

Insider View

Venezuela

part one

■ WITH PROVEN RESERVES OF 77 BILLION BARRELS, VENEZUELA REMAINS ONE OF THE TOP SUPPLIERS OF U.S. OIL IMPORTS AS WELL AS ONE OF THE TOP TEN CRUDE OIL PRODUCERS IN THE WORLD. HOWEVER, AS THIS FIRST PART OF A SPECIAL REPORT ON THE COUNTRY REVEALS, PRESIDENT CHÁVEZ HAS ALREADY STARTED DIVERSIFYING THE COUNTRY'S OIL-DEPENDENT ECONOMY INTO AGRICULTURE, TOURISM AND INDUSTRY

SWEEPING reforms BEAR FRUIT

HUGO CHÁVEZ has been President of Venezuela since receiving his first absolute majority in 1998, a majority confirmed in his re-election last year. His Fifth Republic has instituted fundamental statutory reforms to forge a new government framework he claims is nothing short of a "revolution." His detractors say he is centralizing power. His supporters say he is re-building the country for the Venezuelan people. Rarely has a leader generated such strong and conflicting opinion in such a short time. President Chávez himself puts the division into a philosophical context. "If you don't understand and you are an ethical person, then you will make an effort to understand before you give your opinion."

The truth is that the entire world has an interest in the process of change going on in Venezuela. Nature has favored the country with a wealth of resources. Venezuela is one of the top ten crude oil producers in the world and oil dominates the economy. Buoyant oil prices have enabled the president, largely through a 35% rise in government expenditure, to turn a deep economic recession in 1999 into GDP growth of 3.2% in 2000 and 3.5% for the first quarter of 2001.



Man of the people. Hugo Rafael Chávez Frias, President of the Bolivarian Republic of Venezuela.

Encouragingly, non-oil GDP also rose 3.6% for the first quarter of 2001 due to positive growth in the manufacturing, construction and telecommunications sectors rising 4.6%, 9.1% and 16.2% respectively. Inflation currently stands at 12.6% and

is continuing to fall and unemployment is at 14%. "For the first time in twenty years salaries are rising faster than inflation," says President Chávez.

In view of this, the democratic electorate, unafraid to speak out, are not much inclined to

comment. In short, all potential investors with an interest in globalization have their eye on the president and Venezuela. "We are two years into the birth of the New Republic and are continuing to pass many new laws so that we can achieve a policy of fiscal balance through a diversified economy that is not dependent on the oil industry," he explains.

Since 1999, the administration has passed a law for the promotion and protection of investment, another concerning telecommunications, a third for hydrocarbon gases and the administration is currently working on an electricity sector law. "We have introduced new laws to encourage a greater flow of foreign investment," explains Jose Rojas, Venezuela's Minister of Finance. "For example, the law of concessionary grants allows development and construction of new infrastructure projects."

Ironically, in order to push through these laws, the administration has increasingly been viewed from abroad as one that is centralizing power and this has reduced private investor confidence in sectors crucial to the realization of the country's macro-economic plan. However, the president remains

firm, "God grants victory to those who persevere," he quotes from Bolívar, "We want to promote private investment in agriculture, tourism, aluminum and natural gas and diversify in the energy industry. This is our clear message to the world."

President Chávez does not want his government's policies to be seen as interventionist. He continues to support the opening up of the oil and energy industry, and recently declared that his

government had no interest in the \$1.7 billion buy-out, by American-owned AES, of Venezuela's largest privately owned power company Electricidad de Caracas. "In the next few years," according to Finance Minister Rojas, "we are going to have to finance many projects: chiefly in the electricity, mines, aluminum, and oil and gas sectors. Much of the intensive capital and technological investment must be financed externally."

"Ours is a country open to investment and with an infinite amount of opportunity," says President Chávez. "We want people to come and invest." Delegates from all G7 countries have already visited Venezuela. President Bush has openly stated that he is keen to forge closer relations with Latin America. "We have very positive relations with the United States," notes President Chávez.

La Previsora

A COMPANY WITH A PERSONAL TOUCH

YOU CAN understand why Seguros La Previsora president Alberto Quintana believes size matters. La Previsora, the oldest locally owned insurance company operating in Venezuela, is competing against major groups such as American International. "Whether we like it or not, takeovers and mergers are the order of the day and continue to make the market increasingly competitive and professional. There is an air of seriousness about the business," he says.

The Venezuelan economy grew 3.2% in real terms in 2000 and the insurance sector a full 11.9%. The government, aware of the effects of globalization on the industry, chose a year of healthy results to introduce a new law on minimum capital requirements. The immediate result was that four major insurance companies were lost through mergers and four others ceased to operate.

