Doing Business in Venezuela: 2013 Country Commercial Guide for U.S. Companies

Return to table of contents

Chapter 1: Doing Business in Venezuela

Market Overview

Return to top

For the last fifteen years, Venezuela's anti-market orientation and anti-U.S. rhetoric has complicated business opportunities in the country. U.S. exporters to, and investors in, Venezuela are well-advised to be mindful of the considerable challenges when assessing opportunities in the Venezuelan market.

The U.S.-Venezuela political relationship is strained. There has not been an exchange of ambassadors between the two countries since 2010. President Nicolas Maduro, elected on April 14, 2013, has also used the strident, anti-U.S. rhetoric that his predecessor, the late Hugo Chávez, used. Maduro’s presidential term will expire in 2019.

Venezuela is the sixth most populous nation in Latin America with 29 million people.

The U.S. remains Venezuela’s most important trading partner, claiming more than half of Venezuela’s exports (primarily petroleum and petroleum products) and a significant portion of its imports.

Venezuela is the U.S.’s third-largest export market in Latin America.

Macroeconomic Overview

- GDP (est. 2012): $381 billion (at the 2012 official exchange rate)
- GDP real annual growth rate (est. 2012): 5.6%
- GDP per capita (est. 2012): $13,400 (at the 2012 official exchange rate)
- Petroleum industry (est. 2012): 30% of GDP
- Exports (est. 2012): $96 billion (54% to the U.S.)
- Imports (est. 2012): $60 billion (26% from the U.S.)
- Inflation (2012): 20.1% (27.6% in 2011, 27.2% in 2010)

The Venezuelan government (GBRV) maintains a strict regime of currency exchange controls. U.S. exporters routinely experience delays, and occasionally non-payment, for merchandise sold to Venezuela. The Venezuelan Commission for the Administration of Currency Exchange (CADIVI) is the sole legal authority for exchanging bolivars for dollars at the official exchange rate of 6.3 bolivars/dollar. Venezuelan importers seeking official dollars must register with CADIVI, obtain supporting documentation from various government ministries (e.g., certificates of non-national production), and file a request with CADIVI. CADIVI only honors requests for imports deemed essential to Venezuela and maintains lists of priority products, including food, medicine, and capital goods. The process is not guaranteed, however, even for priority products. Some Venezuelan importers fail to obtain dollars despite good-faith efforts to acquire them. Successful applicants often wait 180-270 days to receive dollars from CADIVI.

In theory, Venezuelan law permits foreign investors to repatriate dividends to their corporate home offices. Nevertheless, since 2008 CADIVI has virtually stopped authorizing dollar sales for the repatriation of dividends to the home offices of multi-national corporations with operations in Venezuela. Independent estimates suggest multi-national corporations hold $12-15 billion worth of retained bolivar earnings in Venezuela. Three devaluations of the official exchange rate since 2008 have created uncertainty regarding the dollar value of such un-repatriated bolivar dividends. Many multi-national corporations have recognized accounting losses on their bolivar cash and equivalents held in Venezuela.

From May 2010 to February 2013, the Venezuelan central bank (BCV) operated an alternative exchange mechanism, SITME. SITME used to sell dollar-denominated bonds, for bolivars, at an implicit exchange rate of 5.3 bolivars/dollar. Many importers of products deemed non-priority by CADIVI, including small and medium enterprises, used SITME to obtain dollars for their operations. Since February 2013, importers of non-priority products have been without an official alternative mechanism for buying dollars.

The GBRV introduced in March 2013 a new complementary foreign exchange system, SICAD. Details regarding SICAD remain sparse, but the GBRV has said it will periodically auction dollars through SICAD at exchange rates greater than the official 6.3 bolivars/dollar. To date, only firms registered to use CADIVI can access SICAD. The authorities have said they will conduct pre- and post-transaction verifications to ensure that SICAD dollars reach only foreign suppliers with which Venezuelan importers have an agreement. SICAD held one auction in March 2013. The GBRV did not announce the exchange rate(s) the auction realized, but media reports said the weighted average exchange rate in the first SICAD auction was 13-14 bolivars/dollar. Accessing SICAD dollars requires GBRV acceptance of the Venezuelan importer's auction bid. The GBRV has said it reserves the right to reject any bid determined to be inconsistent with the government's priorities.

