while each one has its own special characteristics, it is true that different kinds of corrective measures have been applied to solve the distortions that caused them.

For that reason, and in view of the fact that in our outlook report for the first quarter (Venezuela: The recession is structural) we defined the crisis based on the way its particular characteristics developed, in this report we wish, by taking a brief look at Venezuela's economic history, to comment on the conditions that need to be met in order for any adjustment program to be successful in solving the many imbalances that currently exist.

### History gives us our best lesson

During the 1980s, although certain adjustment measures were implemented, they cannot be considered a complete program. They sought to solve the external, fiscal, monetary and financial distortions that arose during the Luis Herrera Campins and Jaime Lusinchi administrations. However, inflation was not the basic problem in any of these cases.

The adjustment processes implemented in 1989 and 1996 were richer and more comprehensive than their predecessors, to the point where they were considered economic stabilization adjustment plans. They included controlling inflation as one of their main objectives as well as macroeconomic corrections and crucial economic reforms. Controlling inflation was the core element of the 1996 in particular.

The objectives of each of these programs were different; however, they also had points in common. The fact is that the economic environment in Venezuela had been deteriorating since the 1970s, when the country received unexpected earnings as a result of the sudden increase in the price of oil, which went from US\$3.5 a barrel

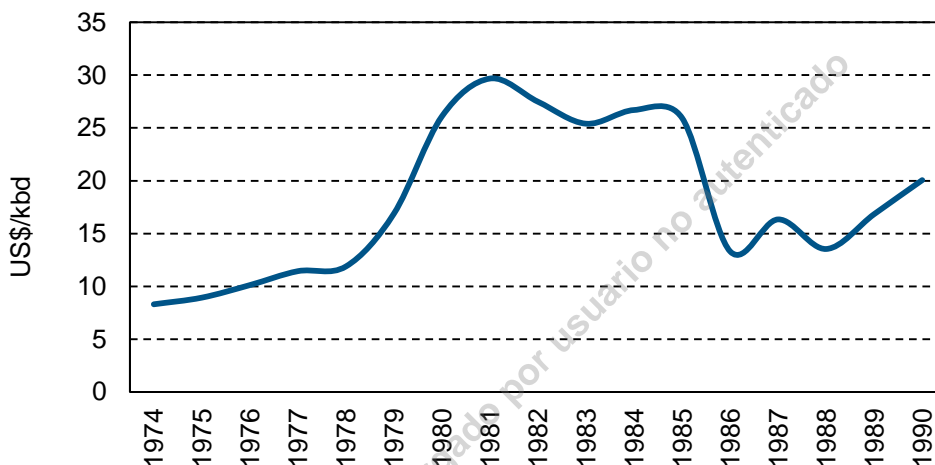
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(bl.) in 1972 to US\$8.3/bl. in 1974 and then remained stable at around US\$13.0/bl. during the 1980s.

### Venezuelan Oil Basket Price



Source: MENPET and Ecoanalítica

For Venezuela, this represented as much as five times the average revenues that it had been receiving for its oil exports, and as the State is the main beneficiary of the oil business, fiscal earnings expanded on a par with the hydrocarbons market. As a consequence, this generated an expansion in public investment of a magnitude that the country had never seen.

Moreover, the level of savings started to drop substantially and Venezuela was forced to resort to external financing in order to maintain investment levels. This resulted in a drop on the current account to the point where it posted a deficit equivalent to 8.0% of GDP in 1978. These problems multiplied during the period 1980-1988, when GDP posted average annual growth of 0.6% and there was volatility and instability in the oil market, high inflationary pressures, heavy capital flight, and extremely unfavorable external debt servicing conditions.

During 1984 and 1985, corrective fiscal and external measures were taken. However, fiscal expansion via a marked increase in public spending and a wide range of subsidies brought greater distortions as a consequence and, at the end of 1988, the country was faced with a foreign exchange spread between the official and parallel exchange rates of more than 180.0%, a deficit on the balance of payments of US\$4.67 billion, international reserves at minimal levels, a public sector

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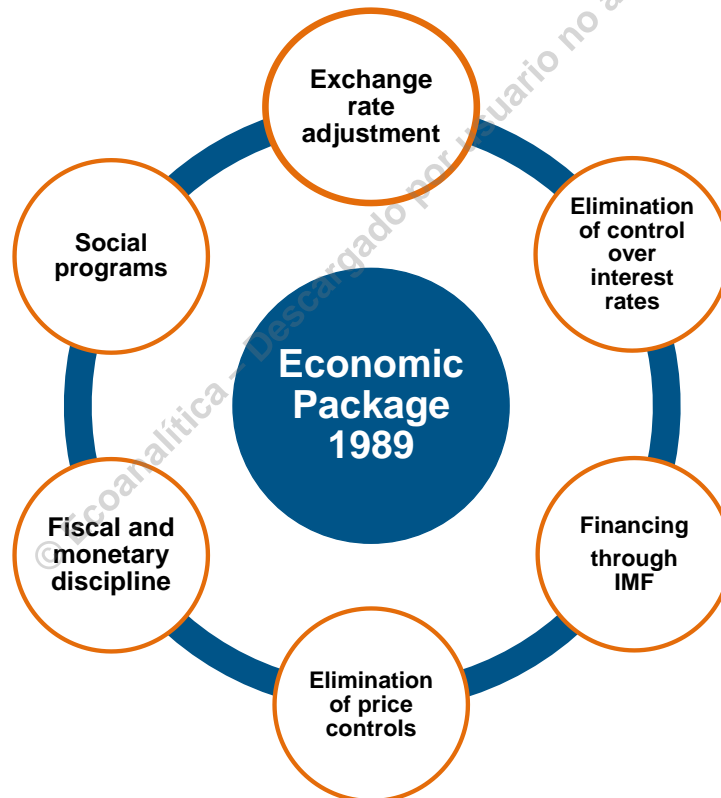
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with a deficit equivalent to 7.8% of GDP, inflation of 29.5% as a result of multiple price controls, and financial disintermediation owing to negative real interest rates, among other ills.