Seguros La Previsora is one of the few domestic companies with a nationwide presence. Today they control subscription capital of 10,000 million Bolívares (\$14 million) ranking them sixth largest in the country. "We offer two distinct advantages," Mr. Quintana explains. "As the most established insurance company in Venezuela we have a personal approach that is in tune with the traditions and business culture of our country. We also use advanced technology to analyze, process and respond to a client's needs as fast as possible. This is why we survive when others fall by the wayside." Mr. Quintana recognizes that his company is susceptible to merger or acquisition.

"Although it is difficult to accept, there has been a very important transformation in the insurance business in Venezuela. The attitude of the government has been reasonable in creating the new insurance law, but that doesn't make life any easier for us," he says.

BANKING MERGERS LEAD TO GREATER COMPETITION

PRIVATE SECTOR banks in Venezuela have always played an important role in supporting the country's economic development. "I don't think that the national economy can prosper if we don't have healthy social conditions," says Edgar Alberto Dao, Chairman of the board at Banco del Caribe. "At the end of the day we are economic representatives serving the consumer."

Banco del Caribe was founded in 1954 by a group of businessmen aware of the needs of the country and open minded to progress. In 1997 the bank went international by agreement and association with Caixa de Galicia and Scotiabank. Today it offers the full range of services from 120 countrywide offices and enjoys an extremely loyal customer base. The bank's mission is closely tied to the vision of Venezuelan Finance Minister Jose Rojas.

"Our objectives are an efficient public sector, efficient banking and insurance sectors and fiscal balance," says Mr. Rojas. "Fundamentally, we need to keep the downward pressure on inflation and unemployment and maintain a healthy central bank. We have reformed the banking system, we have found fiscal balance and the external deficit, the lowest level in Latin America, is under control."

Reform of the banking sector falls into three areas. The central bank has been enshrined into the constitution; the law for mergers and acquisitions concentrates the sector amongst fewer but larger players and the law on micro-companies allows these merged institutions to issue banking credits to stimulate

domestic productivity. Edgar Alberto Dao sees Banco del Caribe's proposed takeover of Scotiabank Canada as the natural progression of the bank's development.

"We want to maintain a strong presence in Venezuela and participate in the development of the national economy

acquisition of Interbank, creating Venezuela's largest independent financial institution with over \$6 billion of assets, 7,500 employees, 387 branches, 787 cash machines and a 15.5% share of the banking system. The result has been a higher return on assets and higher net earnings for 2000, due to cost-savings from 48 office closures.

In the same year that Mercantil celebrated its 75th anniversary it also celebrated a presence in over 10 countries in North and South America and Europe, making it ideally placed for the relaxing of trade restrictions between U.S. and Latin America planned for 2005. Edgar Alberto Dao of Banco del Caribe is quite clear as to what President Bush was referring to when he signalled that his foreign policy priority was Latin America. "I considered he was opening the way for a new continental pact that without doubt would center on significantly improved economic relations. If you think about it, Asia has its own economic block and so does Europe. The U.S. has little option but to look south."

In his 2000 year-end address, President Chávez predicted more mergers as part of the re-sizing and restructuring of the banking sector. "Mr. Dao supports this view. "I think that the mergers and takeovers will increase next year, stimulated by market conditions, and that we will end up with about 15 very strong, very competitive, well funded banks," he says. "The Banco del Caribe will be one of the select group enjoying 8% or 9% market share."



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JOSÉ A. ROJAS RAMIREZ
Minister of Finance



"We have introduced new laws to encourage a greater flow of foreign investment"

ALBERTO VOLLMER
Executive President of Ron Santa Teresa



The objective is to serve growing international markets such as U.S., Switzerland and Germany.

EDGAR ALBERTO DAO
Chairman of the Board of Banco del Caribe



"We want to maintain a strong presence in Venezuela and be a powerful bank internationally."

ALBERTO QUINTANA B.
President of Seguros La Previsora



"We have a personal approach that is in tune with the traditions and business culture of our country."

EDUARDO STIGOL
President of InterCable



"We have plans to cover 31 cities and to become the third biggest provider in three years."

GILBERT MINIONIS
Executive President of NetUno



"Although telecommunications is a technology-led industry, customers require personal attention."



Leader in the dynamic national pay-TV sector, InterCable is active in both urban and rural Venezuela.

TOURISM REVITALIZED BY INVESTMENT

CONVENTIONAL TOURISM has yet to take off in Venezuela as it has done in Brazil and other Latin American countries. Around half a million visitors came to Venezuela last year, but only 10% were tourists. In 1999, President Chávez identified tourism as one of the five sectors to be opened up to private sector development. "Those who come to Venezuela find they have discovered a fantastic geographic location," says the president. "The Caribbean coastline, the Amazon rainforests leading into Brazil, the Orinoco, and the Andean Mountains: tourism has enormous potential here."



