

## The case of Venezuela: Do economic crises generate political changes?

That economic crises play a role in changes in the political regime cannot be denied. Several experts in the matter have concluded that economic instability can either cause an existing democracy to degenerate or set society on the path to democracy. However, while that idea is generally accepted, empirical work focuses on the comparative analysis of specific cases, and there are still a large number of questions that require answers. Among the cases that have been studied are those of Brazil in the 1960s, Indonesia in 1998, and Argentina in 2001. While these events have bad management of the economy resulting in high inflation, low real salaries, increased poverty, and poor economic performance in common, the researchers do not manage to provide an explanation for the explicit relationship and the extent of relationship between economic crises and political changes or to determine whether there are other variables that affect the process.

Venezuela is a case in point. As explained earlier, while it is difficult to blame the economic crisis for the end of the political system that reigned in Venezuela between 1958 and 1998, the development of the economic variable and its role in the rise and fall of the regime was considerable

### Venezuela 1958-1998: from glory to ruin

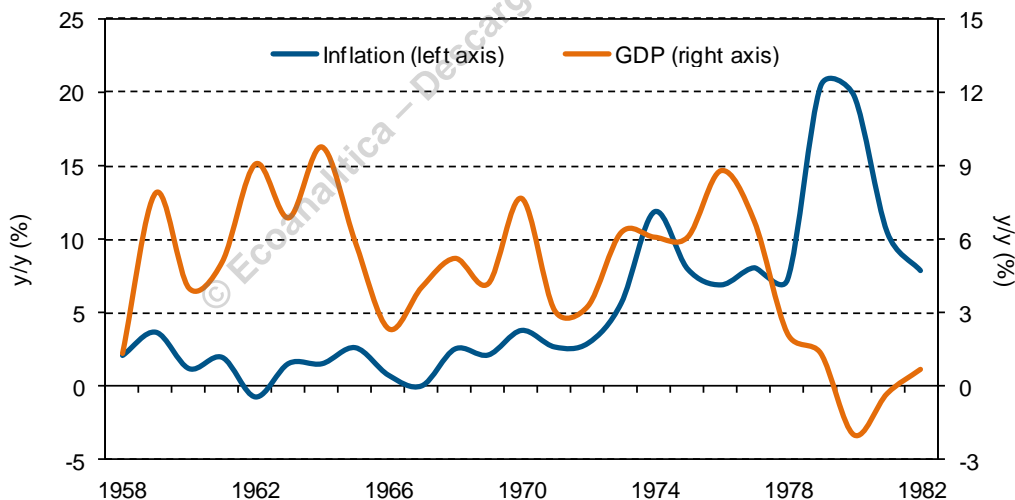
Between 1958 and 1998, the Venezuelan political system was based on representative democracy or, as Juan Carlos Rey put it, “a populist system of conciliation by elites.” The political stability that our country enjoyed at the start of this period was an example for the rest of the world, and the economic growth resulting from oil revenue made us one of the most important countries on the American Continent. While military dictatorships ruled in neighboring countries, in Venezuela, alternation of political power, free elections, and the conciliation of interests of different sectors of society through dialog were the norm. *Acción Democrática* and COPEI dominated the political scene; a two-party system with informal rules for sharing out power and where election results were respected. The rentier model was another of the system’s key features, with

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reliance on revenues from the oil industry, which at the start of the period in question was in the hands of foreign companies. Political stability resulted in positive macroeconomic figures: economic growth (5.5% between 1985 and 1978), a fixed exchange rate at VEB 4.30/US\$, and acceptable levels of inflation (3.6% between 1985 and 1978).

The system reached its zenith in the 1970s when crude prices skyrocketed (from US\$3.0/bl to US\$12.0/bl), and, paradoxically, it was during this decade that the bases for the crisis and decline of that same system were laid. With extraordinarily high revenues, the Carlos Andrés Pérez administration started a process of passing major industries over to the hands of the State, among them the oil industry and mining. Strong populist policies were common during that period, with exorbitant subsidies and spending on infrastructure. The foreign debt started to grow, going from US\$2.22 billion in 1975 to US\$38.30 billion in 1983. Even though this was a decade of huge revenues, inflation averaged 8.8% and GDP grew by 4.5% on average.

### Inflation Vs. GDP



Sources: BCV and Ecoanalítica

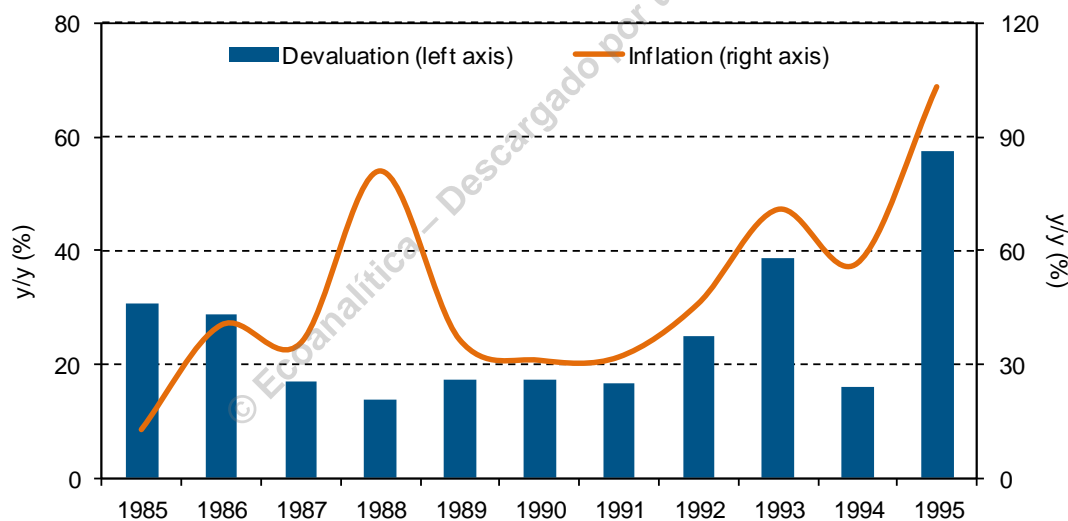
This decade also saw the start of the political decline. The political parties, the spearhead of Venezuelan democracy, started to degenerate into corporate structures that generated clientelism, nepotism, and string-pulling and that demanded loyalty as a requirement for taking part. The cutting of ties between the parties' grassroots and their leaderships was evident. Corruption started to make an appearance and "string-pulling" became commonplace in public sector-private sector relations.