### The 1989-1992 “Economic Package”

In 1989, President Carlos Andrés Pérez decided to implement the first stabilization and economic reform program with a view to solving the imbalances mentioned above. The most relevant points of this plan were:



In addition, an announcement was made of the economic reforms, whose main objective was to stabilize prices and achieve sustained growth in a free-market economy. To that end, the government set about opening up the economy by restructuring and reducing imports, taking measures in the public sector with the tax reform, privatizing state-owned industries and substantially improving their operational efficiency, and rescheduling the public debt to reduce external debt servicing.

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The intention of the authorities on that occasion was to implement a drastic initial adjustment that would manage to correct the imbalances and eliminate the distortions that had built up, while setting aside the subsequent steps that needed to be adopted efficiently in order to achieve stabilization over the long term.

As was to be expected, the adjustments achieved clear results in the economy during the first year they were implemented. Unification of the exchange rates implied devaluing the bolivar by more than 150.0% and this, together with the adjustments in the system of price controls, caused inflation to shoot up to 84.4% in 1989 –the highest it had ever been in Venezuela- and the economy to contract by 8.3% of GDP. In compensation, they managed to balance the external and central government accounts.

After a traumatic initial adjustment came a period of stabilization (1990-1992) during which the economy made solid progress: average rates of growth in GDP of 7.5%, average inflation of 35.5%, continuing on a downward trend, a surplus on the balance of payments as a result of a bigger accumulation of reserves, and attraction of foreign investment averaging US\$1.50 billion a year. However, these achievements were thanks to the rise in oil prices as a consequence of the tensions in the Persian Gulf provoked by Iraq's invasion of Kuwait.

When the additional revenues generated by the tensions disappeared, it was very difficult to cut back the expansion in public spending and, therefore, a bigger budget gap was generated, causing social discontent that culminated in the departure of President Pérez.

Upon analyzing why the program failed to achieve its objectives, there are several points that come to the fore. On the political front, the adjustments put before Congress to counteract the effect of the drop in oil prices did not even have the support of the President's own party. On the social front, the program was extremely harsh for the population without the implementation of compensatory measures to cushion the loss of purchasing power caused by high inflation. In the area of communications, the plan caught people unawares as they were not clearly informed of the impact the measures would have and the benefits that they could eventually obtain in the medium term. And as for credibility, Pérez was associated with the populism of his previous term in office (1974-1979) and, consequently, was not perceived as an agent that would generate a sustainable change in the economic model.

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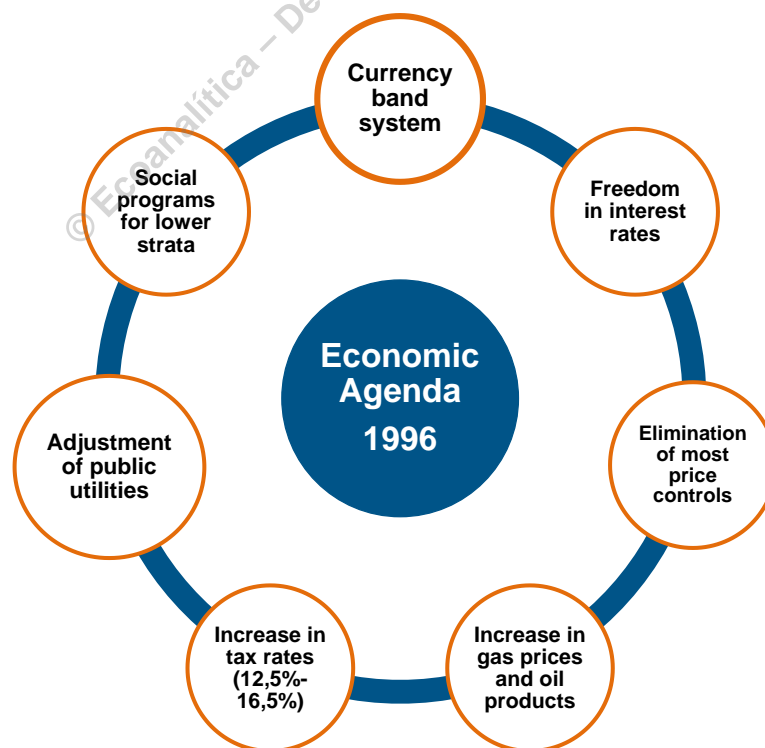
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## The 1996 “Economic Agenda”

Rafael Caldera was elected president for the term 1994-1999 and was seen as an opponent of the program presented by Pérez. However, in January 1994, just before Caldera took office, the government took control of Banco Latino, and in doing so triggered the financial crisis. As a consequence, and in an attempt to solve the crisis, new controls were implemented.

The policy of price controls soon lost its effect and in 1995 Venezuela closed the year with an economy in a very poor state: high inflation, an even sharper drop in the international reserves, distortions in the foreign exchange market, a deficit on the public sector accounts, increased unemployment, a loss of purchasing power, and limitations for obtaining external financing, among other things.

Faced with this situation, the government had no option but to change direction in its economic policies, and in 1996 President Caldera announced what was known as the “Economic Agenda,” which had the support of the International Monetary Fund (IMF), the World Bank, and the Inter-American Development Bank (IDB).



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Unlike the 1989 program, the new plan encountered a climate of political and social stability. In view of how serious the deterioration of the economy was, the majority of organizations representing different sectors of the economy supported and even pressured Caldera into intervening. On this matter, the country was united in the search for a change in economic policy.

