

Anti Kidnapping and Extortion Law

The National Assembly approved the Anti Kidnapping and Extortion Law, which goal is to prevent, typify and punish kidnapping and extortion crimes, and guaranteeing the protection of the victims' physical integrity and their assets. The law establishes in articles 15,16 and 17, that the State has the duty to preserve those assets, but at the same time it can control them. According to article 15 of the Law, kidnapping victims family members –spouse and all second blood and second affinity degree family members- will have to present sworn statements of their assets, and those of the kidnapped person, to the Public Ministry. Article 16 states that the Prosecutor “can carry out useful and necessary actions to protect the victims patrimony, agreeing with the victims family the amount of money they need for their ordinary expenses as well as the amount needed for their economic or work related activities, limiting all expense that exceed the agreed amount.” This article also limits the purchase or sale of real estate and other assets while the kidnapping lasts. The Public Ministry will notify the banking institutions the amount of funds agreed upon (by them, not by the family members), as well as all notaries and registrars regarding real estate and other assets inventories. Banks must inform the Prosecutor's Office if any family member attempts to withdraw more money than the amount previously agreed upon. In other words, the revolutionary regime not only wants to eliminate the right to privacy, but they also want to control how the common citizen administers his/her hard earned funds, without a second thought to the danger the victim may be in, and worse of all, is that they will do this legally thanks to this Law. But this not being enough, according to article 11 of the Law, paying the kidnappers ransom will cause you to be considered an accomplice, in other words, it is a crime, and thus subject to prison terms of up to 14 years. According to parliamentarian, Juan José Molina, “the family member that pays a ransom is instigating the success of the crime. One can understand the human pain involved in these cases, but if ransom is paid it will entice delinquents to continue kidnapping.” Of course as a pro-Chávez parliamentarian, bodyguards protect Molina and his family 24 hours a day, something the common citizen cannot afford the luxury of having. One would have to ask the families of those who are still kidnapped by the Colombian guerrilla, that

which the Bolivarian regime defends so actively, if they feel they can trust the Venezuelan State 100% to bring their loved ones back alive. Although the Law establishes that the competent authorities to investigate kidnappings or extortions are the judicial police and the National Armed forces, it does not specifically prohibit the mediation of negotiators or private kidnapping experts; but it does establish in article 32, the obligation to denounce all persons that may know of any kidnapping or extortion case, on the contrary, they could be accused of being accomplices or of obstructing justice. The problem is that if the Public Ministry freezes the family's funds, they will find it very difficult to hire private consultants, unless the regime authorizes it. What if the kidnappers happen to belong to a police force, as has occurred on countless occasions? Article 29 prohibits all insurance and re-insurance companies, both in Venezuela and abroad, to issue policies destined to pay ransoms. Banks will not be allowed to grant loans to cover a ransom, and if they do, they will be fined 10,000 tax units, or BsF 460,000. Article 3 establishes the punishments imposed on kidnappers: “He who illegitimately restricts someone from his freedom, retains, hides, snatches or moves one or more persons, by any means, to a place different from where they were originally at, to obtain from them or from a third party, money, assets, titles, documents, benefits, stock or omissions that produce juridical effects or that alter in any way their rights, in exchange for their freedom, will be punished with prison terms of 20 to 30 years.” The *express kidnapping*, which deprives a victim from its freedom for more than one day will be punished with 15 to 20 years. If the kidnapping victims happen to be elected officials, magistrates and judges, ministers, citizen's power directors, Public Ministry prosecutors, Electoral Power directors, active members of the National Armed Forces, policemen, or diplomatic missions heads, the punishment for the kidnapper will be greater than if the victim is a common adult citizen. The Law project will sent to Hugo Chavez for his approval and will become effective once it appears published in the Official Gazette. The truth of the matter is that this Law, as it was drafted, criminalizes those who pay ransoms and violates the privacy of the victims and their families, thus will only lead to the increase of case that go unreported to the authorities.

BANKING & FINANCE

Inflation: The inflation rate between January and July 2008 amounted to 17.3%, according to the National Consumer Price Index.