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## Explosion of the economic model and onset of the political crisis

On February 18, 1983, during the Luis Herrera Campins administration, the country's economic stability received its first coup: Black Friday. Faced with low crude prices and the country's heavy reliance on oil, the massive debt incurred by the State and growing capital flight, the government devalued the bolivar and created a system of different exchange rates, all strictly controlled, to generate confidence in the local currency and in the economy. So it was that the Differential Foreign Exchange Regime –known as RECADI- was born with two fixed exchange rates -VEB 4.3/US\$ and VEB 6.0/US\$- for priority sectors and a free exchange rate. On the heels of the exchange controls came serious cases of corruption and a growing perception that the government was inept when it came to generating well-being and economic stability.

### Official Devaluation Vs. Inflation



Sources: BCV and Ecoanalítica

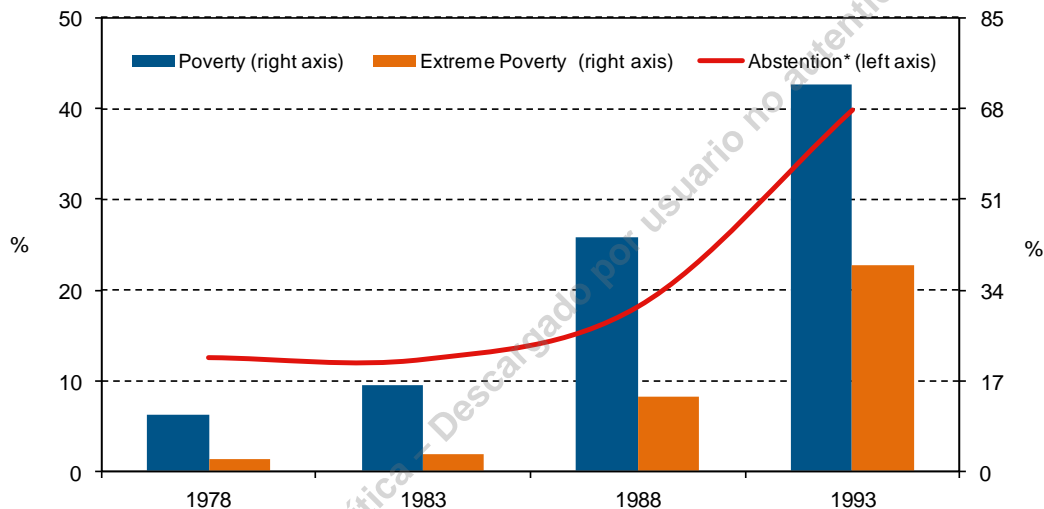
## End of the system

Venezuela put its hopes in Carlos Andrés Pérez, giving him a second opportunity at the helm (1989-1993), recalling the good old days of the economic bonanza. One of the objectives of this new administration was to get rid of the controls and to return to the path of growth by means of major adjustments to measures taken by previous administrations that had caused distortions. But only a few days after his swearing in, a tragic event, that started in Guarenas and spread throughout Caracas and the rest of the country, rocked the nation: the *Caracazo*. After that social uprising there were two

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attempted coups d'état in 1992 that were the most powerful proof of society's resistance to the ruling political system. It is worth noting the reactions of support and/or approval from different personalities and sectors of the population to those events, among them those of Rafael Caldera, soon to become president and at that time a member of Congress, with his famous words "*the people cannot be asked to defend democracy when they are going hungry.*"

### Electoral Abstention vs. Poverty



Sources: BCV, CNE and Ecoanalítica  
\* Presidential elections

The growing abstention was further proof of society's dissatisfaction with the way the country was being run. While at the start of the period 1958-1998 abstention was nearly 3.0%, at the end of that period it had multiplied tenfold, indicating a lack of legitimacy in the electoral process as a means of channeling demands and, by extension, in the political regime. Many writers have painstakingly analyzed the high level of abstention in the first regional elections (nearly 50.0%), considering it unusual given that they were a new space for democratic participation. But the mortal blow that marked the end of the system was Rafael Caldera's victory with the party *Convergencia*, when he defeated the two-party system for the first time. The popularity of the author of the failed February coup d'état, the recently released Hugo Chávez, was the decisive factor for the advent of a new political regime that marked its commencement in 1998 with his resounding victory at elections where the traditional parties of the old system were relegated in favor of new structures of a rising system.

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## Does such a relationship really exist?

The inability to fight poverty, which resulted in it growing from 36.0% to 46.0% between 1984 and 1988 and going as high as 68% in 1991 (whereas extreme poverty reached 32.0% in 1991), plus the deterioration of the social indicators such as infant mortality (22.7 for every thousand live births in 1988 to 2.25 in 1990) and infant malnutrition (36% of children between the ages of 7 and 14), revealed the weaknesses of the political system when it came to solving the problems of the population and, at the same time, prompted the population to put their hopes in new leaders offering promises of change and structural reforms and with anti-system slogans.

In the light of this case, then, a relationship does exist between economic performance and the stability of the political system. It is evident that the population's dissatisfaction at the deterioration in the quality of life resulted in the blame being laid on those in government at that time. Poor economic indicators resulted in a lack of legitimacy in the system, which was to later evolve into growing support for structures and methods that were not traditional in the existing political scenario that were proof of the population's rejection of the regime of the day and that ended up undermining and eradicating it.