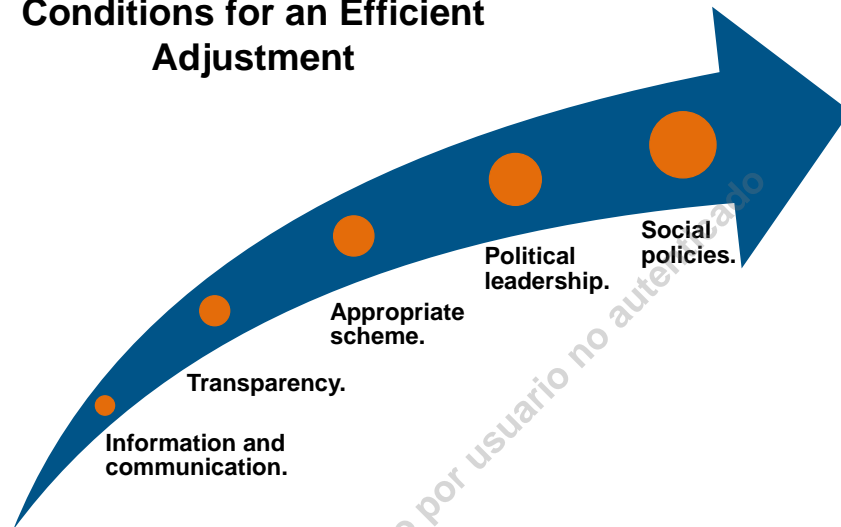
The results of implementing the program were satisfactory in some areas, particularly with regard to the external sector accounts where imports were cut by 15.6% and oil exports increased by nearly 24.0%. On the side of economic activity, the decline of the nonoil sector clearly improved to 3.6%, whereas the oil sector grew by 5.0%, giving an overall contraction in GDP of 1.6%. As for prices, inflation went from 8.0% a month to 3.0% in December 1996. The exchange rate was devalued and the floating exchange rate remained stable.

### **2016: an adjustment that is desired, but under what conditions?**

Next year Venezuela will face a situation where an adjustment program that will solve the many imbalances will need to be implemented as a matter of urgency. But as we have seen, given the nature of the local economic and social environment and the outcomes of the “Economic Package” and the “Economic Agenda,” even if we have the best economic adjustment program, one that is coherent and comprehensive from the economic point of view, the proposed objectives will not necessarily be achieved when it is implemented.

Faced with this situation, the question that comes to mind is: What does a stabilization program need in order to be successful and so that it can improve the economic conditions in a country? Evidence suggests that there are five to be specific.

## Conditions for an Efficient Adjustment



Information and communication through the public entities that guarantee the regular publication of the national data. The institution's transparency is crucial; it will allow the successful implementation of the chosen scheme. However, it must come with a strong political leadership that understands the country's reality and can execute, in addition of a set of diverse economic measures, a social program focused on compensate the lower levels of our country.

Unfortunately, in the current context, these conditions are not present, as long as the distortions prevail, the costs involving an adjustment program and the difficulties around its execution will grow. Time is the key.

**Carlos Alvarez**

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## WEEKLY INDICATORS

Weekly Economic Indicators			
	3rd Week November	Weekly var. (pp)	Annual var. (pp)
Lending Interest Rate (%)	20.9	-0.5	2.2
	4th Week November	Weekly var. (pp)	Annual var. (pp)
Overnight Interest Rate (%)	2.0	0.8	1.5
	4th Week November	Weekly var. (%)	Annual var. (%)
International Reserves (Bn US\$)	14.83	-0.9	-32.7
	4th Week November	Weekly var. (%)	Annual var. (%)*
Central Government Spending (VEF Bn)	111.4	64.8	81.1
	3rd Week November	Weekly var. (%)	Annual var. (%)
Monetary Liquidity (VEF Bn)	3,605	1.5	99.8
Price of International Oil Baskets (US\$/bl)			
	4th Week November	Weekly var. (%)	Annual var. (%)
WTI	42.5	4.0	-45.3
Brent	45.5	2.9	-41.5
Price of the Venezuelan oil basket (US\$/bl)			
	4th Week November	Weekly var. (%)	Annual var. (%)
Weekly Average	34.9	-4.2	-48.7
Annual Average	46.1	-0.6	-49.7

Source: BCV, MENPET, ONT and Ecoanalítica

\* Annual variation of accumulated expenditure.

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## CHART OF THE WEEK: “2016: WILL THE SAME STORY REPEAT ITSELF?”

### Sources of external financing of the deficit projected for 2016


 US\$5.0 billion China  
 US\$2.5 billion Gold Swap  
 US\$1.8 billion Extrabudgetary resources

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**Total: US\$9.3 billion**

 US\$14.8 billion Hard Currency Deficit

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**Difference: US\$5.5 billion**

In 2015, the 47.8% drop in oil prices generated an estimated US\$24.59 billion deficit in the nation's foreign currency revenues, which meant that the Executive had to resort to borrowing and liquidating assets to close that gap. As a result, during the course of this year the following operations amounting to US\$17.68 billion were performed: a gold swap for US\$1.5 billion; a new loan of US\$10.0 billion from China; a credit operation via Citgo for US\$2.50 billion; and early payment of accounts receivable from the Dominican Republic and Jamaica amounting to US\$3.68 billion.

As we can see, thanks to different far from orthodox financial operations, Venezuela managed to cover a large part of the 2015 deficit. However, now that 2016 is almost here, the question is whether the Executive will be able to close the gap next year. Although Venezuela's estimated deficit for 2016 comes to US\$14.83 billion, at **Ecoanalítica** we consider that the government has a margin of maneuver that could allow it to repeat the formula used in 2015 and continue to put off dealing with the situation. For that reason, we estimate that, with an oil barrel price of US\$52.2, the country's revenues will come to US\$38.96 billion.

Although we expect a slight increase in foreign currency revenues in 2016 due to a small estimated increase in crude prices, at **Ecoanalítica** we do not see that the foreign currency revenues will be sufficient to cover the deficit. For that reason, it is to be expected that, once again, there will be a cutback in one of the items. The obvious question is which item will the government decide to adjust?