International Reserves:

Date	Total (MM\$)	BCV (MM\$)	FEM (MM\$)
Aug.15-2006	33,974	33,221	0,753
Aug.15-2007	26,892	26,098	0,794
Aug.15-2008	36,453	35,630	0,823
% Variation	35,55%	36,52%	3,65%

Source: BCV.

Country Risk: Venezuela's country risk stood at 6.75% as of August 13, while Argentina's closed at 6.51%.... Venezuela has the highest country risk among Latin America's principal economies with 6.57%, while Brazil registers 2.28%, Colombia 2.10%, Peru 1.88%, and Mexico 1.74%.

Bonds: Venezuelan debt bond yields continue to deteriorate: the Global 18 bond (maturing in 2018) has lost 1.816,50 points, while the Global 27 fell 313,90 units.

Argentine Bonds: Finance Min. suspended its \$200 MM weekly sale of Argentine bonds, to reduce the number of bonds in the market and increase the price of the titles. The Argentine bonds increased this past week thanks to the bond sale suspension and the repurchase plan; the Boden 15 stands at 67.35% of its value.

Debt: Venezuela's foreign debt increased 9.6% (+\$2,638 MM) during the first half of 2008, from \$27,315 MM in Dec. 2007 to \$29,953 MM as of June 2008 closing.

Public Finances: The Finance Commission approved BsF 422 MM, of which they approved BsF 173.8 BB, which went to subsidies awarded by the Agriculture and Lands Min. They also approved BsF 81.6 MM for the Café Plan and BsF 116.7 MM that will go to the Universities National Council, for 91,180 scholarships.

Budget: The National Assembly has approved BsF 32.4 BB in additional loans exceeding BsF 169 BB as of today. The 2008 assignation was programmed at BsF 137.5 BB (+23%) BsF 173.8 BB went to subsidies given by the Agriculture and Lands Ministry.

Government Deficit: The Government registered a deficit in May for the fifth consecutive month, totaling BsF 4.6 BB. Therefore it accumulates a BsF 13.8 MM deficit (BsF 1 BB in same period 2007), according to the most recent figures published by the BCV.

Per Capita Income: According to the USA's Energy Dept. the Venezuelan economy \$40 BB in oil sales entered the country between January and June 2008. If that amount is divided between the 26.2 MM Venezuelans, the result is a \$1,526 per capita income from oil revenues, which is why it is estimated that by year end the per capita income will amount to \$2,784. The remaining OPEC nations registered the following incomes: Qatar registered \$25 BB in income with a per capita oil rent of \$27,065; Kuwait, \$20.835; United Arab Emirates, \$13.228; Saudi Arabia, \$6,817 with \$28 MM inhabitants; Libya, \$5,983; Angola, \$3,704; Iraq

\$1,404; Iran \$820; Ecuador \$510; and Nigeria \$329.

CADIVI will issue currency authorizations for the food sector 48 hours after the importer presents the proper documentation.

Private Banks: The Attorney General's Office together with a commission from the National Assembly (NA) appointed a special prosecutor to investigate irregularities in the banking sector, particularly in the credit cards area.

Government Banks: National Development Bank (Bandes) of Venezuela will grant Nicaragua a \$3.5 MM loan to rebuild Managua's Oriental Market, which was destroyed by a fire two weeks ago. The funds will be distributed in \$5,000 loans to 700 women that worked in the Market, with an annual 3% interest rate for the three years and six months grace.

Interest Rates: Inter-banking interest rates increased from 8.5% to 18.5% in just one day. But Pdvsa and Education Min. funds were able to bring the inter-banking rate down to below 10%.

Instrument	Aug.15-2006	Aug.15-2007	Aug.15-2008	Var. %
Sight savings	5,97%	8,00%	15,02%	87,75%
30-day TD	15,97%	11,00%	17,43%	58,45%
60-day TD	16,88%	11,01%	17,31%	57,22%
90-day TD	20,53%	11,19%	17,69%	58,09%
Loans	15,19%	16,59%	23,33%	40,63%
Prom. Notes	15,47%	16,44%	25,79%	56,87%

Source: BCV.