The present situation in Venezuela cannot escape this analysis. With high levels of inflation and shortages, a deep recession, and insufficient wages, it is not absurd to think that this performance could affect the political regime. In fact at Ecoanalítica we consider that, with the Executive opting for sowing chaos, the risk of social and political tension is high.

What is more, with an apathetic economy where public spending seems to have ceased to have an impact on growth and on the President's levels of popularity, it looks as though the economic policies are insufficient to meet the needs and solve both the economic and the social problems. In an election year, a bad economic situation could have repercussions for the election results; even so, the political change should not be left to the bad economic situation. It is necessary to analyze other existing variables, such as the work the opposition is doing in the run-up to the elections and the fact that the government always seems to have an ace up its sleeve.

Finally, it is important to consider that, as in all the social processes in the course of history, the political transition will be slow.

**Arturo Villegas**  
**Jessica Grisanti**

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## WEEKLY INDICATORS

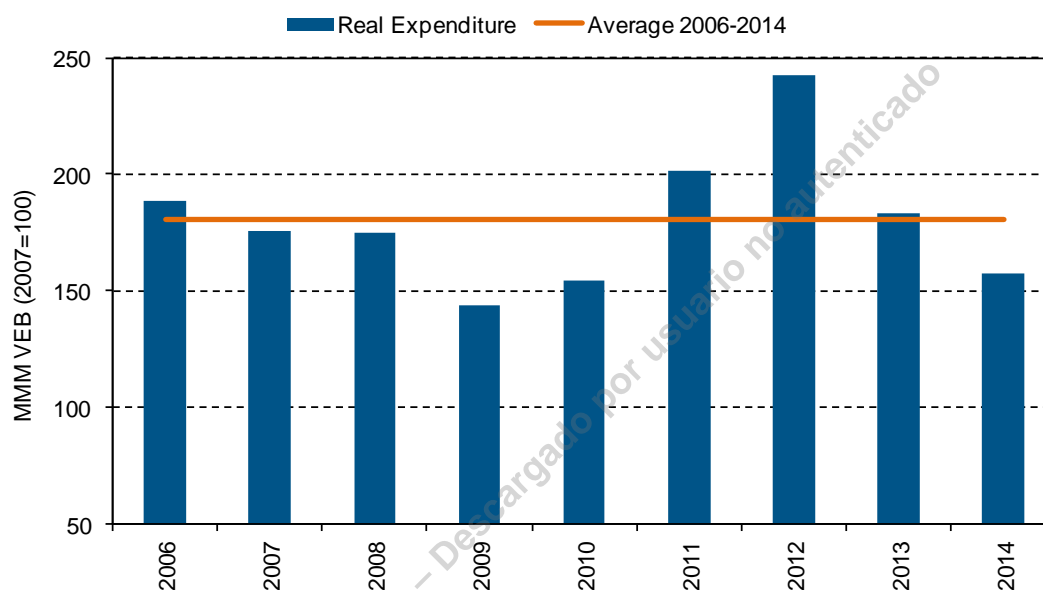
Weekly Economic Indicators			
	3rd week February	Weekly var. (pp)	Annual var. (pp)
Lending interest rate (%)	19.97	1.26	3.03
	3rd week February	Weekly var. (pp)	Annual var. (pp)
Overnight interest rate (%)	0	-0.19	-0.36
	3rd week February	Weekly var. (%)	Annual var. (%)
International reserves (MM US\$)	23,110	9.1	10.0
	3rd week February	Weekly var. (%)	Accum. Var. (%)
Central Government spending (MM VEB)	11,387	-62.8	34.3
	2nd week February	Weekly var. (%)	Annual var. (%)
Monetary liquidity (MMM VEB)	2,063	1.2	61.8
Prices of international oil baskets (US\$/bl)			
	3rd week February	Weekly var. (%)	Annual var. (%)
WTI	52.48	3.1	-48.5
Brent	61.2	7.7	-44.3
Price of the Venezuelan oil basket (US\$/bl)			
	3rd week February	Weekly var. (%)	Annual var. (%)
Weekly average	50.6	7.5	-48.7
Annual average	43.7	2.3	-54.7

Sources: BCV, Menpet, ONT and Ecoanalítica

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## GRAPH OF THE WEEK: "THE ILLUSION OF EXPENDITURE"

### Real Expenditure of the Restricted Public Sector



Sources: Mefbp and Ecoanalítica

## SICAD II

Supply through SICAD II (US\$ MM)						
Month*	Average ER	Daily Supply	Public Sector	(%)	Private Sector	(%)
Mar-14	51.2	55.8	41.4	74.3	14.3	25.7
Apr-14	49.4	43.1	41.2	95.4	2.0	4.6
May-14	50.0	42.1	36.8	87.3	5.3	12.7
Jun-14	50.0	48.3	45.8	94.7	2.6	5.3
Jul-14	50.0	31.5	29.3	92.9	2.2	7.1
Aug-14	50.0	25.3	22.0	86.7	3.4	13.3
Sep-14	50.0	37.1	34.9	93.9	2.2	6.1
Oct-14	50.0	25.1	23.8	94.7	1.3	5.3
Nov-14	50.0	15.8	15.4	97.1	0.5	2.9
Dec-14	50.0	19.0	17.0	89.9	1.9	10.1
Jan-15	51.9	14.6	14.1	96.8	0.5	3.2
Feb-15	52.1	13.8	13.7	98.8	0.2	1.2

Source: Ecoanalítica

\*The supply of Mar-14 was made between 24th and 31st, whereas Feb-15 between 2nd and 10th.

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## ECONOMIC TIPS

**SIMADI commissions.** The Central Bank of Venezuela (BCV) has published the commissions that will be charged on small foreign exchange operations in *Gaceta Oficial* No. 40,604. According to the new regulations, the maximum charge for purchasing dollars in cash through the Marginal Foreign Currency System (SIMADI) will be 3.0%, payable in local currency; no commission will be charged on the sale of dollars in cash via the teller's windows of the foreign exchange operators.