A bustling city of 5 million, Caracas has long been a popular tourist attraction.

In view of this, the government announced plans to invest \$61 million in the development of tourism last year, but the industry also has an on-going need for foreign investment and expertise to develop the commercial potential of the sector.

Venezuela is a country of striking natural beauty. The snow-capped peaks of the Andes in Merida, the virgin Amazonian jungles, the early serene table-top mountains of the Gran Sabana and 2,100 miles of white sandy beaches shaded by exotic palms that lean towards the crystal clear Caribbean sea. It is home to the largest lake in South America, Lake

Maracaibo, the massive expanse of the Orinoco delta and the world's highest waterfall, the Angel Falls. Here you can find a huge variety of exotic plants such as the world's largest concentration of orchids and animal species, such as the jaguar, the armadillo and the anaconda.

Last year \$650 million of private investment entered the sector, two-thirds of it from abroad. One hotel chain that has a major presence in Caracas is the Radisson group, part of the largest international conglomerate in the hospitality industry, Carlson Hospitality, which operates in 145 countries and generates 51% of

the world's travel industry revenue. The Radisson Plaza Eurobuilding boasts 440 rooms and suites, 7 restaurants and a 3,000-capacity convention center, as well as a shopping gallery, health and recreation center.

According to Edgar Velarde, president of Radisson's holding company Prime Hotels, "our contribution to Venezuelan tourism and economic development lies in our aggressive promotion and marketing of Venezuela as a business and tourist destination. We also have agreements with airlines in order to offer very attractive prices."

The Radisson Plaza is located in the most exclusive part of Caracas. A stroll around this bustling city of 5 million inhabitants begins in Bolívar Square, framed by the cathedral, the Bishop's Palace and the Capitolio. Nearby is the birthplace of Simón Bolívar that today is restored as a museum. From the historic quarter, visitors can travel by subway to the Parque del Este where there is a replica of Christopher Columbus' Santa Maria and the Parque Los Caobas with its mahogany trees. It is a short walk from the park to the Natural Science museum, Art Museum, National Art gallery and botanical gardens. The Sabana Grande is an elegant avenue that runs from Chacaito subway station to the Plaza Venezuela and is lined with boutiques, elegant shops and cafés where visitors can rest for a coffee or perhaps a Ron Santa Teresa. The only rum that is purely Venezuelan is a product of the House of Santa Teresa, located in the heart of Aragua, one hour from Caracas.

The company, one of the oldest of the country, was originally established in 1796 and is today the fourth largest producer of rum in the world. It is able to hold its own against the big multinational brands as it also has agri-

cultural holdings (producing sugar cane, coffee and fruit) and is responsible for ageing other imported name brands of liquor. Spain is its biggest export market, but the world is beginning to recognize the value of Ron Santa Teresa's unique niche market

position and so the company has decided to concentrate its core business on the ageing and production of its own brand. Its objective is to serve growing international markets such as the United States, Switzerland and Germany.

TELECOMS SECTOR ENJOYS RENEWED VIGOR

TELECOMMUNICATIONS is set to become the second largest industry in Venezuela after oil. At the beginning of the year the land-line monopoly held by Venezuela's national TV network CANTV ended, opening up the \$4 billion telecoms sector to private competition.

"The new telecommunications law is very encouraging," says Gilbert Minionis, President of Veninotel and Executive President of NetUno. "It doesn't favor one dominant operator as is the case in other Latin American countries and it is very clear on the costs involved. It has opened up the terrain for us to develop our existing network for little additional cost and that will enable us to offer an excellent service at a very competitive price."

A recent entrant into Venezuela's web and tele-line service, NetUno hopes to reach 1.2 million homes by 2004. "We are the biggest company in the pay TV market. We are focusing on being a nationwide multi-provider of all fixed line telecom services that can be carried on our fiber optic infrastructure," says Mr. Minionis.

There are currently 3.5 million landlines and given the Internet and cable TV tie-ins, competition for customers is heating up. Pay channel and security camera system providers Intercable, operating in the country since 1996, is planning to invest \$30 million on expanding its nationwide cable service into Caracas. InterCable has also been awarded a telephone license. President Eduardo Stigol feels his company is well on the road to establishing

a strong market position. "Others will try and set up what we already have, but in Maracaibo we already have a fiber loop which encompasses most of the business district. In Valencia we have two loops, one in the industrial zone and the other in the city. Our network already covers the whole of the east and part of the center-west of the Caracas business district," continues Mr. Stigol. "Our infrastructure is considerable. We have plans to cover 31 cities and our intention is to expand very aggressively.

