

Hugo, Fidel and Muammar

President Hugo Chávez is stoutly defending his longtime friend and ally Muammar Khaddafi while the rest of the world's most despotic regimes – from Moscow to Beijing – have staked out positions against the homicidal Libyan leader who has oppressed his people for over four decades. Chávez has even proposed a Contadora-style group of countries to help mediate a peaceful solution to the civil war in Libya, although the Bolivarian leader's mediation offer was immediately rejected by one of Khaddafi's sons. How to explain Chávez' support for a tyrant who deploys warplanes to rain bombs on civilians armed with light weapons?

Chávez' enthusiastic embrace of Cuban leader Fidel Castro and the communist Cuban revolution has always encouraged comparisons between Chávez and Castro. The relationship between Chávez and Fidel has been described over the years as a personal friendship, as a mentor and student, father and son type of situation. Bolivarian Venezuela and the Castro communists of Havana are so tight that Chávez gives the Cuban regime 100,000 b/d of crude oil as part of an economic aid package worth over \$5 billion a year to the island. In exchange, the Cuban regime has sent over 60,000 of its citizens on official missions to Venezuela where they now have a deep presence in every major Venezuelan government entity from the national registry to the state intelligence services. The Chávez-Castro alliance can be summed up in a word: Cubazuela.

However, longtime analysts of the Chávez regime have frequently ignored the very strong ties that have existed for decades between Bolivarian communists and Khaddafi's regime in Libya. That relationship dates back to the 1970s when Venezuelan Air Force Lt. Col. William Izarra visited Libya as part of his personal journey into the bowels of communist military conspiracies against Venezuela's democratic state. Izarra's plotting led to his being retired from the armed forces. Izarra is the father of current Information Minister Andrés Izarra, one of the hard men of the

Bolivarian regime together with Vice President Elías Jaua and Electric Energy Minister Alí Rodríguez Araque.

The personal friendship between Chávez and Khaddafi dates back more than 15 years, and Lt. Col. Izarra reportedly was the architect of that friendship. In some respects, Chávez is even closer to Khaddafi than to Fidel. The Bolivarian and Libyan presidents have much in common, it seems. For example, Chávez and Khaddafi are born conspirators with mercurial temperaments and a shared vision/determination to remain in power for the rest of their lives. More significantly, Chávez' 21st Century Socialism ideas are alarmingly similar to the ideas that Khaddafi put forth in the Green Book that he issued in 1975.

The Green Book can be described as a road to despotism in three volumes: 1) The solution to the problem of democracy: people's power; 2) The solution to the economic problem: socialism; and 3) The social foundation of the Third Universal Theory.

One student of the remarkable similarities between the ideologies of Chávez and Khaddafi is Colombian political scientist and attorney Humberto La Calle, who recently wrote in Bogota's *El Espectador* that Chávez and Kaddhafi, "...from power, both resorted to nationalizations, attacks against private property and markedly anti-western politics. Khaddafi stripped the Americans and British of their military bases, expropriated Jews and Italians, and seized (Libya's) oil for the state. Chávez has made punitive expropriations an instrument of his politics."

Chávez clearly derives much of his inspiration from the Green Book, La Calle adds. "Step by step he has followed that route: dismantling the institutions of representative democracy, permanently invoking direct democracy, creating popular committees that dominate society in direct alignment with the leader. The result, in both cases, is a personal socialism."

Looking back, Chávez certainly appears to be enamored of Khaddafi's ideas and one-man style of governance disguised as a popular revolution. Chávez

has visited Libya six times, and twice has bestowed on Khaddafi official replicas of the sword of the Liberator Simon Bolivar, even proclaiming the Libyan tyrant as a "leader of the peoples of America."

Viewed from this historical perspective, Chávez' loud defense of Khaddafi over the past month is understandable. Chávez has a huge stake in supporting his Libyan friend. If Khaddafi is expelled from power and is killed or flees into permanent exile, Chávez certainly will confront new fears regarding his own longevity in power in a Venezuela that has been ruined by over 12 years of systematic social, economic and political destruction. If democracy-loving Venezuelans (the majority) are fortunate, Chávez' terrible rule will end democratically in the December 2012 presidential elections.