**Customs clearance at the SIMADI rate.** The Main Maiquetía Customs Office has notified courier companies that, for shipments in excess of US\$300, customs clearance duties will be calculated at the SIMADI rate at the time of the transaction and that for shipments with a value of between US\$100 and US\$300 will be calculated at the SICAD rate, which is currently VEB 12.0/US\$. Customs clearance duties are payable on products of all kinds entering the country with a value of more than US\$100.

**Supply of foreign currency for small operations.** On February 19, the BCV allocated a total of US\$4.2 million to the universal banks and bureaux de change to cater to the small operations market. Foreign currency was allocated to 23 foreign exchange operators at this auction. The exchange rate resulting from the auction was VEB 171.6/US\$. With the operation the BCV seeks to cater to the demand that will be generated via the small operations market -i.e. the buying and selling of foreign currency in cash- that was opened with the SIMADI.

**Sundde gives its ok.** Fair Prices Superintendent Andrés Eloy Méndez gave assurances that "*the Fair Prices Superintendency (Sundde) will accept and recognize the products that are imported via SIMADI,*" which implies that all companies that import goods with dollars acquired via SIMADI will be allowed to include the respective exchange rate in their cost accounting.

**The new tax unit.** The National Assembly's (AN) Finance Committee approved an 18.1% increase in the tax unit, from VEB 127 to VEB 150. This increase implies new ceilings for food allowances, VAT exonerations, fines, sanctions, inheritances, donations, registration of title deeds, and revenue stamps, and also for registries, notaries, courts, and other government entities that use the tax unit for calculating their charges.

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**Public spending keeps on going.** Just this week the AN's Finance Committee authorized six new supplementary appropriations to be transferred to different entities for executing a variety of works. The total amount approved by the National Assembly was VEB 634 million. These funds will go to different ministries and mayoralties as public spending, a continuation of the spending performed by the government throughout last year.

## OIL TIPS

**There will be no extraordinary meeting.** The Organization of Petroleum Producing Countries (OPEC) does not plan to call an emergency meeting before its next encounter, set for June, said two of the organization's delegates. Nigeria's Oil Minister Diezani Alison-Madueke said that she would call for an emergency meeting if crude prices fall further. Nigeria is currently the holder of the rotating chair of OPEC.

**The highest reserves.** Last week, the United States (US) reported that its reserves hit their highest since 1930, with 8.0 mb in inventories. In view of this, Daniel Ang, an analyst at Phillip Futures, considers that it is unlikely that there will be a sustained price rally due to the abundant supply of oil.

**Venezuela is not the only place where they go on strike.** The biggest refinery strike in the US in 35 years entered its fourth week on Sunday, February 22, when workers held protests at 12 refineries representing a fifth of US production capacity. The workers are demanding better wages and safety conditions.

**Saudi Arabia is starting to win.** Saudi Arabia's strategy of maintaining its oil production at maximum is now giving signs of having started to have an impact on high-cost fields. At the end of January, there were 1,262 drilling rigs operating fully on land in the US, down from last October's ceiling of 1,551. Drilling wells have been reduced by 28.0% compared to June last year; even so, the quantity of crude pumped contracted less (only 8.0%).

**Nothing is certain.** However, those figures are not sufficient to make precise forecasts as to when prices will make a sustained rally, because the total volume of production is high. Oversupply of oil, according to data from the

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International Energy Agency, is just over 1.5 million barrels a day (mb/d), which means that it will take several months before an average price above US\$60.0/bl is seen again.

**Upturn in prices slows down closure of rigs.** The markets were disappointed by Baker Hughes' weekly report, published on Friday, February 20, which revealed that only 37 rigs had stopped pumping in the US, whereas investors expected the number to be larger. According to Commerzbank analysts, the upturn in prices in recent weeks put a brake on the rate at which rigs were being closed down.

**Up slightly.** During the week February 16–20, the price of the Venezuelan crude basket was US\$50.6/bl, an increase of US\$3.5/bl compared to last week's price. According to the Ministry of Oil and Mining, *"reports of a reduction in the number of oil rigs actively drilling in the US, escalating violence in Libya, and the crisis in Ukraine upheld crude prices this week."*

**Traveling and negotiating.** The future of Petrocaribe was one of the issues discussed at a meeting that President Maduro held in Trinidad & Tobago with Prime Minister Kamla Persad-Bissessar to negotiate energy matters. The drop in crude prices has prompted the government to start to reduce its support for the plan, which could have implications for the countries of the Caribbean that rely to a large extent on this supply of oil.

**Preparing the ground.** The president of the Socialist Bolivarian Workers' Union, Wills Rangel, claimed that the new price of gasoline will serve to minimize the present subsidy. He pointed out that the cost of the subsidy comes to some US\$12.0 billion and that *"workers in the oil sector are clear about how much it costs to produce a liter of gasoline."* Rangel added that *"the State is drawing up a plan"* to avoid the inflationary impact of putting up the price of gasoline.

**Explosion at PDVSA Gas.** Sixteen gas dispatch and distribution units were totally destroyed in an explosion on Friday, February 20, at the PDVSA Gas Comunal filling plant located in Ciudad Guyana. The expansion wave caused damage to nearby infrastructure but no one was hurt. Workers at the PDVSA affiliate have warned about problems with labor and industrial safety that are putting employees, customers, and the surrounding areas at risk.

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## BUSINESS SECTOR TIPS

**Trade with the United States down.** According to the US Census Bureau, trade between Venezuela and the world's first economy came to US\$41.56 billion in 2014, down 8.1% from the US\$45.22 billion traded in 2013. The US Census Bureau stated that the net trade balance between the two nations came to US\$18.88 billion in favor of Venezuela, up 0.06% from 2013, as a result of the reduction in local imports.