The new telecoms law opens up the \$4 billion sector to competition

Our goal is to become the third largest provider in 3 years." With every competitor on a level playing field, market share tends to be won on price and quality of service. "CANTV control 80% of the market, but they do not have a 2MB broadband link available to their customers," says Mr. Stigol. "So customers who need an ultra-fast connection, who need to link databases or maintain bank branches, need a fiber optic system otherwise for them it will be like trying to suck jam up through a straw."

Following NetUno's award of licenses to operate in all five regions of Venezuela's telecoms sector, Mr. Minionis is preparing for battle. "Soon your television, telephone and Internet will all be in one unit, so logically all three services will be connected to

one network. Our network will support bi-directional lines, high velocity connections to the Internet, two-way data transmission and interactive digital TV. We know we can compete on price with CANTV and our service will be offered commercially in the coming year." The industry is set for some healthy infighting that can only be of benefit to the paying customer. "Although this is a technology-led industry, customers require personal attention," concludes Mr. Minionis. "If you surprise your customer by exceeding his expectations you are guaranteed success."

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Insider View

Venezuela

part two



HAVING UNDERGONE GENUINE REFORM IN THE PAST THREE YEARS THROUGH A RESTRUCTURING PROGRAM KNOWN AS THE NATIONAL DEVELOPMENT PLAN, VENEZUELAN REGIONS SUCH AS ZULIA, BOLÍVAR AND MÉRIDA ARE NOW ENTERING A NEW ERA. IN THIS SECOND AND FINAL PART OF A SPECIAL REPORT ON THE COUNTRY, WE TAKE A CLOSER LOOK AT THESE THREE KEY REGIONS

REGIONS **back** DEVELOPMENT

THERE IS huge geographic, ethnic and, above all, economic regional variety in Venezuela. Therefore, a development plan that adjusts to needs of individual regions and motivates each in the direction of structural reform must also account for regional variations of scale and rhetoric. More remote areas of the south tend to refer to the Bolivarian revolution. Elsewhere in the densely populated townships of the north the spirit of change is more soberly referred to as the National Development Plan.

At present, every state administration in Venezuela is taking full advantage of new development opportunities. Each state has a fairly large autonomy in budgetary and policy matters and the central authorities have promised sufficient funding to launch new projects and see them through to completion.

"The development of our infrastructure reaches far into the interior," says President Chávez. "We have national projects for a rail network, for freeways, telecommunications as well as housing and irrigation: projects that will help our people and also help develop tourism."



Building bridges. Zulia is investing heavily in improved infrastructure.

Government funding of large-scale infrastructure projects filtered through to individual states last year. The reformed banking system is participating on a number of levels, one of which is to assist small-scale regionally based companies to serve the

large-scale centrally funded projects, to stimulate regional economies and reduce unemployment.

However, the opening up of the fragile and virgin interior has to be carefully managed in order to avoid irreparable damage to Venezuela's price-

less natural environment. Also, the participation of the people is sacred to the Bolivarian constitution. The regional governors of Zulia, Bolívar and Mérida, among others, are committed to strengthening educational programs, in tourism above all.



Zulia is advancing in harmony with its priceless natural environment.

FACTS & FIGURES

Population

▶ 23.5 million (2000 estimate).

Capital city

▶ Caracas.

Geography

▶ Venezuela's total area is 352,144 square miles, slightly more than twice the size of California.

People

▶ Spanish, Italian, Portuguese, Arab, German, African and indigenous.

Currency

▶ Venezuela Bolívar (VEB).

Exchange

▶ US\$1 = 740.75 VEB (October 2001).

GDP

▶ US\$109.5 billion; GDP growth rate 3.2% (2000).

Exports

▶ Major trading partners include United States, Colombia, Germany, Japan, Canada, and Italy.

Oil production

▶ 3.1 million barrels per day (2000 est.).

Reserves

▶ Proven oil reserves: 76.8 billion barrels.

Tourism

▶ Venezuela's UNESCO World Heritage Sites include the city of Coro and its port (founded in 1527), the Canaima national park and the university of Caracas campus, created by the Venezuelan architect Carlos Raúl Villanueva.

STATE OF ZULIA INVESTS IN AN OIL-RICH FUTURE

ON THE BANKS of the upper reaches of the River Limón in the state of Zulia are houses built on stilts in the same style as those once looked upon by Italian mapmaker and explorer Amerigo Vespucci five centuries earlier. The sight made him think of Venice only smaller and so was born the name 'Venezuela'.

Zulia is the most populated state in Venezuela and contributes 20% of national GNP. The state is the country's largest producer of meat and dairy products but its fame comes from its oil wealth. Last year Zulia produced more than half the country's quota. Zulia's oilfields have been in production a long time and the maturity of the deposits means many wells are not working to capacity. Huge investment is required in maintenance and new infrastructure at a time when the government has earmarked 60% of next year's budget for exploration, largely in prospects opening up on the eastern side of the country. Nevertheless, 625 wells were drilled in Zulia in 2000 and new exploration is about to begin in the area south of Lake Maracaibo, in the Ambrosio gas field and in South West Zulia along the Trujillo state line.

