

# Venezuela stocks fall on takeover talk

The Miami Herald  
May. 04, 2007

CARACAS, Venezuela --

President Hugo Chavez's threat to nationalize banks caused Venezuelan stocks to fall Friday, while one bank president warned depositors would be worst hit by such a move.

On Friday, Caracas' main stock index fell 2.74 percent, while its index of financial stocks fell 3.12 percent.

The decline was led by Venezuelan banks like Mercantil Servicios Financieros CA, Banesco Banco Universal and Venezolano de Credito whose shares are mostly held by local investors. But BBVA Banco Provincial, owned by Spain's Banco Bilbao Vizcaya Argentaria SA also fell.

Oscar Garcia Mendoza, president of Banco Venezolano de Credito, said Chavez's threat was causing a pre-emptive "flight" from shares and warned depositors would suffer the most from the state's inefficiency if the leader carried out his warning.

"What is going to happen is that everyone's deposits will get penned up ... (and) pass into the state's hands and there will be no more money for anyone," Mendoza told The Associated Press in a telephone interview.

Garcia Mendoza accused Chavez of trying to deflect attention away from his administration's problems, including the region's highest inflation rate, which over the last 12-month period surpassed 20 percent.

Garcia Mendoza said Venezuela's 39 local banks are already highly dependent on the government, with 40 percent of their assets comprised of government bonds and more than half of deposits belonging to state entities.

"The impression this gives is that this country is growing increasingly autocratic," Garcia Mendoza said, accusing Chavez of leading the country toward "destruction."

Chavez issued the warning Thursday in an apparent bid to strong-arm businesses to contribute more to local industry rather than as a promise of an imminent takeover. He accused them of being unscrupulous monopolies that were not giving priority to Venezuela's industrial sectors.

Chavez's warning was also directed at steel producer Sidor, which is majority controlled by Luxembourg-based Ternium SA. Ternium's U.S.-traded shares closed down just 1 cent Friday at \$26.14.

Chavez initiated a nationalization drive in January to impose state control over "strategic" companies.