**Chicken has sprouted wings.** Administrative Directive N°. 37 issued this year by the National Superintendency for the Defense of Socio-economic Rights (Sundde) has officially increased the maximum price of whole chicken and the different chicken cuts. Whole chicken will now be sold at VEB 65.0/kg; boneless chicken breast at VEB 185.9/kg; and chicken thigh with the bone at VEB 80.9/kg, for increases of 51.0% compared to the prices set nine months ago.

**And beef as well.** In the same administrative directive, Sundde also increased the price of beef on the hoof to VEB 65.0/kg, the price paid to wholesalers to VEB 124.9/kg, and the prices of prime beef cuts to VEB 220.0/kg and of second quality beef cuts to VEB 165.0/kg. The increases are in the region of 140.0% compared to the prices set by government agencies nearly 19 months ago.

**Below costs.** Carlos Albornoz, the president of the National Cattleman's Federation of Venezuela (FEDENAGA), claimed that Sundde's decision to increase the price of beef by 144.0% and of chicken by nearly 50.0% was taken without considering the opinion of producers. *"They didn't listen to us or take our cost structures into account. It continues to be below our expenses. In no way do these measures provide an incentive for domestic production,"* added Albornoz.

**Nothing much to sell.** In these first two months of 2015, not one international airline ticket has been sold, said Sandra González, the vice president of the Venezuelan Travel and Tourism Agencies Association. According to González, the foreign airlines operating in Venezuela have not opened the inventory of available seats. This situation is having an impact on the sector, which, according to the association, generates 15,000 direct jobs and 250,000 indirect jobs.

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**The state-owned substitute steps in.** Conviasa has announced that it will gradually increase the supply of seats on the Madrid and Buenos Aires routes with a view to covering the high demand for those destinations. The president of the state-owned airline, José Pereira, explained that the measure is being taken thanks to the incorporation of the modern Airbus 330-343 with capacity to seat 365 passengers and with which it is hoped to boost receptive tourism from Europe.

**Now the Chinese Fund is good for everything.** Minister for Land Transport and Public Works Haiman El Troudi announced that US\$400 million had been approved to bring in raw materials using resources from the Chinese Fund. The Land Transport Minister explained that tire manufacturers will receive more than US\$284 million “*to import raw materials from China and work at 100.0%.*” and that the manufacturers of Duncan, Titan, and Fundición del Centro batteries will receive more than US\$40 million

**Fingerprint identification machines to fight smuggling.** Major General José Morantes, the chief of Táchira Integral Strategic Zone (ZODI), announced that they are waiting for the fingerprint identification machines in Táchira state in order to start using them in establishments selling food and that priority will be given to the metropolitan and border municipalities, the idea being to prevent people from smuggling basic basket products over the border into Colombia.

**Supermarkets and pharmacies to have fingerprint identification machines.** Fair Prices Superintendent Andrés Eloy Méndez said that his office had started to hold meetings with the National Association of Supermarkets and Self-service Markets and with pharmacy chains to define strategies for installing 25,000 fingerprint identification machines that have already arrived in the country and that will be programmed to control sales.

## WORLD ECONOMY TIPS

**Not so fast.** US Federal Reserve (FED) policymakers expressed their concern that a decision to raise interest rates too soon could pour cold water on the country’s economic recovery and conveyed their fears over the impact of dropping the word “patient” from their monetary policy communiqué. The

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FED estimates that June would be the appropriate month to start raising the rate for federal funds, according to its policymakers.

**France in deflation.** According to data from France's national statistics office (INSEE), prices in France posted a negative variation for the first time since 2009. France's consumer price index fell by 1.1% in January, which gives a rate of inflation year-on-year of -0.4%. The last time annual inflation was negative was in October 2009, when it was -0.2%.

**Russia.** Moody's downgraded its credit rating for Russia to Ba1, the first step in the "junk" grade, from Baa3, the last step in the investment grade, and said that it forecasts the Russian economy will experience a profound recession this year. Moody's explained that it took this decision due to the intensification of the conflict with Ukraine, the drop in oil prices, and the continuing weakening of the ruble and erosion of capital reserves.

**Greece belongs to the Eurozone.** French President François Hollande maintained that Greece "will remain in the Eurozone," saying that he knew of no scenario that currently implied its departure from the Eurozone. According to Hollande, Greece should honor its commitments, but its partners in the monetary bloc should also bear in mind the elections that put the anti-austerity parties in office.

**Greece on the point of departure.** According to *Der Spiegel*, the European Central Bank (ECB) is apparently preparing for the possible departure of Greece from the Eurozone and its technical staff is drawing up contingency plans on how to maintain the rest of the monetary bloc intact. The journal also reported that the ECB is pressuring Athens to apply controls on movements of capital.

**People are nervous.** The investment bank JP Morgan claimed that nearly EUR 3.0 billion in deposits were withdrawn from Greek banks last week, a 50.0% increase in the rate of weekly withdrawals. This has reduced the time within which Greek banks could be left without guarantees for fresh loans to eight weeks. According to JP Morgan, total deposit withdrawals from Greek banks so far this year come to EUR 25.0 billion.

**Goodbye to the crisis?** The finance ministers of the Eurozone announced an agreement with Greece in which they granted a four-month extension to Greece's bailout program, which was to expire at the end of February. In

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exchange, Greece has apparently agreed to announce a series of economic reforms, which will be evaluated by the community of international creditors. The Greek Government was running the risk of being left without funds if it did not reach an agreement with its creditors.

**No more austerity and no less.** The Greek Government sent a list of measures to the European Union and the International Monetary Fund for their approval and that constitute an undertaking to extend its bailout plan. Athens has undertaken to consolidate pension funds to achieve savings and to eliminate incentives for early retirement, to review and control public spending in “*all spheres*”, and to make sure that the total government payroll bill does not increase.

**The recession is even being felt in Panama.** Trade activity in Colón Free Trade Zone (ZLC), Latin America’s biggest free trade zone located on Panama’s Caribbean coast, posted a drop of 12.3% in 2014 due to the economic situation in Venezuela and the customs duties imposed by Colombia, according to official sources.