Lake Maracaibo is the largest in the country and one that lends its name to the state capital city. The lake is contaminated from industrial spillage and inadequately treated sewage pouring in from the city over the years. The area as a whole is in severe need of a clean up. The launch of the country's National Development Plan has done much to relieve the state government from the pressure it was under during the last recession.

Many new infrastructure projects are now in development. The Puerto America project consists of a deep-water cargo-handling port in the zone where Lake Maracaibo meets the Gulf of Venezuela. The port will be an entry and exit point for coal, oil, cement, grain, containers and tourists. Due to its proximity to the Panama Canal and the U.S. coast, the port will also provide Venezuela with access to new international markets. A rail connection is

also being built from Puerto America to the town of Guasdalito in the southern interior. Some 70% of Zulia's population lives in the north of the state where there are vast tracts of agricultural land in need of irrigation. "We are working on an integral plan to maintain our dams, improve our reservoirs, pumping sys-

tem so that treated water will be of a quality to irrigate the surrounding land. This will also improve the quality of the treated water that passes into the lake. A second water management and drainage project is planned for the south of Zulia, one of the most productive agricultural areas in Venezuela.



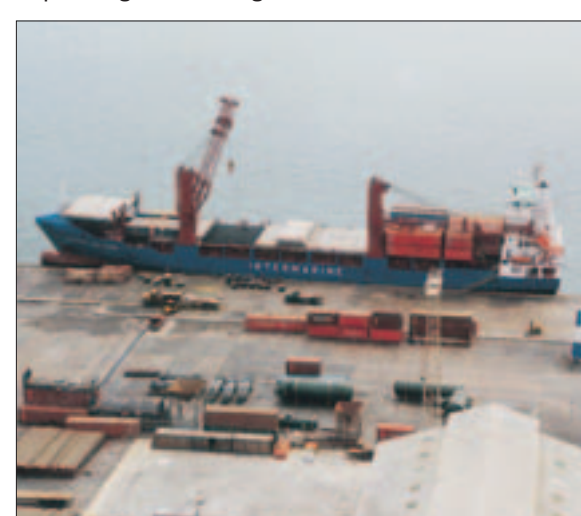
"We have a great number of important projects in development," Governor of the state of Zulia, MANUEL ROSALES.

The National Development Plan has also approved the construction of line one of a new Metro system in Maracaibo that will transport over 250,000 passengers on a daily basis. "The licence has been won by the German company Siemens," says Manuel Rosales, "and will generate 10,000 new jobs and change the image of the city." Maracaibo is the second largest city in the country and its wealth is mainly based on the revenues of the petrol industry.

Continual development of the petrochemical industry is fundamental to the region and requires huge amounts of gov-

ernment and external private investment. The petrochemicals project is now in its final phase and, once completed, will create an entirely new industrial sector, manufacturing synthetic fibres, engineering quality plastics and chemical and petrochemical products vital to the country as a whole. It will also generate 100,000 stable and well-paid jobs. "We have a great number of important projects in development," says Mr. Rosales. "In Zulia we have had a lot of ideas for many years but they have always remained ideas. Now we are advancing in alliance with the national government."

Continual development of the petrochemical industry is fundamental to the region and requires huge amounts of gov-



New infrastructure projects such as Puerto America are key to Zulia's future prosperity.

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HISTORIC BOLÍVAR DIVERSIFIES ITS ECONOMY THROUGH TOURISM



Bolívar has ambitious plans to promote its tourism industry on the horizon.

BOLÍVAR IS Venezuela's largest state and one committed to harnessing its natural resources to industrial productivity and to promoting tourism. The state provides 70% of the nation's electricity, largely in the form of hydroelectric power. It also possesses oil reserves, aluminum, gold and diamond deposits.

The state capital Bolívar, on the Orinoco, is a Spanish colonial city that was once the country's provisional capital. Move further inland and you will discover the most extraordinary region in the country. The Canaima National Park, home to the Angel Falls, the world's highest continuous waterfall, with an 807-meter drop. South of this is one of the oldest geological regions in the world, the Gran Sabana, with its tabletop mountains, sweeping grasslands, underlying forests and dizzying waterfalls.

One of the region's fundamental infrastructure developments to date is a \$400 million hydroelectricity project that connects Bolívar to northern Brazil. In its quest for extra revenue, the government has permitted power lines to pass through the fragile natural reserves of Bolívar on pylons that are a permanent eyesore on the vast virgin plains of the Gran Sabana. The project has highlighted concern over the region's three new tax-free development zones and there have been repeated calls for the state to give clear guidelines to private investors and to officials operating the Intergovernmental Decentralization Fund (IDF). The IDF is largely for the creation of a commercial chain of production in the region.