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## ECONOMIC TIPS

**Tax collection for September.** According to the figures released by the National Integrated Service for Tax Administration (Seniat), VEF 119.52 billion were collected in taxes for the month of October. Of this amount, VEF 18.91 billion came from Income Tax, and VEF 65.28 billion from the VAT.

Concepts (VEF Million)	Oct-14	Oct-15	Var. (%)	Real Var.	Accum. 2014	Accum. 2015	Nominal Var.	Real Var.
<b>Total Income</b>	48,507	119,521	146.4%	-9.9%	314,041	752,828	139.7%	1.7%
<b>Income Tax</b>	9,310	18,918	103.2%	-25.7%	89,637	171,508	91.3%	-18.8%
<b>VAT (Internal)</b>	22,463	65,265	190.5%	6.2%	146,727	355,867	142.5%	2.9%
<b>Customs revenue*</b>	13,113	19,019	45.0%	-47.0%	54,983	149,558	172.0%	15.4%
<b>Other Internal Revenue</b>	2,887	15,669	442.8%	98.5%	19,345	69,456	259.0%	52.4%
Spirits	845	5,962	605.6%	158.0%	4,456	23,016	416.5%	119.2%
Cigarettes	2,887	15,669	442.8%	98.5%	19,345	69,456	259.0%	52.4%
Inheritance	78	310	299.1%	45.9%	745	1,736	132.9%	-1.1%
Random games or bets	15	26	67.1%	-38.9%	114	159	40.3%	-40.5%
<b>Others</b>	735	650	-11.6%	-67.7%	3,350	6,439	92.2%	-18.4%

Sources: Seniat and Ecoanalítica

\* Includes VAT on imports

**In real terms.** Total revenue in October of this year compared with the same period last year decrease by 9.9%. The VAT increased 2.9% in real terms, while customs revenues increased 15.4%. Meanwhile, income tax revenues decreased 18.8 in real terms over the same period of 2014.

**Sharing out the funds.** Since China approved US\$5.0 billion for Venezuela, several trust funds have been signed, as follows: Great Venezuelan Housing Mission, US\$2.00 billion; for the purchase of taxis, private vehicles and transport vehicles, US\$1.00 billion; modernization of the CANTV/Movilnet networks, US\$300 million; and agro-industrial inputs, US\$600 million. That gives a total of US\$3.90 billion.

**Funds for the campaigns.** The remainder (US\$1.10 billion) has still not been allocated and little information has been given regarding the funds allocated to Petróleos de Venezuela S.A. (PDVSA). A look at the beneficiaries of these trust funds shows that they have provided significant support for the government coalition's election campaign.

**The positive impact of the yuan.** Since in recent times China has been the biggest source of funds for the nation (loans, trust funds, and so on), the inclusion of the yuan (CYN) in the IMF's basket of reserve currencies could be expressed as an increase in Venezuela's international reserves in the short to medium term.

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**Less unemployment?** Minister for Planning Ricardo Menéndez announced that, despite the “economic war” the country is facing, Venezuela posted lower unemployment figures between September and October 2015. He explained that the unemployment rate is currently 6.7%, considerably lower than in 1999, when it was 15.3%. The National Statistics Institute (INE) has not published official figures, however.

**Supporting unification.** Bank of America’s economist for the Andean Region, Francisco Rodríguez, said that abandoning the system of controls and gradually moving towards a unification of the exchange rates is one of the adjustments the government could make to deal with the distortions that are threatening the Venezuelan economy. He also pointed out that the adjustment should be accompanied by a policy of subsidies to protect the most vulnerable sectors of society.

## OIL TIPS

**It’s up, a bit.** Last week the Venezuelan oil basket averaged US\$34.9/bl., for an increase of US\$0.5/bl. compared to the previous week. The Ministry of Oil and Mining highlighted that *“the average weekly prices recovered in a market that focused its attention on the increase in tensions in the Middle East, the weakening of the dollar against other currencies, and expectations of an increase in the demand for gasoline in the United States.”*

**Qatar and Venezuela fine-tune agreements.** President Nicolás Maduro met with the Emir of Qatar, Sheikh Tamim Bin Hamad Al Thani, at Miraflores Palace during an official visit to strengthen relations of cooperation between the two countries. During the meeting the heads of state discussed the importance of strengthening the association between The Organization of the Petroleum Exporting Countries (OPEC) and the Forum of Gas Exporting Countries in order to promote fair crude and gas prices.

**Iran tries seduction.** Iran has unveiled the new Iranian Oil Contract (IOC), a legal document designed and officially presented as a weapon of seduction to attract multi-million dollar investments to the country. In the absence of technical details of the new law, which are to be explained at specific meetings, the biggest news is the possibility being offered to foreign investors to form joint ventures with Iranian companies.

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**Iran opens its doors.** Iran has offered some 50 oil and gas projects to be developed by foreign investors with local partners and hopes to attract US\$25.0 billion in investment initially. Iran needs western oil companies to help it modernize its old oil fields and develop new oil and gas projects, and the new oil contracts are part of its campaign to attract western investors.

**Everything's under control.** After rumors last week of tankers moored off the coasts of Curacao owing to lack of payment, PDVSA's vice president of refining, commerce and supply, Jesús Luongo, said that the state-owned oil company guaranteed that operations at its wharves and terminals were completely normal and that *"everything is being conducted normally, in common agreement with our suppliers."*

**Looking for perfection.** Luongo also commented that PDVSA is purchasing an average of 48,000 barrels of light petroleum a month to feed Isla Refinery on Curacao. In that way, domestic light crudes that are used as diluents to meet the increase in production in the Orinoco Oil Belt can be freed up. The state-owned oil company's director reiterated that tests are being carried out with crudes from different suppliers to determine which ones are optimum in terms of quality and yield for the refining process.

**Oil equipment has arrived in the country.** A total of 854 tons of oil equipment arrived at Bolivariana de Puertos Guanta for Puerto La Cruz Refinery's Deep Conversion Project. The shipment, which comes from Korea, consists of 47 extra-heavy parts and is the heaviest ever to put in at this port terminal.