**BRICS are to have their own bank.** The Russian parliament ratified the creation of the development bank that the BRICS group of countries (Brazil, Russia, India, China, and South Africa) is to found and that is expected to start operating this year. The bank will be one of the main multilateral development banks and its main objective will be to provide financing for infrastructure projects in the countries making up the BRICS group and other developing countries.

## POLITICAL TIPS

**59% approve.** The president of the pollster Hinterlaces, Óscar Schemel, claimed that 59.0% of Venezuelans said they were in agreement with putting up the price of gasoline, according to a poll conducted by Hinterlaces. The latest opinion poll conducted by the company between January 29 and February 15 this year, using a sample of 1,200 people, indicates that 63.0% of Venezuelans support the government’s measure of keeping the VEB 6.30/US\$ preferential exchange rate.

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**“Plan Jericho” deactivated.** Last week the government announced that it had deactivated an alleged coup d’état that went under the name of “Plan Jericho,” in which several members of the opposition were involved, along with a number of air force officers, some of whom have already been arrested. The people named by the president of the AN, Diosdado Cabello, and the mayor of Libertador Municipality, Jorge Rodríguez, as the intellectual authors of the plan are opposition Deputy Julio Borges and Caracas Metropolitan Mayor Antonio Ledezma.

**Ledezma behind bars.** Caracas Metropolitan Mayor Antonio Ledezma was arrested on Thursday, February 19, for allegedly taking part in a conspiracy to overthrow President Nicolás Maduro. The Public Prosecutor’s Office announced that Ledezma had been charged will allegedly committing the crimes of “*conspiracy and association (to commit a crime)*” on the grounds of his alleged involvement in “*conspiracy plans.*”

**His defense counsel appeals the charges.** The team of lawyers counseling jailed Caracas Metropolitan Mayor Antonio Ledezma is to appeal the charges made against him of conspiracy and association to commit a crime in connection with an alleged conspiracy plan. The charges are based on the declaration of an alleged military prisoner who, according to PSUV spokespersons, had implicated Ledezma.

**No more untouchables.** During a government event President Nicolás Maduro gave assurance that there would be no more “coupism” and “untouchables” in Venezuela and that there was going to be justice, “period.” *“In Venezuela there are no untouchables, you hear. The untouchables are finished. There’s going to be justice; and there’s going to be justice, period. It’s the end of ‘coupism’; it’s over. And anyone who wants to take the shortcut will find here the fist of the people, the iron fist,”* said Maduro.

**“We’re going to act with a firm hand.”** President Maduro said that, cost what it may, he was not going to “*accept any more conspiracies against democracy and against the people,*” referring to the alleged attempted coup d’état. He explained that the opposition had hoped to generate a situation of “*major disturbances*” in January, but when they saw that their efforts had failed, they were forced to “*activate a coup plan to generate death, suffering, and justify the US’s plan to intervene the Fatherland of Bolívar,*” he claimed.

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**Distracting people's attention.** US Department of State spokesperson Jen Psaki said in a communiqué that the US Government condemned the arrest of Caracas Metropolitan Mayor Antonio Ledezma. She also stated that “*these actions appear to be a clear attempt by the Venezuelan government to divert attention from the country's economic and political challenges,*” and that “*Venezuela's problems cannot be solved by criminalizing legitimate, democratic dissent.*”

**They spoke out in Spain as well.** Euro Deputy for the Spanish leftwing party Podemos Tania González criticized the arrests of mayors and commented that any lawsuit brought against a person in public office should be conducted with “*the utmost transparency,*” referring to the arrest of Antonio Ledezma. “*We don't like it when mayors are arrested, when persons in public office are arrested in any country, anywhere in the world,*” said González.

**Borges in the crosshairs.** The chairman of the NA's Permanent Defense and Security Committee, William Fariñas, requested to lift the parliamentary immunity of *Primero Justicia* Deputy Julio Borges, as he considered that there were sufficient elements to demonstrate his “transgressive” behavior against the peace of the Republic given his alleged involvement in a plan to carry out a coup d'état.

**Call to investigate the case of dead youths.** There have been five deaths of young people in the last few days in Mérida, Táchira, and in the city of Caracas. Spokesman for the Student Movement and president of the *Universidad Central de Venezuela's* Student Union, Hasler Iglesias, demanded that the Public Prosecutor's Office conduct a thorough investigation into these deaths. Iglesias said it is a matter of urgency for Venezuelans to know who are responsible for these deaths that, according to him, have plunged the country into mourning and have filled it with “*pain and anger.*”

**An erratic government.** The secretary of *Acción Democrática*, Henry Ramos Allup, described the government's repressive actions against the opposition as “erratic.” He also pointed out that coups d'état are carried out by the armed forces, who are the ones who have the weapons, and that, if this government has control of the military, it should not be worried about the possibility of an anti-constitutional solution to the situation. “*The intrigue doesn't matter; the differences inside the Democratic Unity Alliance don't*

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*matter because were not a flock of sheep (...) these 27 political parties are going to achieve unity and the perfect alliance,” he claimed referring to the parliamentary elections.*

## LEGISLATIVE TIPS

**An amendment is needed.** Consecomercio’s president for customs matters, Cipriana Ramos, said that the amended Master Customs Act has many legal gaps and restrictive and punitive measures that threaten customs activity in Venezuela and that, therefore, it should be amended again, taking into account the country’s customs workers. The Master Customs Act has 23 articles that make provision for 79 sanctions, the most detrimental being the suspension and recall of the customs administration auxiliaries.

