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Circular for P & I Clubs

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Venezuelan Current Political and Economical Situation

The current political situation still looks uncertain for the country, despite the fact that the newly appointed National Electoral Council (CNE) has recently published the rules to carry out the referendum procedures against public officials, i.e. President, Deputies, Governors and Mayors, following the publication of said referendum rules, a huge number of requests for revoking referendum have been filed with the CNE, not only against Mr. Hugo Chavez but also against other deputies and governors followers of his policies, and some others from the opposition alike.

It would appear that Mr. Chavez's strategy is to create political chaos by launching candidates for Governors, Deputies and Mayors in what it looks as a clear intention to distract the opposition from their sole objective: the presidential revoking referendum. His candidates are supposed to be capable of confronting the most popular governors from the opposition, as they would run themselves for a third period following a recent decision taken by the Supreme Tribunal of Justice. The scene is further complicated by Mr. Chavez's allegations about a conspiracy from overseas to assassinate him, administrative procedures by the telecommunication's regulator organism, CONATEL, against TV stations —including confiscation of microwave antennas owned by Globovision— numerous attacks of Mr. Chavez against the Catholic Church, the United States, Spain, Dominican Republic and other international bodies such as the International Monetary Fund, the Organization of American States, etc. and a growing number of bomb attacks at military installations in Caracas that according to a recent *Stratfor* report, could be part of a "government

plan to justify the declaration of a state of emergency that would effectively suspend a new drive to gather millions of voter signatures in support of a presidential recall referendum". Senior government officials, among them the Vice-President of the Republic and officialist Deputies, claim that dissident Venezuelan military officers are being trained and financed by the CIA to push a military coup. In the meantime, opposition parties are looking forward to celebrate what they have called the "REAFIRMAZO", next 28th November, an event in which at least 2.2 million of valid signatures are needed to obtain the approval of the National Electoral Council (CNE) to schedule the revoking referendum against Mr. Chavez.

On the other hand, the economical scene does not look better. Despite the fact that international reserves are back to normal, with more than US\$ 20 billion, the exchange control is still in force damaging international trade and domestic markets, aggravated with the delays by the government to grant import licenses for dry bulk products. It is true that the governmental entity in charge of the administration of the exchange scheme (CADIVI) has been periodically reviewing the procedures, in order to simplify the steps, but this would not appear to be enough. The effect of the exchange control is evident when looking at the movement of cargo within commercial ports handling break bulk and containers, where there has been a reduction of fifty per cent (50%) of traffic compared to last year's figures; as a matter of fact, according to released figures the different customs administrations have only been able to collect between 45% and 50% of the total dues/taxes estimate for this year. It is true that the implementation of the SIDUNEA, the automated customs system, has had positive impact on the operations but also the application of a significant number of fines to carriers and ship agents for errors or delayed transmissions. The shipping business is also suffering the effects of the exchange control, and because of it some services have been cancelled due to the reduction in import cargoes, whereas exports have experienced a growth as it might be expected, in the hope of industrials to get fresh dollars.

Should you need any assistance or further information regarding the topic stated above, please feel free to contact:

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