However, if Chávez and Khaddafi indeed are two peas in a pod, one should expect the worst from Chávez and his followers if they cannot win re-election democratically or fail to steal the elections. Chávez will not go quietly into the night. His followers, including the late Lina Ron, have warned repeatedly for years that the revolution will never accept losing an election that interrupts Chávez' perpetual rule.

What lawyers couldn't accomplish, students did: On the Friday before Carnival, retired Major General Felipe Rodríguez (six years and one month locked up); Silvio Mérida Ortiz (seven years and four months locked up), and retired Captain Otto Gebauer (six years and two months locked up) were released from the SEBIN and Ramo Verde prisons. The first two went to the OAS building to thank the students who went on a hunger strike to win their release. Gebauer wasn't allowed to go there. The releases still pending are those of two members of the Policía ' who were wrongly sentenced to 16 and 17 years for the deaths of two people during the events on April 11, 2002, and who would already have served eight years next month.

Union pressure and public opinion forced the government to give way in

the case of Ferrominera Workers' Union (Sintraferrominera) Secretary General Rubén González, who was released on parole by the Venezuelan Supreme Court's Penal Chamber, barely three days after he was unfairly sentenced to seven years, six months, 22 days and 12 hours in prison for leading protests demanding labor benefits. He must appear in court every two weeks and has been prohibited from leaving the country.

Finance

Inflation: According to the Central Bank, the CPI-CMA increased 2.2% in February, 1.4 points less than in January, but 0.7 points higher than in February 2010. The largest price increases were in: Transportation (+5.2%), Household equipment (+4.8%) and Health (+4.2%). Food and non-alcoholic beverage prices dropped during the same month (-0.2%). Annualized inflation is now 29.8%.

Caracas Consumer Price Index

| February 2011 | Index | % Change | | |
|-------------------------------------|--------------|------------|--------------|-------------|
| | | m/m | Year to date | Last 12 m |
| General Index | 225.8 | 2.2 | 5.9 | 29.8 |
| Food and Non-alcoholic beverages | 247.9 | -0.2 | 4.5 | 37.0 |
| Alcoholic beverages and tobacco | 295.9 | 2.5 | 5.2 | 41.0 |
| Clothing and footwear | 177.6 | 1.6 | 3.3 | 20.2 |
| Housing rental | 143.8 | 1.3 | 3.8 | 13.1 |
| Housing services | 119.2 | 1.1 | 4.2 | 7.1 |
| Household equipment and maintenance | 254.9 | 4.8 | 5.6 | 31.7 |
| Health | 258.2 | 4.2 | 12.4 | 32.3 |
| Transport | 231.2 | 5.2 | 7.8 | 29.6 |
| Communications | 125.9 | 0.2 | 0.4 | 4.4 |
| Leisure and culture | 212.9 | 1.6 | 4.2 | 27.3 |
| Education services | 213.6 | 0.0 | 3.0 | 23.1 |
| Hotels and restaurants | 279.9 | 3.1 | 6.4 | 33.9 |
| Miscellaneous goods and services | 301.3 | 4.7 | 10.9 | 36.5 |

Source: Central Bank.

Unemployment in January was 10.4% (1,386,885 people), 3.9% higher than December, according to the National Statistics Institute. The economically active population grew by 242,874 in the past year, to close January at 13,324,067 Venezuelans, while the number who were employed increased just 194,669 persons (1.81%), to 11,937,182 persons. Of these, 3.3 million were working in the informal sector. According to the former head of Cordiplan, Werner Corrales, the official figures have been fudged: at present, there are two million unemployed, 6.5 million in the informal sector and 15 million living in poverty.

Recovery of the Guayana industries would require some \$8 billion (\$2 billion for Alcasa and Venalum, \$1.5 billion for SIDOR, \$2 billion for Edelca, and \$2 billion for Ferrominera) to cover the amounts still owed to the workers, procurement of raw materials and for investment, according to Jorge Roig, president of the Association of Metallurgical Industries and Mining (AIMM, in Spanish).

Deadline extended until April 3 for corporations enrolled in RUSAD to update their information.

Centro Simón Bolívar, C.A. will be liquidated during the coming year. CSB is the holding company that owns and (supposedly) maintains the Parque Central complex, the Teresa Carreño theatre, the El Silencio twin towers and the Hotel Alba Caracas, among others. Responsibility for managing these properties is to be allocated to the Capital District gov-

ernment (headed by Jacqueline Faría), the vice-presidency and other national government entities (March 1 *Gaceta Oficial*).