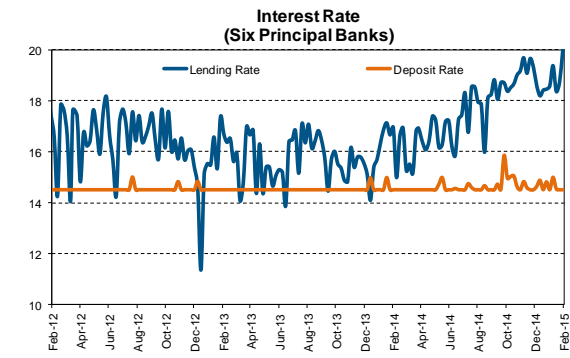
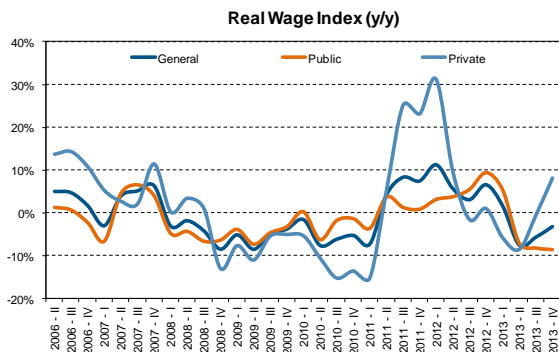
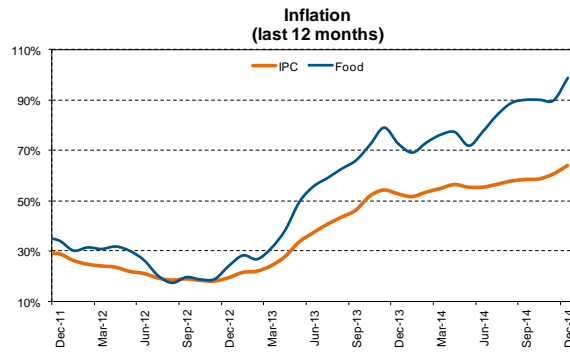
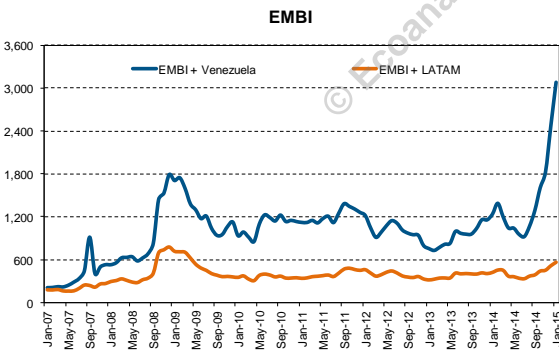
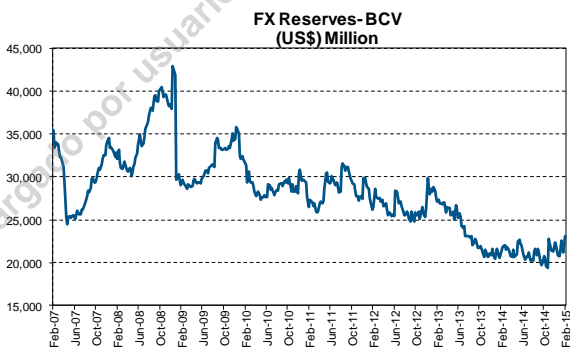
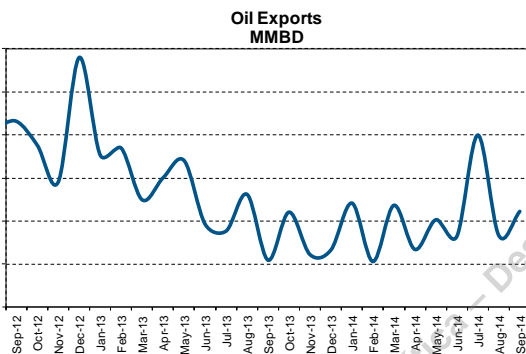
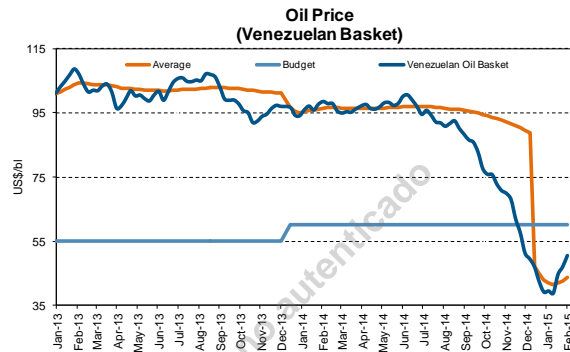
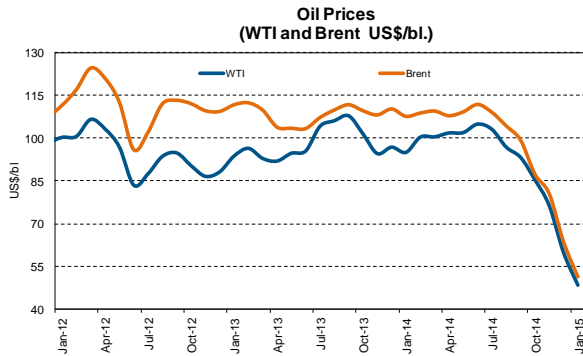
**INE has a new president.** Raúl Pacheco Salazar was appointed as the president of the National Statistics Institute (INE) via a presidential decree published in *Gaceta Oficial* N°. 40,604. Pacheco was vice minister for productive management at the Ministry for Industries and replaces Elías Eljuri, who was president of the INE since 2003.

**New charges.** The National Contracting Service (SNC) has set new charges for its services applicable to private individuals and companies. In the case of the National Contractors Register (RNC), charges for the qualification of private individuals and for updating their data go from 12 to 25 tax units; and for providing these services to cooperatives and “socio-productive” organizations, the charges will be between 5 and 12 tax units.