ANTONIO ROJAS SUÁREZ, Governor of the state of Bolívar

As the governor of the state of Bolívar, Antonio Rojas Suárez explains, "for a long time we have had basic industries such as iron, steel, aluminum and gold but have not valued these materials

other than for export. The economic revolution encourages each township to develop a production chain through to the end product. For example, gold mining has always been the core industry of Callao. Now we want to develop the local economy to manufacture and sell gold jewelry. The same applies to the diamond

market and the state's wealth of semi-precious stones. What we require is modern technological support and our tax free zones are open to foreign investors who can provide it."

Money has been allocated for the development of schools, sports facilities and public works in Caroni. Other towns in the region have also received IDF funding for small-scale infrastructure projects. The opening of a commercial bank in Bolívar offers micro-credits to small-scale local service and production companies. Funding is also filtering through to the more remote regions in the form of new tractors, school buses and education equipment.

Mr. Rojas recently took a helicopter trip to the remote centers of Bolívar to review the work of 3,000 of his state employees and to promote the message that tourism is the essential industry of the future. "We have a rich variety of social, historic, cultural, adventure and eco-tourism. Around 300,000 tourists visited the region from all parts of the world last year," says Mr.

Bolívar's largest development is the \$400 million hydroelectric project to Brazil



With its program of public works Bolívar is building links to the more remote parts of the region.

Rojas. "Tourism is going to generate employment in the long term. But we need to create a conscience from school level up. We need to create a hotel infrastructure. We need to promote the most important aspects of our his-

toric towns. We must prepare tourist routes, improve air services and landing strips. We need to ensure a high level of security. All of this can be developed by small and mid-scale companies within the state, run by our own people." ■

MÉRIDA UNDERGOES MAJOR TRANSPORT REVOLUTION



A massive injection of public and private funds has enabled Mérida to undertake significant infrastructure development.

OUT WITH the old and in with the new are the by-words for the regional government of Mérida. The closing of some departments, the merger of others, the creation of new official positions and the reorganization of a public administration in complete disarray are only part of what Florencio Porras's state government has had to face in the period following the reelection of Hugo Chávez as president of Venezuela. What the Porras administration terms 'the revolution'—in reality massive extra funding from central government—arrived in Mérida last year.

The Mérida region is rich in agricultural products such as coffee, cocoa, and bananas. There are trout in the lakes and cedar forests below the mountains. There are also some mineral deposits and a tradition of pig farming. All eleven municipal zones are rich in natural tourist attractions and further development of eco-tourism is a central platform of the new agenda. The snow-capped peaks of the Sierra Nevada in the northern extremity of the Andes are the best in the country for mountaineering. The area is also ideal for hang-gliding and paragliding. Trekking through the villages and staying in family-owned 'posadas' is another tourist activity. The region, high in the tropics, also has over 40 glacial lagoons and twelve natural parks.

The city of Mérida, a 45-minute flight from Caracas, nestles in the shadow of Venezuela's highest peak, Pico Bolívar, standing at just over 16,400 feet, and the highest cable car in the world links the city to its neighbour Pico Espejo at 15,623 feet.

The state government has unveiled an ambitious development plan combining private investment and government funding. One of the priorities of the state authorities is the upgrading of the existing transportation system, especially the road network. In the high Andes the population has been called on to clean up the roadside ditches, open up rural roads, maintain mountain pathways and link up rural hamlets, while protecting the environmental balance. Special measures are being taken, for instance, to protect the high Andes Condor.

A monumental sight. At 16,430 feet, Pico Bolívar (state of Mérida) is Venezuela's highest peak.