Lácteos Los Andes and Aceites Diana: The Nutrition Ministry replaces PDVSA as the entity responsible for supervision and control of these two companies (March 1 *Gaceta Oficial*).

Banco Industrial new board includes Rodolfo Porro Aletti (president) and Arelis Castillo, Luis Arias, Ana Isabel Vázquez Rodríguez, Camilo Crespo, Francisco Manzanilla and Huascar Castillo, as principal directors.

Banco Nacional de Vivienda y Hábitat (Banaviv) new president is Mario Isea Bohórquez.

Bank Sector Institutions Law was amended by President Chávez using his enabling law powers. For one, the National Attorney was added to the (long) list of government entities that have the right to see what's in a firm's or an individual's bank accounts. For another, the law now defines and punishes various forms of forgery and/or misuse of bank documents, as well as the use of false information (March 2 *Gaceta Oficial*).

Bank stockholders meetings must henceforth comply with minimum standards published by the Superintendent of Banks and which aim, among others, to ensure that minority stockholders are properly informed while guaranteeing their rights to participate in stockholder meetings. The rules also apply to exchange houses and frontier exchange operators (March 3 *Gaceta Oficial*).

The Central Bank's gross international reserves totaled \$27.2 billion on March 3, up \$679 million since February 25 but down \$2.3 billion since Dec. 31, 2010.

Net International Reserves

(Millions of \$)

| | Mar. 3 | Feb. 25 | Dec. 2010 |
|------------------|--------|---------|-----------|
| BCV reserves | 27,184 | 26,505 | 29,500 |
| Change since | | 679 | -2,316 |
| FEM | 3 | 3 | 832 |
| Net BCV reserves | 27,187 | 26,508 | 30,332 |

Source: BCV and VenEconomy calculations.

Money supply (M2) totaled Bs.F.294.0 billion on February 25, up 0.7% on the week and up 25.2% for the twelve months ending February 25.

Monetary Aggregates (Millions of Bs.F.)

| Liquidity (M2) | Feb. 25 | Previous Week | Change Since | | | | |
|----------------------|----------------|----------------|----------------|----------------|-------|--------|--------|
| | | | 4 Weeks | 52 Weeks | | | |
| | 294,030 | 292,063 | 294,156 | 234,810 | | | |
| | | 1,966 | 0.7% | (126) | 0.0% | 59,220 | 25.2% |
| Banks: (1) | | | | | | | |
| Deposits | 264,225 | 266,420 | 252,640 | 186,768 | | | |
| | | (2,195) | -0.8% | 11,584 | 4.6% | 77,456 | 41.5% |
| Loans | 176,660 | 177,094 | 177,192 | 136,166 | | | |
| | | (434) | -0.2% | (532) | -0.3% | 40,493 | 30.1% |
| Investments | 98,054 | 98,210 | 84,136 | 56,647 | | | |
| | | (156) | -0.2% | 13,917 | 16.5% | 41,407 | 73.1% |
| Excess Legal Reserve | 33,122 | 31,924 | 26,583 | 11,766 | | | |
| | | 1,198 | 3.8% | 6,539 | 24.6% | 21,356 | 181.5% |

Source: BCV and VenEconomy calculations.

(1) Through the week ending January 21.

Caracas Stock Exchange Index closed at 66,613.26 points on March 4, down 1.49% since March 1.

Business & Trade

Fun Race 4x4 banned from all national parks in the country “because they harm the soil, the environment and cause irreversible damage.”

31 companies expropriated in January: “Most of the industries seized work in the agribusiness, construction and food sectors,” according to Conindustria president Carlos Larrazábal.

Rental Properties Bill will only apply to housing now (it used to be applicable to rental properties in general). Under the new law, private builders will have to set aside 25% of new homes for rentals, and after 10 years the property will have to be sold to the tenant. The ban on forcible evictions and attachments remains in place. The bill also calls for the creation of the Social Justice Mission, to be in charge of organizing the participation of communal councils as overseers, and eliminates the rent-control exception for homes that are less than 20 years old.

Ministry of Labor confirmed collective bargaining agreement for Productos EFE for the 2010-2012 period following the approval by the workers on February 15. The benefits agreed upon became effective on Wednesday, March 2.