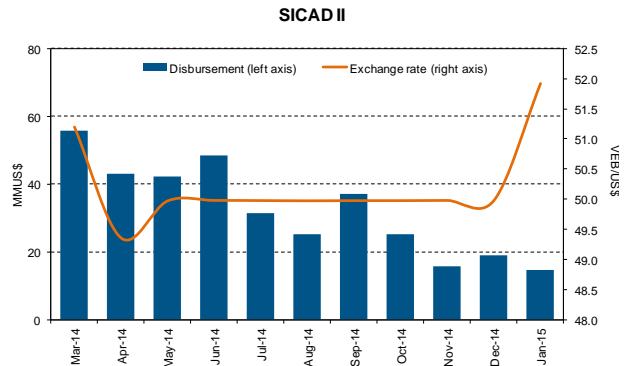
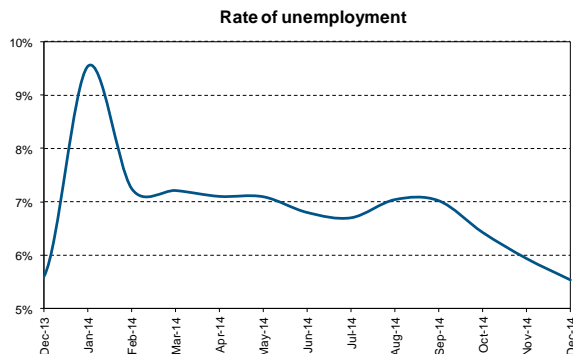
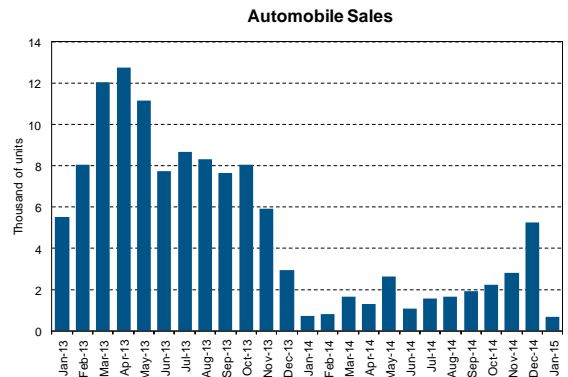
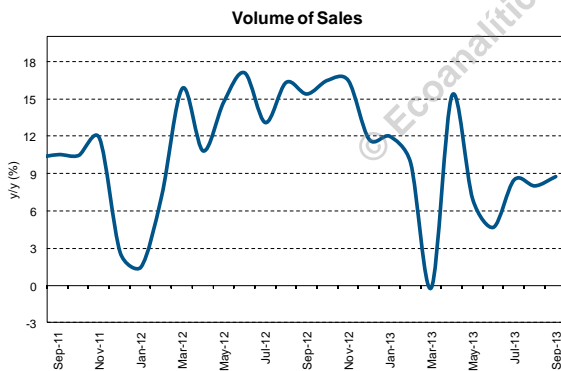
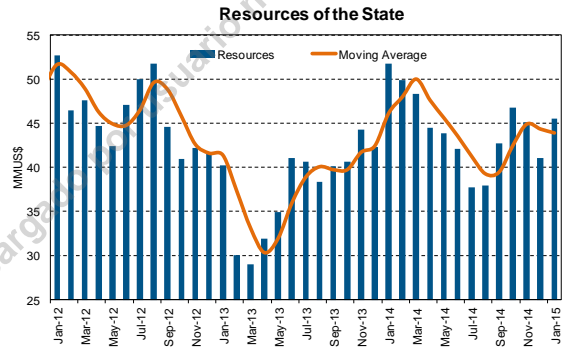
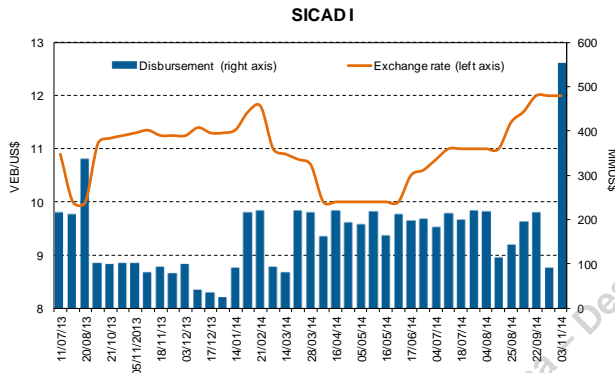
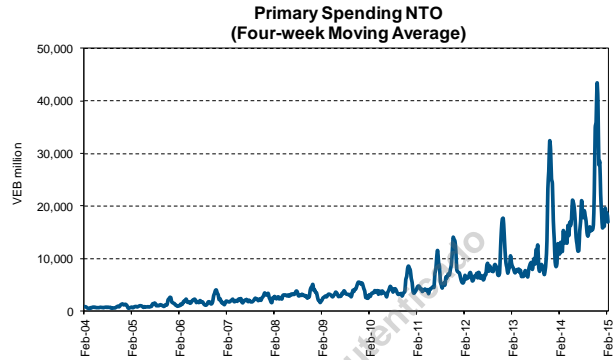
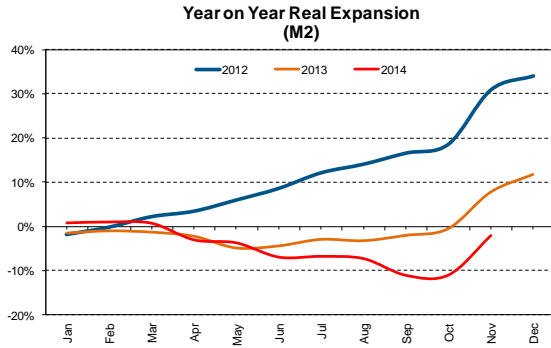
**Eliminate it now!** The Autonomous Employment, Wages and Labor Union Defense Front (Fadess) has requested the Supreme Tribunal of Justice to annul the amendment to the Income Tax Law on the grounds that it contradicts the principle of “*progressiveness of labor rights and benefits.*” Fadess demands the annulment of the amendment to Article 31, which changes the basis for calculating income tax when it establishes that “*net enrichment is considered to be all valuable considerations or benefits, regular or occasional, derived from providing personal services in a relationship of dependency, regardless of whether they are wages or not.*”

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**ECONOMIC OVERVIEW**



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