COMMERCE & INDUSTRY

Agriculture: The winter cycle harvest will be under the National Bolivarian Militia's custody, according to National Agriculture Silos, Deposits and Storage (SADA) Superintendent, Carlos Osorio....The SADA expects them to watch over 147,000 hect. Of white rice, 356,000 hect. Of yellow corn, and 480,000 hect. of white corn, which total approximately 1 MM hectares. A 3.5 MM-ton cereal production that will be processed in public and private silos is expected

Aviation: International flight demand has increased 17% in 2008, as well as domestic airlines have increased 26%, according to ALAV (Venezuelan Airlines Association) Pres., Humberto Figuera.

Cement: Buying the cement companies - Cemex, Lafarge and Holcim- with be covered by Fonden funds and petroleum revenues. The Fonden still has \$7 BB in uncompromised funds and the revenues generated by the increase in the price of oil exceed \$3 BB.... The companies are valued at \$2 BB, of which \$1BB would correspond to the cost of Cemex shares, \$500 MM to Lafarge and \$500 MM to Holcim.

Construction: The construction price index at wholesaler level increased 26% in the last 12 months; at producer level the increase amounted to 29.1%. While clay products increased 49.9% between July 2007 and July 2008, and concrete products +21.1%.

Food imports amounted to \$2,639.65 MM during the first seven months of 2008 (+101% vs same period 2007). So far this year, Cadivi has approved \$4,034 MM to the food sector (+113% vs same period

2007)...According to official figures, food prices in Venezuela increased 21.8% during the first seven months of the year, while in Colombia the increase was 12.78%, in Ecuador 16.22%, and in Peru 6.9%....According to ODH analyst, Abelardo Daza, "the country has a structural supply problem. The freezing of prices, laws that do not encourage private investments, land invasions and the overvalued currency do not stimulate production and there is an unbalance with demand 9...) it was a great mistake to freeze prices"....Indepabis (Consumer Protection Agency) confiscated and sold 1,670 kg of rice, owned by Excelsior Gama supermarket, claiming the rice was packaged as premium and sold at BsF 3.85 y Bs 4F/kg, which the Gov't had not authorized, therefore it was sold in the street at the regulated price of BsF 2.33. revenues generated by this sale will allegedly go to the Communal Councils.

Expropriations: Cement companies Lafarge (France) and Holcim (Switzerland) accepted the terms imposed by the Venezuelan Gov't, and will maintain a minor participation, while Chavez announced that Cemex (Mexico) would be expropriated, because its negotiation failed, as the price was considered to be too high. Cemex demanded more than \$1.2 BB, and according to the Venezuelan regime, it is not worth more than \$800 MM. Lafarge will receive \$267 MM and will keep 11% of its shares, while the Venezuelan State will control 89% of the shares; 6% of this total is currently traded at the Caracas Stock Exchange. In Holcim's case, the Venezuelan Gov't will pay \$552 MM for 85% of the shares, keeping 15% of the participation....Even before the time limit for the expropriation procedure was to become effective, soldiers had already taken over Cemex's installations in Zulia, Lara and Anzoátegui states...Cemex's shares fell 2.97% to 21.53 Mexican Pesos.

Housing: Housing Min., Farruco Sesto, claims that he will end the housing deficit in Venezuela – which presently stands at over 1.8 MM units- by building 200,000 units per year. In the 10 years this regime has ill-administrated the national treasury, they have barely been able to complete 100,000 housing units; who can believe they will be capable of completing 200,000 units in one year? Without the help of the private sector they is no way they will even get close to meeting that goal...Min. Housing and Habitat invested BsF 83 MM in the Tazon urban development, which homes will go to public officials and military officers; the units cost an average of BsF 197,000....In nine years and three months of revolutionary misgovernment, the regime has barely completed 233,000 housing units....According to the regime, as of first quarter 2008 closing they had only completes 8,000 units of the 132,000 that were under construction. The first semester results still remain to be seen.