**Price of gasoline drops to its lowest since 2009.** As a consequence of the drop in oil prices, the price of gasoline in the United States fell to near its lowest point since 2009. Given this situation, the possibility exists that the global demand for gasoline will recover, which could drive up crude prices.

**Seeing is believing.** While Saudi Arabia proposed the possibility of cooperating with OPEC members and outsiders to seek to balance markets and prices, analysts have pointed out that the underlying factor of the possible about turn in its energy policy could be linked to the reduction in its oil revenues due to the drop in crude prices.

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**BUSINESS SECTOR TIPS**

**More inaccessible by the day.** The Basic Family Basket (BFB) went up to VEF 110,116.4 in October and cost VEF 12,824.6 (13.2%) more than in September, according to the Documentation and Social Analysis Center of the Venezuelan Teachers' Federation (CENDAS-FVM). The report by CENDAS-FMV states that the basket has gone up by 314.3% or VEF 83,540.4 so far this year.

**Challenging overview.** The Venezuelan productive engine has suffered an 80.0% contraction as, a consequence of the erratic economic decisions through 2015, controls, and a deep currency scarcity according to Francisco Martinez, Fedecamaras President. *"It is required the controls elimination that are destroying the profitability and efficiency inside the country's companies, Stop the pursue towards the private sector and put to rest this criminalization process"*

**Production in a nosedive.** According to Conindustria's president, Juan Pablo Olalquiaga, the manufacturing sector reported that the volume of raw materials to which it had access during the third quarter of the year (2Q2015) fell by 42.09% compared to the same quarter in 2014. *"The economy is functioning amidst arbitrary actions and improvisations, which has created a lot of difficulties,"* said Olalquiaga.

**Gray days.** According to the president of Consecomercio, Cipriana Ramos, economic guarantees are being violated in Venezuela as a consequence of the government's policy. *"Without fear of getting it wrong, 2015 is the worst year for commerce in Venezuela's history,"* stressed Ramos. She also said that the controls had reached unprecedented extremes: the closing down of businesses by the authorities on a daily basis.

**Controls out of control.** Vice President Jorge Arreaza announced that the government is to inspect and sanction companies and individuals that *"offer products at speculative prices, evade taxes or sell regulated products"* on webpages. He said that businessmen who engage in e-commerce had undertaken to withdraw their offers of regulated articles.

**The illusion has gone up in smoke.** Táchira Poultry Farmers Association (Avitach) announced that the subsidy that had been offered so that they could produce a carton of eggs to retail at VEF 420 is to be reduced. *"The governor (José Vielma Mora) has promised us a subsidy of VEF 280 and that payment of the subsidy will*

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*be made immediately upon presentation of the invoices to a state agency, here,”* confirmed the president of Avitach, Rafael Moreno.

**An expensive Christmas.** The sales of *pan de jamón* (bread filled with ham) are down compared to last year, while the price has gone up to an average of about VEF 1,800. Bakers say that in 2014 they made between 30 and 40 loaves a day because demand was high, but that at the moment they are offering a maximum of 10 loaves a day due to the high cost of the ingredients used in their preparation.

**No demand.** The president of the Real Estate Chamber of Venezuela, Carlos González, said that the price of housing has fallen by 10.0% due to the scant demand. *“There’s been a drop in prices owing to problems with financing and the level of poverty of buyers. Besides, at one point owners wanted to sell in dollars at the parallel market rate,”* explained González.

**Health emergency.** Judith León, the president of the Federation of Bio-analysts of Venezuela (Fecobiove), has warned that clinical laboratories have only 15 days’ supply of reagents due to the lack of foreign currency. León said that inventories of reagents at state-owned laboratories are “practically at zero.” The shortages of the reagents for diagnosing the human immunodeficiency virus (HIV) are particularly acute.

**Reaffirming treaties.** Venezuela took part in the Fifth Multilateral Business Forum organized by the Common Market of the South (MERCOSUR). At the forum, Venezuela reaffirmed a number of treaties and agreements signed previously with some of the bloc’s member countries and also called for the creation of more sustainable conditions for the development of commercial activities by the different business sectors involved.

## WORLD ECONOMY TIPS

**The yuan gets accepted.** IMF has announced that it is to add the renminbi/yuan (CNY) to its basket of reserve currencies as it complies with the rule of being a “freely usable” currency. With this decision, the yuan has managed to join a global economic system that has been dominated for decades by the United States, Europe, and Japan.

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**So what does it look like now?** The following table shows the new composition of the IMF's basket of reserve currencies:

Currencies Basket	Weights Before CNY	Weights After CNY
US\$	41.9%	41.7%
GBP	11.3%	8.1%
JPY	9.4%	8.3%
EUR	37.4%	30.9%
CNY	0.0%	10.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: FMI and Ecoanalítica

**A greener world.** The last week of November saw the opening of the Paris Climate Conference, COP21, a United Nations initiative that aims to fight climate change and seek a "greener" world. 195 countries are taking part in the conference, which makes reaching a consensus extremely difficult. The event is to last two weeks and approximately 45,000 people, including presidents and ministers, are expected to attend.

**The bone of contention.** The biggest difference to emerge at the conference COP21 is that the countries that have still not overcome poverty claim that they are entitled to continue to burn fossil fuels and coal until they do and that, therefore, they are not prepared to reduce their CO<sub>2</sub> quotas. Another issue is who is going to pay for the transition to renewable energies in countries that are still unable to afford it.

**Drop in bond offers.** It is expected that, when the US Federal Reserve (FED) starts to raise interest rates, the net emission of tradable liabilities and US bonds will drop by 26.0% next year, according to estimates by intermediaries that are authorized to perform open market operations with the FED. The new offer, which is to be for around US\$433.0 billion, will be the lowest since 2008.