Electoral committee for CTV appointed during a Congress held in late February and attended by 51 national and regional union organizations. This is the first step for the first change in leadership since 2001. The current leaders' term ended in 2005. The process will be supervised by the Trade Union Confederation of the Americas, and the ILO will also be asked to provide assistance.

Venalum workers have been on strike since March 2, calling for the company's president, Rada Gamluch, to resign and for the company to honor the agreements signed on February 12. They allege that Gamluch refuses to meet with them.

Telefónica: The best place to work in Venezuela in 2010, for the second year in a row, according to the *Great Place to Work Institute*, a group that rates companies every year. S.C. Johnson & Son de Venezuela C.A placed second, and Ron Santa Teresa was ranked in third place. A total of 18 companies made the list.

Motor vehicle sales totaled 9,698 units in February (8,391 domestic and 1,307 imported), up 67.1% from January and up 2.2% from February 2010, according to Cavenez.

Match prices were adjusted. Labor Nos. 5 and 7 were increased 46-47% (wholesale and retail); Labor No. 8 was increased 67%. Labor No. 1 prices were unchanged (March 1 *Gaceta Oficial*).

Resolution prohibiting smoking in public places was reprinted in the March 2 *Gaceta Oficial*. It goes into effect on June 2.

Petroleum

Dangerous drill ship: FUTPV oil workers federation's executive secretary and labor safety coordinator Eudis Girot urged PDVSA to “immediately evacuate” the oil drillship Petrosaudi Discoverer (formerly Neptune Discoverer) because it is unsafe, dangerous and could sink at any moment. If PDVSA fails

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to take action right away, the Petrosaudi Discoverer “almost certainly will sink like the Aban Pearl (semisubmersible) drilling platform sank on May 13, 2010,” he added. Girot also said that the FUTPV's safety inspectors determined that the PetroSaudi Discoverer already “is technically sinking.” Four of the drillship's eight ballast tanks are not being used because they have numerous cracks and holes, he said. The four ballast tanks still in use also have “perforations” that displace water to the bow of the drillship. There was no immediate official response from the Energy Ministry or PDVSA.

Ethanol resuscitated: PDVSA apparently has revived an ethanol production program that President Chávez created by decree in 2006 and officially terminated in 2007, saying at the time that it would divert too much land and water needed to grow food for the Venezuelan people. PDVSA Agrícola is responsible for the revived ethanol program, which calls for building 14 “basic ethanol production units” in nine states. PDVSA Agrícola President Egly Ramírez said that the first stage of its national ethanol program aims to build and start up four ethanol production plants with a combined capacity of 700,000 liters per day before end-2012.

More Corruption? An audit that was ordered by PDVSA of the Nicaragua-based Alba de Nicaragua (Albanisa) has determined that the joint venture between PDVSA and (nominally) Nicaragua's state-owned oil company appears to be rife with corruption, but its financial statements are so jumbled that they cannot be audited. However, the audit did find that over \$400 million cannot be accounted for, and that Albanisa has grown into a conglomerate of many companies in sectors like agriculture, food import, transportation, electricity generation and distribution, and other non-oil enterprises.

Jose Complex export capacity will be increased by 100,000 b/d via the installation of a new floating berth with the capacity to handle tankers from 45,000 dwt up to 320,000 dwt capacity. The new berth will include two 42-inch submarine pipelines and a new centrifugal pump house that are scheduled for start up in 2012.

PDVSA pension fund may be out most, if not all, of the \$500 million entrusted to Francisco Illaramendi and his MK Capital Management, LLC. In January, the US Securities and Exchange Commission (SEC) charged Illaramendi with having misappropriated \$53 million. Now, he is additionally charged with having engaged in a multi-year Ponzi scheme involving hundreds of millions of dollars. To complicate matters, the SEC accuses Illaramendi of having provided a false letter from an accountant in Venezuela that purported to verify the exist-

ence of \$275 million of assets which, as it turned out, did not exist. Illaramendi has pleaded guilty in a Federal Court.

World oil prices continued to rise last week, on continuing worries about developments in Northern Africa, and fears that the unrest might spread to Saudi Arabia.

West Texas International spot price closed at \$104.93/bbl. yesterday, up \$5.30 since March 1.

The OPEC barrel closed at \$112.03/bbl. on Monday, March 7, up \$3.53/bbl. on the week. The average for the week was \$109.28/bbl., up \$5.17/bbl. from the previous week. The average for the year-to-date was \$96.77/bbl., up \$19.38/bbl. from full-year 2010.