Iron & Steel: Sidor may buy three companies - Sidernet (steel maintenance), Matesi (briquettes producer) and La Monumental (iron rod producers)- to improve Sidor's level of competitiveness in the national market....The Venezuelan Gov't and Techint (Argentina) reached a \$1.650 MM agreement for the purchase of Sidor. Techint will maintain a 10% participation.

Nationalizations: The nationalization of the Orinoco Belt's strategic associations (Exxon,

Conoco and ENI); three cement companies (Lafarge, Cemex and Holcim); Sidor and Banco de Venezuela, will cost the nation some \$11.6 BB, according to Ecoanalítica.

Salaries: The 30% minimum salary increase decreed in May together with the other salary adjustments during the second quarter of 2008 were not enough even for the purchasing power to recover at the level registered in 2007.

School Utensils: School utensils increased 40.4% vs 2007, without taking into account texts or school uniforms, according to Avepa (Venezuelan Paper Association) figures.

Television: Venezuelan and Paraguayan Communications Ministers, Andrés Izarra and Efraín Alegre, signed an accord to allow Paraguay join Telesur....The new Telecommunications Law reduces from 25 to 15 years the duration of the TV concessions, and establishes a renewal for an additional 15 years.

Tourism: According to Tourism Min. (Mintur) figures, tourism activity has grown in mobilization as well as in investments during 2008. Between 2005 and 2008 a total of BsF 1,453,386 has been invested in tourism....Conseturismo (Superior Tourism Council) will ask the NA to modify the recently approved Tourism Law, so it can be better adapted to the development of the tourism activity.

Unemployment: The unemployment rate decreased to 7.2% in June (-1.6% vs 8.8% in June 2007), according to the National Statistics Institute (INE). This translates into 900,805 unemployed in 2008 vs 1,094,230 in 2007....According to the INE, the number of employed persons between July 2007 and July 2008 increased by 378,491 persons, thus the occupation rate went from 91.2% (11,301,049 employed) to 92.8% (11,679,540 unemployed)....According to INE Pres., Elías Eljuri, the formal sector reported an employment rate of 57.5% or 6,717,573 persons (vs 56.8% or 6,420,353 persons), therefore the number of workers in the formal sector rose by 297,220 in one year.

Vehicles: General Motors is currently paralyzed, and no reinitiating date is expected soon, while Ford Motor is on the verge of stopping its activities as well on September 1 due to the lack of dollars coming their way. This will affect the possibility of them being able to assemble their vehicles. GM insists that labor unions have been sabotaging the company's processes and products. This was denied by Vencedores Socialistas de GM labor union, Secretary General, Adán Tortolero.

PETROLEUM

OPEC member countries generated revenues in the amount of \$642 BB between January and June 2008, according to the USA Department of Energy. Of this total, the largest portion corresponds to Saudi Arabia with revenues of \$191 BB (29.7%), followed by the Arab Emirates with \$61 BB. Venezuela ranked eight with net revenues of \$40 BB (vs 444 BB in 2007)....OPEC could cut its crude production if the price of oil falls below the \$100 mark, according to the Center for Global Energy Studies.

Petrocaribe: Petrocaribe will create a fund called Petroalimentos to finance food projects.

Each one of the 18 Petrocaribe member nations will receive \$2 MM, for a total of \$36 MM.

Paraguay: Venezuela will supply Paraguay 70,000 mt³ of additional diesel to insure that nation's fuel reserve. Since 2006, Venezuela has supplied 75% of the diesel Paraguay consumes via the Caracas Energy Accord....Hugo Chávez promised to give Paraguay all the oil it needs.

Crude Prices: As of 08-19-2008 (in \$/bl): WTI 114.73 (-6.13)....Brent 112.65 (-7.13)....Venezuelan basket 107.93 (-5.64 for the week)....OPEC basket 110.44 (-7.12 for the week).