**Not such a festive Black Friday.** The performance of the shares of the big chain stores in the United States Best Buy and Wal-Mart showed that Black Friday (the event that marks the start of Christmas shopping in the United States) failed to raise big expectations. According to the experts, this was due to the fact that the famous discounts did not attract the attention of consumers.

**Down again.** According to the consumer confidence indicator developed by the German consulting firm GFK, consumer confidence in Germany was 9.3 points in November after posting 9.4 points in October, for a difference of 0.1 of a point. This

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is the sixth month running that the index has slipped. According to the survey, the drop in confidence is due to concerns over the labor market (the survey was conducted before the attacks in Paris).

**Not even the British have escaped.** According to the United Kingdom's Office for National Statistics, the UK's gross domestic product (GDP) grew by 0.5% in the third quarter of 2015 (3Q2015) after posting growth of 0.7% in the second quarter (2Q2015). According to a poll by Reuters, the markets are classifying this growth as extremely poor, which reflects the worldwide deceleration of the economy led by emerging markets such as China.

**Japan still with low prices.** Japan's consumer price index (IPC) contracted for the third month running and household spending fell to minimal levels in October, revealing the fragile state of the economy and putting pressure on the authorities to adopt new measures to boost growth. In October the IPC fell by 0.1% year-on-year and this behavior is expected to continue in the coming months.

**Industry didn't do so badly.** Data from Japan's Ministry of Economy, Trade and Industry indicate that industrial production was up by 1.4% (y/y) in October, a difference of 0.3 of a percentage point compared to September (1.1%). October is the second month running that this indicator has posted growth, which could be a sign of a gradual recovery of manufacturing activity and a good omen for the economy's capacity for recovering from a recession.

**Things are getting tense.** After Turkey shot down an aircraft belonging to the Russian fleet, Russia decided to ban the importing of certain agricultural products, fruit and vegetables from Turkey and said that it could extend the sanctions if necessary. According to the Russian Government, the restriction on imports will reduce inflationary pressures on food items.

**Fighting inflation.** In an official communiqué Banco de la República de Colombia (Banrep) announced an increase in its interest rate of 0.25 of a percentage point to 5.50%. With this increase, Banrep seeks to bring down annual inflation, which is currently at 5.9%, to 3.0%. However, the bank added that this inflation target may not be achieved or could be revised depending on different economic scenarios.

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**POLITICAL TIPS**

**The die is cast.** Tibisay Lucena, a director of the National Electoral Council (CNE), claimed that *“100% of the technological election equipment has been taken to the country’s regions.”* Lucena explained that 94,873 technicians and operators are to provide their services for these national elections. *“We have an enormous contingent that is performing electoral functions,”* commented the director.

**A decisive trend.** According to Venebarómetro’s November opinion poll, 52.2% of those who said they were definitely going to vote on December 6 stated that they would vote for Democratic Unity Alliance candidates and only 31.8% stated that they would vote for government coalition candidates, which gives a difference of 20.4 percentage points in favor of the opposition.

**Beyond all bounds.** Luis Manuel Díaz, the secretary general of *Acción Democrática* (AD) in Guárico state, was murdered in Altigracia de Orituco when a campaign event in which Lilian Tintori, the wife of opposition leader Leopoldo López also took part, was drawing to a close. The news of his murder was announced by the secretary of AD and candidate to the National Assembly, Henry Ramos Allup.

**International community is outraged.** The secretary general of the Organization of American States (OAS), Luis Almagro, considered that the intention behind the assassination of an opposition leader during a campaign event was to frighten the opposition. *“What happened is not an isolated incident, but one that has occurred along with other attacks against political leaders of the opposition,”* said Almagro.

**Trying to cover up.** President Nicolás Maduro claimed that the murder of Luis Díaz, a leader of the opposition, was due to an alleged settling of scores between members of rival gangs. *“Yesterday evening there was a lamentable incident in Guárico. Investigations were started and the minister for homeland affairs (Gustavo González) already has elements that point to a contract killing prompted by a settling of scores between rival gangs,”* said Maduro.

**Limited observation.** The electoral mission sent by the Union of South American Nations (UNASUR) for the parliamentary elections reported that it had verified that there was *“verbal aggression”* but no risks of a coup d’état. *“Apart from statements that can be very heated, we have not seen the possibility of the democratic order being disrupted in Venezuela,”* stated the mission’s general coordinator, the Bolivian José Luis Exeni.

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**Still harping on the “evil empire.”** Ombudsman Tareck William Saab said that he had observed “*an atypical international campaign that seeks to put pressure on the Electoral Branch to please internal political factors that have nothing to do with national politics.*” He also claimed that Venezuela “*has not received reciprocity in terms of the respect it is due as a sovereign country.*”

**Proposing amnesty.** A group of Democratic Unity Alliance candidates for Caracas, Miranda, Apure, Cojedes, Falcón, and Trujillo have undertaken to “*fight for the freedom of the political prisoners.*” Richard Blanco, a candidate for Caracas, said that, on January 5 (when the new National Assembly is inducted), they would promote an amnesty and national reconciliation law.

**Electoral harassment.** Juan Gómez, a leader of the employees’ union at Corporación Venezolana de Guayana, said that middle and senior managers are being pressured to get 10 signatures of voters for the United Socialist Party of Venezuela (PSUV). “*Eighty percent of the personnel working at the basic industry companies don’t get involved in politics and are low-profile opposition,*” said Gómez.

**Changing where they vote.** Some 121,999 voters in Zulia state have been relocated by the National Electoral Council (CNE), 40,708 of them as a result of the CNE closing down 32 polling stations owing to “*deficiencies in the structures.*” *Liceo Baralt*, one of Maracaibo’s most emblematic polling stations, was among those that were closed, causing alarm among the 4,500 voters who exercise their right to vote there and who found out about the change only a few days before the elections.

