



Venezuela Economic Outlook

By Arca Análisis Económico

Here is our monthly summary of recent economic developments in Venezuela:

- The year 2023 has been full of ups and downs for Venezuela. Even though stagnation in consumption was evident during the first semester, a series of events have occurred with the potential to be positive catalysts for the economic well-being of the country. Events such as the relief of sanctions, the start of operations of Chevron, the relative stability in the exchange rate, and lower inflation rates, lay the foundation for a healthier economy in 2024.
- November concluded with the largest monetary expansion of the year, despite the slowdown in public spending. Public spending grew less strongly (18 percent) than in October (42 percent). However, primary money (M0) increased 33 percent, interrupting the sequence of three consecutive months with contractions of 16.9 percent in August, 0.4 percent in September, and 1.9 percent in October. Strikingly, this pronounced monetary expansion did not produce significant increases in the exchange rate. The monthly inflation rate has been slowing down, thanks to the emphasis on the moderation of public spending, the persistent improvement in tax collection and the support of the Central Bank of Venezuela's (BCV) exchange intervention which, although it is somewhat less than in 2022, has received the support of the currencies sold by Chevron to the exchange tables of the banking system.
- However, the balances obtained still look weak, restrictive liquidity policies leave little room to encourage productive growth through credit. According to the Venezuelan Confederation of Industrialists (Conindustria), currently, 48 percent of industries depend on self-financing to leverage their operations, although bank credit has increased, it is still insufficient. Only 41 percent of companies in the industry obtained loans in the financial system and the rest turned to other sources during the third quarter of the year.
- According to the president of Conindustria, Luigi Pisella, the financing demand of their unionized companies stood at US\$4 billion, a decrease compared to the US\$5 billion in the previous quarters, due to industries receiving a greater volume of resources. Pisella recognizes that credit is still insufficient.
- On the other hand, for economist Tamara Herrera, the determining factor for the economy in 2024 is the validity of General License No. 44 of the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC). This license allows Venezuela to export its oil to any market, at market prices, without discounts that can be up to 50 percent of the value per barrel. If maintained, this will provide more foreign exchange to the oil industry itself and more tax revenue to the government.
- The year 2024 will be decisive. An electoral year with a high probability of increases in public spending, for which the BCV will need more foreign currency to become deeply involved in the exchange market and keep the rate at bay of change, as has been the practice in recent years.

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Consultative Referendum Provides Support for Territorial Claims in Dispute with Guyana

By Holland & Knight

The government of Nicolás Maduro promoted a consultative referendum in Venezuela to support the territorial claims of the country in the dispute with Guyana. The consultation was held on Dec. 3, 2023, and consisted of five questions related to the position of the Venezuelan people regarding the government's rejection of the jurisdiction of the International Court of Justice over the disputed territory and the establishment of a state called "Guayana Esequiba," granting its population immediate Venezuelan citizenship. This referendum was one of the factors that contributed to the crisis between Guyana and Venezuela in 2023.

There were five questions proposed by the government. Among the most relevant:

1. Do you agree to reject by all means in accordance with the law, the line fraudulently drawn by the Paris Arbitral Award of 1899, which seeks to dispossess us of our Guayana Esequiba?
2. Do you agree to oppose, by all legal means, Guyana's pretension to unilaterally dispose of a sea pending delimitation, illegally and in violation of international law?

According to Venezuelan authorities, more than 95 percent of the voters responded affirmatively to each of the five questions on the ballot.

The questions proposed for the referendum aroused the rejection of the Guyanese government, which went to the International Court of Justice to request its intervention against Venezuela. Carlos Amador Pérez Silva, Venezuelan ambassador to Guyana, was summoned by Guyana as government authorities expressed the nation's "deep concern" over the proposed referendum.

Patricia Scotland, Secretary-General of the Commonwealth of Nations, condemned the proposed referendum on grounds of territorial sovereignty. Leaders of the Caribbean Community expressed support for Guyana, stating that the referendum would have no effect on international law and that international law prohibits the unilateral seizure of another country's territory by an individual nation.

In response to rising tensions in the region, Brazil increased its military presence along its northern border.

Luis Almagro, Secretary General of the Organization of American States (OAS), issued a statement condemning the consultation, considering it "illegal under the Geneva Agreement of 1966." In the statement, Almagro reiterated that both countries have the responsibility to resolve the dispute peacefully.

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MPPAPT Publishes Resolution for Validation Period of Phytosanitary and Zoosanitary Permits

By Tinoco Travieso Planchart & Nuñez

In the *Official Gazette* of the Bolivarian Republic of Venezuela No. 42,762, of Nov. 22, 2023, Resolution DM/No. 022/2023 was published on Nov. 2, 2023, by the Ministry of Popular Power for the Productive Agriculture and Land (MPPAPT), which determined the validation period of the phytosanitary and zoosanitary permits granted for the importation of animals, plants, products and byproducts of both origins.

Term

Article 1 of the Resolution sets at four months the term of validity of the phytosanitary and zoosanitary permits, required for the importation of animals, plants, products and byproducts of both origins granted by said office, in accordance with the Resolution of the MPPAPT DM/No. 164/2008 of Oct. 8, 2008, published in the *Official Gazette* No. 39,033 of the same date. The period will be counted from the date of issuance of the respective permit.

Legal Regime

The phytosanitary or zoosanitary permits required for the importation of animals, plants, products and byproducts of both origins will be subject to the Legal Regime established in Article 21 paragraph 6 of Presidential Decree No. 2,647 of Dec. 30, 2016, by which the ordering of customs tariff merchandise is established and the Common Tariff Nomenclature of the States Parties to MERCOSUR (NCM) is adopted, based on the Harmonized System of Designation and Coding of Goods (SA) of the Customs Cooperation Council (CA), World Customs Organization (WCO), published in the *Official Gazette* No. 6,281 Extraordinary of Dec. 30, 2016, or in those issued for this purpose by the president of the Bolivarian Republic of Venezuela.

Permits Already Issued

Permits that are valid on the date of publication of the Resolution will be valid until the date established in the same import permit for its expiration, counted from the date of its granting.

Mandatory Permits

For the importation of animals, vegetables, products and byproducts from both origins, an interested party must have a current import permit, duly granted by the MPPAPT, through its management entity for comprehensive agricultural health.



Import Permit

The phytosanitary and zoosanitary certificates of the country of origin will be required to refer to the number of the import permit granted by the National Institute of Comprehensive Agricultural Health (INSAI).

Repealing Provision

Resolution DM/No. 164/2008, of Oct. 8, 2008, published in the *Official Gazette* No. 39,033, of the same date, is repealed.

Validity

This Resolution will come into force from the date of its publication in the *Official Gazette*, that is, Nov. 22, 2023.

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