GOVERNMENT & POLITICS

Freedom of the Press: 40 Venezuelan National Guard soldiers prohibited journalist from getting close to Paraguayan Pres., Fernando Lugo and Hugo Chávez, in Paraguayan territory. According to Aníbal Emery, from radio Nanduti, "Chavez's discrimination was pitiful, especially since it was allowed by Lugo: only Venezuela's official press was allowed to be by their side; the rest of us were expelled." Paraguayan Interior Min., Rafael Filizzola, was left with no other choice that to "apologize to the journalists for the mistreatment they were subject to." Submission and allowing Chávez to overstep his boundaries is the price the Paraguayans will have to pay for accepting to receive all the Venezuelan oil they could possibly need.

National Electoral Council: NEC director, Vicente Diaz, denounced "the unbalanced and advantageous use of public funds by Hugo Chávez to favor his PSUV (Partido Socialista Unido de Venezuela) party. Venezolana de Televisión (Ch. 8) only promotes PSUV candidacies, while all VTV presenters wear PSUV T-shirts and caps, which is strictly forbidden by the Constitution. Also, Chavez has been using Gov't funds and TV programs such as ¡Aló Presidente! to promote candidacies and the PSUV party." According to Diaz, both the Electoral Power and the Comptroller's office should work together to correct this irregularity.

Elections: Bolivarian militia members will participate in the Republic Plan during the upcoming Nov. 23 regional elections....17,308 candidates register for the 603 post that will be voted on Nov. 23: 984 are running for Governorships; 11,620 for Mayoralties; 57 for the Metropolitan Mayor position; and 21 Alto Apure District Mayor....59 national political organizations and 236 regional, for a total of 295, presented candidates.

XXI Century Socialism: Hugo Chavez stated that "capitalism must be eradicated and socialist production units must be created, without speculators, which means that private producers must learn

to live with the public sector, and that earnings must be distributed equally. In socialism we must all live equally, therefore nobody should be either too rich or too poor". Of course this socialism is only applied to the masses, as it obviously excludes all Gov't officials who have immeasurably enriched themselves since Chavez assumed power.

USA: Hugo Chavez stated that "he was almost sure that US Pres., George W. Bush, had begun the war in the Russian Caucasus, by inducing Georgia to attack Southern Osetia to reduce Russia's leadership."

Enabling Law: The Right to Protect the People's Access to goods and Services Law enables the Indepabis to demand that producers, distributors, and merchants lower the prices of their products, based solely on the Indepabis decision that they were unjustifiably increased.

Armed Forces Law: Former Military Intelligence Division (DIM) director, retired General, Ovidio Poggioli, filed an nullity injunction against six articles of the new Armed Forces Law (Lofan), which was recently approved by Hugo Chavez via the Enabling Law, claiming it is unconstitutional.

Armament: Venezuela will have spent \$30 BB in armament between 2005 and 2012. To fight against whom or what, one wonders.

Drug Trafficking: The fight against drug trafficking has advanced, but in the case of Venezuela, corruption and a scarce political support, have made that more difficult, according to the USA's Government Accountability Office (GAO). It is estimated that 90% of the cocaine produced by Andean nations, enters the USA first from Central America and Mexico, while the remaining 10% enters from the Caribbean.

Guerrilla: According to Bogotá's *El Tiempo* newspaper, Colombian Senator, Piedad Córdoba, confirmed that Monómeros Colombo Venezolanos (100% in hands of Pequiven) financed the liberation of a group of victims kidnapped by the FARC. *El Tiempo* claims that the money was approved by Monómeros Pres., Julio Toro from Venezuela, and that the amount totaled \$135,000; nevertheless this figure has still not been confirmed.

Kidnappings: According to the report *Kidnapping is an explosive business*, presented in Bogotá by non-governmental organization, Pax Christi representative for Latin America, Marianne Moor (Holland), Colombia currently reports less economic kidnappings than Mexico, Brazil, Venezuela and Ecuador. In Venezuela, according to statistics by the CICPC (Scientific Police), the number of kidnappings increased from 44 in 1999 to 382 in 2007, while according to Fedenaga (National Cattlemen's Association), in 2006 there were 1,000 kidnappings and in 2007 a total of 607.