There is greater Venezuelan demand for dollars than official supply. There is a parallel, unofficial market for dollars. Venezuelan law prohibits the publication in Venezuela of a parallel exchange rate, but private websites outside of Venezuela publish it. The parallel exchange was roughly 25 bolivars/dollar in spring 2013. Venezuelan law provides for fines and imprisonment for transacting dollars in the parallel market in Venezuela.

Market Challenges

Return to top

- Commercial uncertainties that may affect private property rights, the government-private sector relationship, currency controls, increasing regulation, and the democratic process.

- Annual consumer price inflation has averaged between 20 and 30 percent in recent years and is forecasted to finish 2013 at 35-40 percent.

- Oil prices remain key to Venezuela's ability to import and pay for goods and for services. Ninety-six percent of the foreign exchange that Venezuela earns comes from sales of crude oil and refined petroleum products. The volatility of oil prices makes Venezuela's hard currency earnings volatile as well.

- Lack of transparency in the public procurement process, coupled with an anti-U.S. company bias in government procurements.

- Increasing "social responsibility" requirements levied on the private sector, with requirements to undertake local investment in priority sectors.

- Inadequate intellectual property rights (IPR) protection. Venezuela's withdrawal from the Andean Community and subsequent GBRV announcements reinstated a 1955 industrial property law covering patents and trademarks. The 1955 law does not provide protections consistent with current international norms.

- Lack of clarity on standards. The government no longer approves standards issued by the major private sector standards body, the Fund for Standardization and Quality Certification (Fondonorma), resulting in increased dual standards with no mediation process.

- Lack of an independent judiciary.

- Aggressive tax collection and potential business closures for tax policy violations and minor infractions by the Venezuelan Tax Authority (SENIAT).

- Aggressive enforcement of unclear consumer protection laws.

- Port congestion, inadequacy, and inefficiency increase delays and time in port, opening goods to possible confiscation and increasing the cost of trade. The government's nationalization of port operations in 2009 have further confused procedures and increased costs. Port operations are very expensive by international standards.

- Venezuelan government plans to develop new port, storage, and silo facilities have fallen behind schedule and have created bottlenecks, especially at its principal port, Puerto Cabello.

- A Bank Law Reform approved by the National Assembly in December 2010, restricts loans that banks can offer for credit cards, car loans, and personal loans.

- The most recently available data indicate that the government nationalized 499 industrial sector businesses in 2011, an increase from 234 seizures during 2010. It also seized 1.5 million hectares of land in 2011, adding to the 2.2 million already nationalized.

- Venezuela's 2012 departure from the World Bank's International Centre for the Settlement of Investment Disputes (ICSID) may leave firms with less recourse to international arbitration.

Market Opportunities Return to top

- Venezuela's 2012 5.6 percent economic growth was driven by petroleum exports and government spending, particularly in the housing sector. Many analysts forecast reduced government spending, increased inflation, and falling imports of basic goods and inputs will reduce growth to 1-3 percent in 2013, with some predicting a mild contraction.

- U.S. companies still benefit from established commercial ties between the two countries, e.g., strong consumer preference for U.S. products, preference for U.S. technologies, and the long tradition of U.S. foreign direct investment in Venezuela. Venezuelans are avid consumers of imported products. Sixty percent of everything used or consumed in Venezuela is imported.

- Venezuela enjoys geographic proximity to the U.S., and much shorter shipping times (three to five days) compared to other suppliers.

- Venezuela has relatively low tariff rates.

- Leading sectors for U.S. exporters include: oil and gas machinery, electrical power generation systems and electrical equipment, auto parts/service equipment, medical equipment, safety and security equipment, franchising, and agricultural commodities.

Market Entry Strategy Return to top

There should be no expectation of a quick or satisfactory legal remedy in Venezuela if a commercial relationship results in a dispute. U.S. firms should be sure to identify the right partner, agent, distributor, or representative from the outset to minimize as best as possible the likelihood of needing legal recourse.

Risk should be built into business plans, e.g.: political risks (which might be greater for a direct investor than for an exporter); an officially overvalued local currency; the cost, time, and potential non-payment due to foreign exchange controls; further currency devaluations; and, potential concerns about expropriation.