## LEGISLATIVE TIPS

**Pensioners collect the second part.** On Tuesday, December 1, Social Security pensioners were paid the second part of the end-of-year bonus, which is equivalent to VEF 9,648, calculated based on the new minimum wage, thus complying with the instructions published in *Gaceta Oficial* N°. 2091, according to which the first part, equivalent to two months’ pension, was to be paid on November 15 and the second, one month’s pension, on December 1.

**Heavy cargo vehicles banned from roads.** According to a ban issued in *Gaceta Oficial* N° 40,798, cargo vehicles with a gross weight of more than 3,500 kg may not use the roads anywhere in the country between 6:00 a.m. and 6:00 p.m. from

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Saturday December 5 to Monday, December 7. The ban also applies to armored trucks or vans used to transport valuables.

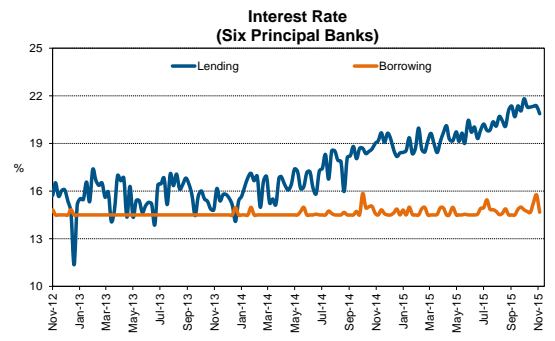
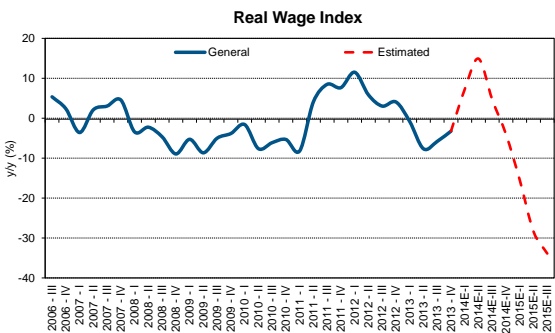
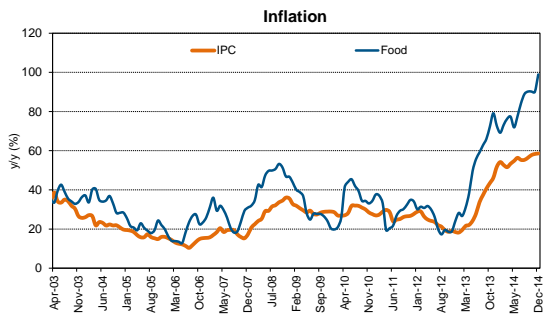
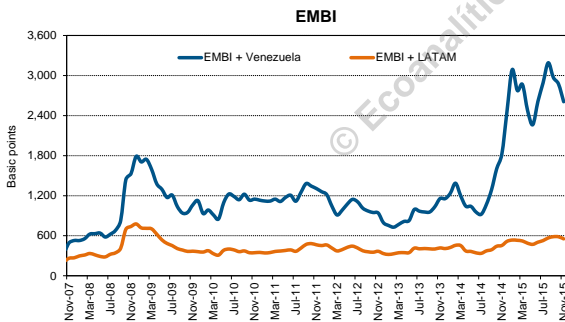
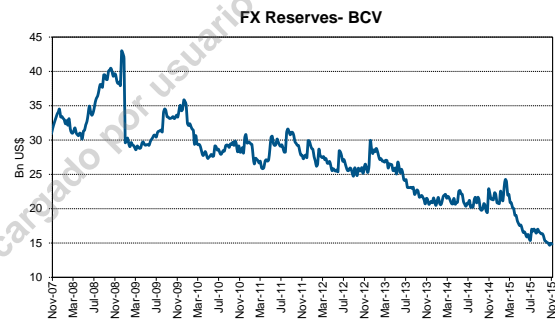
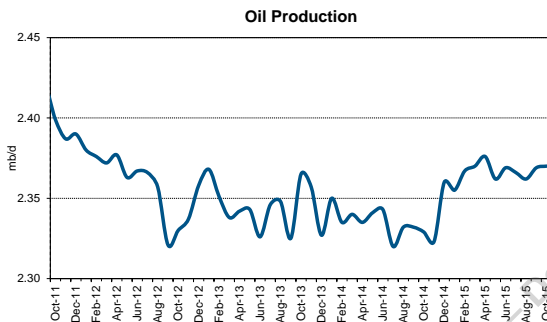
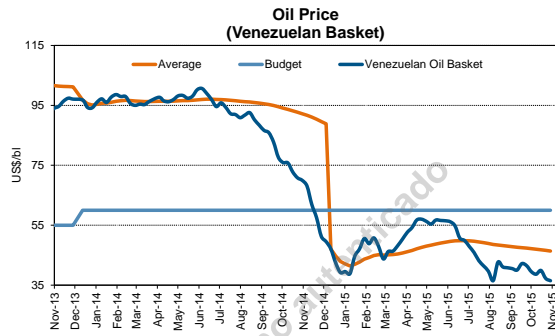
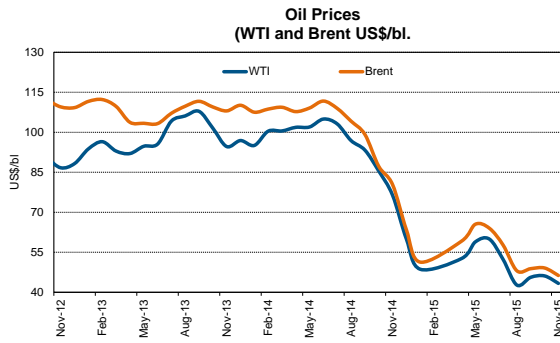
**Some exceptions.** The ban does not apply to trucks transporting potable water, perishable and nonperishable food, short-life medicines, medical inputs, agricultural produce, domestic gas, construction materials for the Great Venezuelan Housing Mission, domestic garbage, fuel for service stations, chemical fertilizers, newspapers and packages containing items for agricultural use.