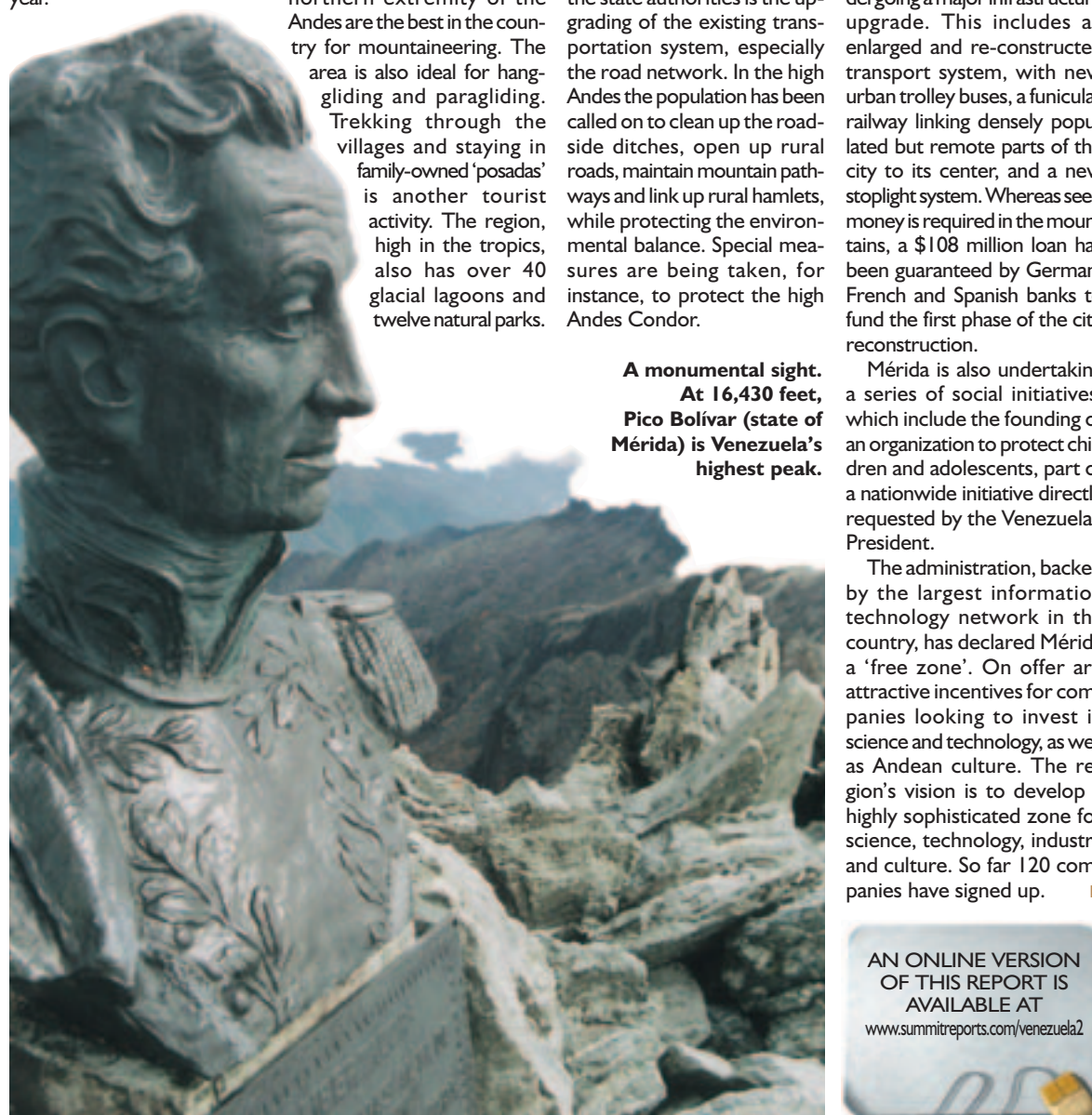
FLORENCIO ANTONIO PORRAS, Governor of the state of Mérida

The city of Mérida is also undergoing a major infrastructure upgrade. This includes an enlarged and re-constructed transport system, with new urban trolley buses, a funicular railway linking densely populated but remote parts of the city to its center, and a new stoplight system. Whereas seed money is required in the mountains, a \$108 million loan has been guaranteed by German, French and Spanish banks to fund the first phase of the city reconstruction.