Venezuela's export barrel averaged \$97.51/bbl. for the week, up \$6.40/bbl. from the week ending Feb. 25. The average through March 4 was \$87.29/bbl., up \$14.60/bbl. from last year's \$72.69/bbl. full year average.

Politics

Bolivarian justice! Acción Democrática Secretary General and Parlatino lawmaker Henry Ramos Allup charged that he was not allowed to see a Venezuelan Supreme Court's ruling that clears the way for him to be charged in a criminal court because a suit he brought before the Court nine years ago could be interpreted as having slandered President Chávez.

Supreme Court turned down appeal for injunction filed by retired General in Chief Raúl Baduel against the judges of the court martial who sentenced him to seven years and eleven months for alleged corruption. The Supreme Court argued that his lawyers had failed to file the documents accrediting them as such.

He nominated himself: Hugo Chávez, who is also the president of the PSUV, settled the issue of the nomination to run in the presidential elections in 2012 the same way that he "governs" the country. He asked the crowd attending the swearing in of 360 members of the party's state teams: "Why should we hold internal elections? That would just be a waste of time." Then, without waiting for an answer, he announced: "Chávez is the candidate, and that is that".

Lina Ron, leader of the UPV political part, died on Saturday. Although there was some speculation that her death was due to an overdose of some medication, within a few hours the official version was announced: heart attack. Ron first made a name for herself on February 21, 2002 when she attacked a peaceful protest inside the Central University with gunshots and Molotov cocktails; she was charged in this case, but never tried. That was but the first of many attacks she spearheaded against institutions of all kinds, including Globovisión. Her motto: "With Chávez, everything; without Chávez, bullets."

Groups of Metropolitan Policemen/women involved in extortion and kidnappings. Members of this police force, which will cease to exist on April 30, who were not taken in

by the Policía Nacional have apparently formed bands that engage in express kidnappings and shaking down shopkeepers. According to retired members of the force who spoke to *El Universal*, they use old, abandoned police facilities as hideouts for holding their victims.

Exceptions to democracy: Speaking before a Senate committee, U.S. Secretary of State Hillary Clinton mentioned Cuba, Venezuela and Nicaragua as "exceptions to sustainable democracy and economic growth" in Latin America; she also said she would act against Venezuela in the event there is proof of any violation of the sanctions imposed on Iran.

Drug traffic: The United Nations International Narcotics Control Board (INCB) expressed concern over Venezuela as a transit route for Africa and later to Europe and urged it to allow a high-level mission from that body this year.

Drug-trafficking report: According to the U.S. State Department's annual report on worldwide illicit drug trade, Venezuela and Bolivia "failed demonstrably" last year to fight the drugs trade. The report states that corruption within the Venezuelan government and its "weak and politicized" judicial system contributed to cocaine traffic's increasing from 50 metric tons in 2004 to 143 mt in 2009.

Inter American Committee on Human Rights asked the Court on Human Rights to condemn Venezuela (during the second day of the hearings in the Leopoldo López case) because its practice of barring individuals from holding public office without trial violates Articles 8, 23 and 25 of the American Human Rights Charter. The IACHR will issue its ruling within three months; its decision will be final and not subject to appeal.

Luisa Estela Morales, president of the TSJ's Constitutional Chamber, stated that a decision by the International Court would not be binding on Venezuela, despite a Constitutional provision whereby international bodies have precedence over domestic institutions in those instances where Venezuela has ratified the respective treaty.

Manuel Rosales last week threw his hat into the ring. As a Venezuelan citizen, he has every right to compete in the MUD-sponsored primaries. The danger is that, as head of the UNT party, he forces Zulia governor Pablo Pérez to stand down. Most analysts believe Rosales is unelectable, while Pérez is a fresh face with a growing following.

Venezuelan consulate in Miami: All thirty employees, including both diplomatic personnel and local hires, were abruptly dismissed without explanation on March 4, on orders from Caracas.

The National Comptroller barred another 11 individuals from holding public office for periods of one to eight years (March 3 *Gaceta Oficial*).

The Essequibo: A Jamaican history professor, Norman Girvan, has been appointed personal representative of the Secretary General of the OAS, José Miguel Insulza, to mediate in the border dispute between Guyana and Venezuela.

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