**Weapons permits suspended.** According to *Gaceta Oficial* N° 40,798, permits to carry weapons are to be suspended from December 4 to December 7, as well as the sale of alcoholic beverages. The joint resolution issued by the Ministry for Homeland Affairs and the Ministry of Defense also bans mass meetings of any kind and the sale of fireworks. All these measures are being taken in connection with the parliamentary elections to be held on December 6.

**Minimum number of solidary insurance policies made official.** A directive has been published in *Gaceta Oficial* N° 40,799 that establishes the minimum number of solidary insurance policies that insurance companies must issue each year. The directive states that the insurable population consists of retirees, pensioners, senior citizens, persons with a disability, persons with physical and/or mental illnesses, and persons whose monthly income does not exceed the equivalent of 25 tax units.

**They've finally been approved.** The 2016 budget and indebtedness bills were debated and approved on Tuesday, December 1, at an ordinary session of the National Assembly after the members of the Finance and Development Committee met and approved the bills, with the dissenting vote of the opposition.

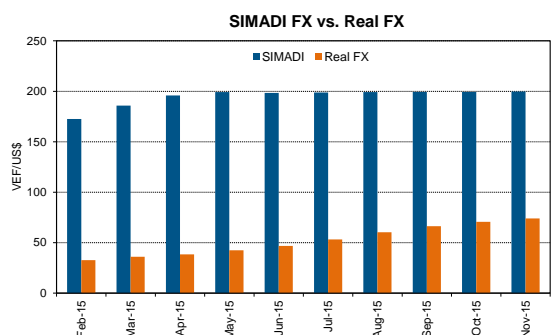
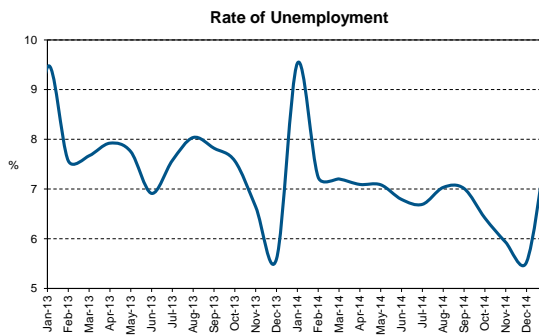
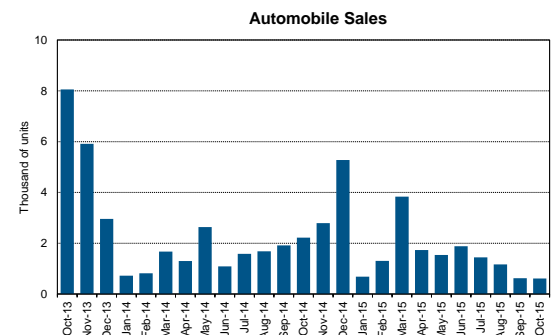
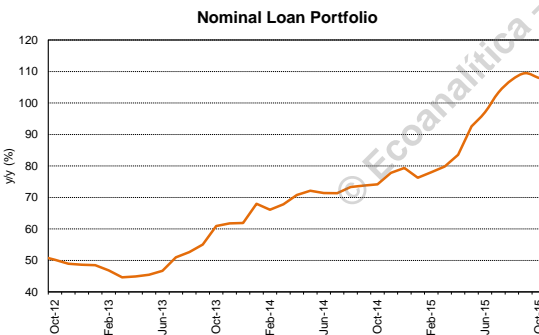
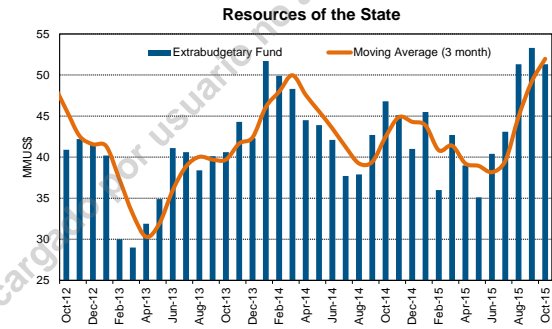
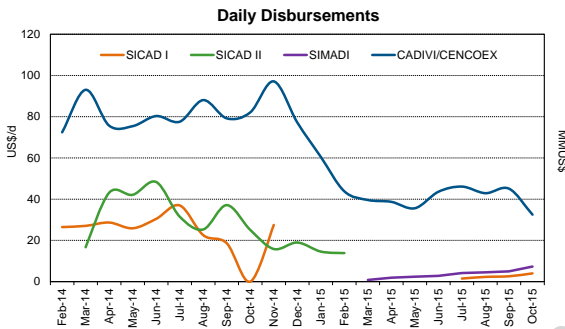
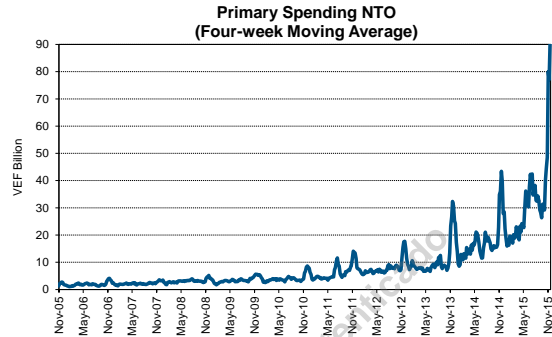
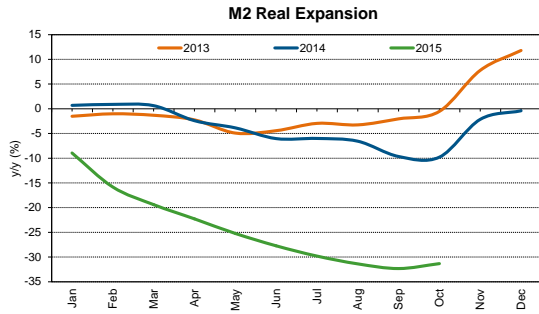
**ECONOMIC OVERVIEW**



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