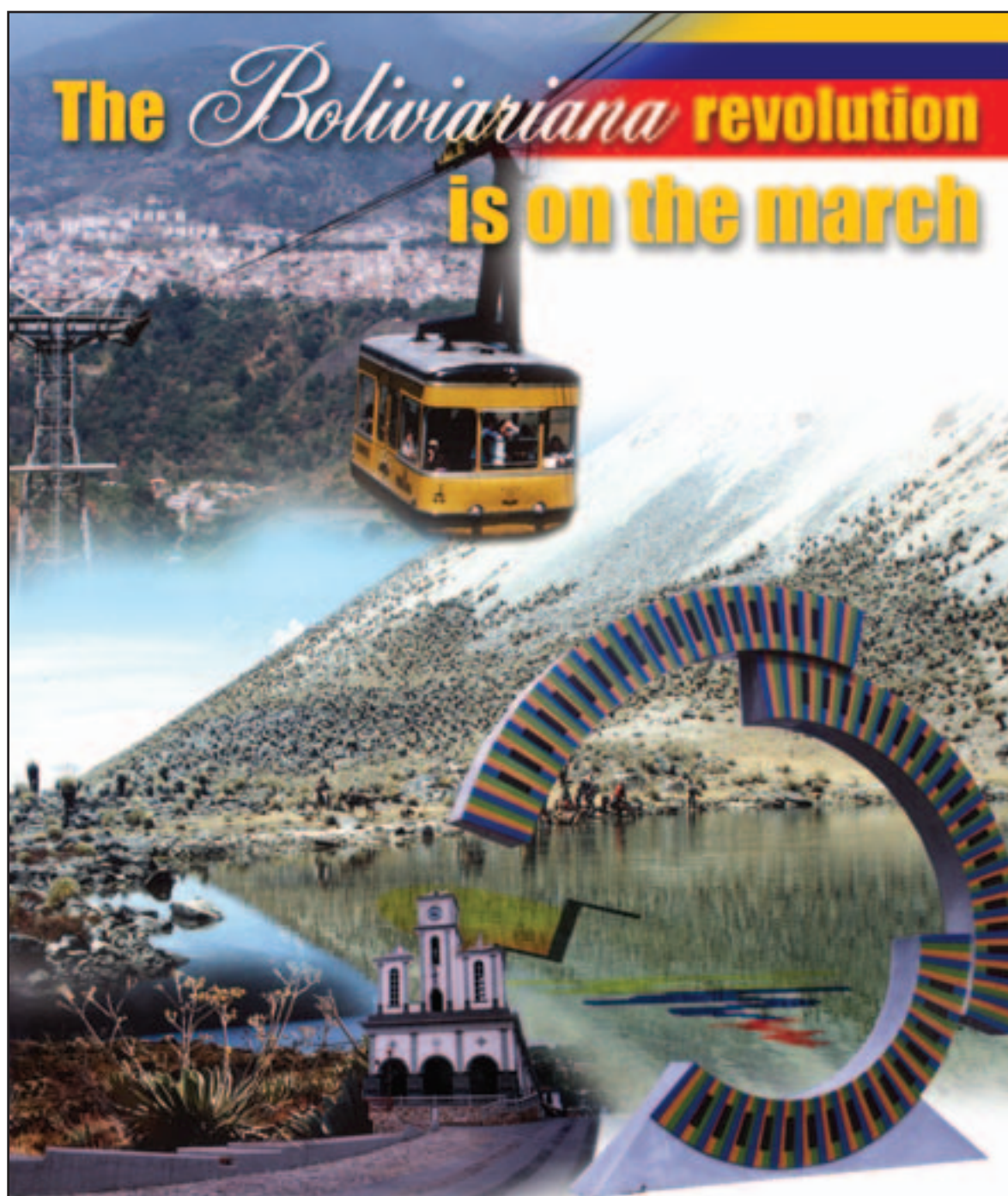
Mérida is also undertaking a series of social initiatives, which include the founding of an organization to protect children and adolescents, part of a nationwide initiative directly requested by the Venezuelan President.

The administration, backed by the largest information technology network in the country, has declared Mérida a 'free zone'. On offer are attractive incentives for companies looking to invest in science and technology, as well as Andean culture. The region's vision is to develop a highly sophisticated zone for science, technology, industry and culture. So far 120 companies have signed up. ■

Some 120 companies have signed up to Mérida's free zone project



The Bolivariana revolution is on the march



Mérida, a land of mountains, sun and snow, offers a magical adventure in the Venezuelan Andes. With towns and villages brimming with old world culture and traditions, the natives openly share their unique natural environment.

From comfortable hotels and cable cars to airports and excellent communication links, Mérida offers a myriad of tourist infrastructure that guarantees that your visit will be a success.

www.meridavenezuela.com

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From the historical downtown of Maracaibo to numerous nature parks and reserves, Zulia is a land of many contrasts. In colonial Maracaibo, one can get a feel for the Spanish towns of old. From the Chiquinquirá Basilica built in 1686 to the Bolivar Plaza, the city is teeming with historic and cultural sites. The Sierra de Perijá National Park, covering 220 kilometers, is home to 100-meter waterfalls, various caves and caverns, the most important fossils in South America and Tetari, the 3,750-meter mountain peak that reigns over the park. Los Olivitos Marsh was declared a nature reserve in 1986 and is the natural habitat of more than 100 species of bird life. The pink flamingo returns to the marsh in August of every year in order to mate. A modern work of infrastructure, the General Rafael Urdaneta Bridge, which unites Zulia with the rest of Venezuela, is 8,678 meters long and extends over Lake Maracaibo. Approximately 135 rivers flow into the lake and the Isla de Zapara, considered a Zulian oasis, is an immense area of white sand, dunes and calm waters in the middle of Lake Maracaibo. Since the early 1900s, Zulia is the number-one petroleum producing region in Venezuela, accounting for 54% of all petroleum production in the country.



Land of contrasts



From the historic to the modern, from city life to natural reserves, Zulia is a wonder to behold.