U.S. firms should determine whether their particular product/business would benefit from being identified with the United States or might be hurt by the identification. Some products/businesses might be more popular because they are "American," whereas others might benefit from a weaker identification with the United States. U.S. firms should be prepared to promote and support their products with Spanish-language materials.

Trade events in Venezuela can be used to promote products and test market interest.

U.S. firms should be aware that laws and regulations in Venezuela governing trade, industry, and commerce can change with little notice. Firms should evaluate local partners for their ability to stay abreast of such changes.

Return to table of contents

COUNTRY FACT SHEET: VENEZUELA

PROFILE

Population in 2011 (Millions): 30

Capital: Caracas

Government: Republic

ECONOMY	2009	2010	2011
Nominal GDP (Current Billions $U.S.)	329	295	316
Nominal GDP Per Capita (Current $US)	11,498	10,099	10,630
Real GDP Growth Rate (% change)	-3.2	-1.5	4.2
Real GDP Growth Rate Per Capita (% change)	-5.1	-3.4	2.1
Consumer Prices (% change)	27.1	28.2	26.1
Unemployment (% of labor force)	7.9	8.6	8.1

Economic Mix in 2007: 54.2% All Industries; 14.7% Manufactures; 41.6% Services; 4.2% Agriculture

FOREIGN MERCHANDISE TRADE ($US Millions)	2009	2010	2011
Venezuela Exports to World	56,583	66,963	91,338
Venezuela Imports from World	38,677	32,343	36,388
U.S. Exports to Venezuela	9,315	10,649	12,343
U.S. Imports from Venezuela	28,059	32,707	43,256
U.S. Trade Balance with Venezuela	-18,744	-22,058	-30,913
Position in U.S. Trade:			
Rank of Venezuela in U.S. Exports	25	25	26
Rank of Venezuela in U.S. Imports	11	11	9
Venezuela Share (%) of U.S. Exports	0.88	0.83	0.83
Venezuela Share (%) of U.S. Imports	1.8	1.7	2.0

Principal U.S. Exports to Venezuela in 2011:

1. Machinery, Except Electrical (20%)
2. Chemicals (19.8%)
3. Computer & Electronic Products (15.9%)
4. Transportation Equipment (7.9%)
5. Petroleum & Coal Products (5.3%)

Principal U.S. Imports from Venezuela in 2011:

1. Oil & Gas (86.6%)
2. Petroleum & Coal Products (10.3%)
3. Chemicals (1.4%)

FOREIGN DIRECT INVESTMENT	2009	2010	2011
U.S. FDI in Venezuela (US $Millions)	9,711	9,716	12,110
FDI in U.S. by Venezuela (US $Millions)	2,612	2,890	3,784

DOING BUSINESS/ECONOMIC FREEDOM RANKINGS

World Bank Doing Business in 2012 Rank: 180 of 185

Heritage/WSJ 2012 Index of Freedom Rank: 174 of 179

Source: Created by USDOC/ITA/OTII-TPIS from many sources: FDI from USDOC, Bureau of Economic Analysis. US Trade from USDOC,Census Bureau,Foreign Trade Division. Venezuela Trade with World from United Nations where available. National Macroeconomi data from IMF/World Bank databases including World Economic Outlook and World Development Indicators. .WORLD and other country aggregates are summaries of available UN COMTRADE, IMF and other data, and coverage varies over time and by source, but typically represents greater than 85 percent of world trade and production. Note: Principal U.S. Exports and Imports Are 3-digit NAICS Categories

Return to table of contents

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

U.S. Department of State Background Notes -- Venezuela

Return to table of contents

Return to table of contents

Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

Return to top

A commissioned sales agent, or manufacturer's representative, finds customers, passes the order to the foreign company, and receives a commission on the sale. The amount of commission will vary between 5 and 30 percent depending on the nature of the product and the amount of work or time required by the agent. Commissions are established by negotiation and not by legal stipulations.

Where there are multiple levels of customers, employing an agent may be the most practical and efficient means of covering the market. Wholesalers or stocking distributors often have minimal outside sales forces, and rely instead on advertising and walk-in customers or buyers. Having a distributor may be important where strong after-sale support is needed for the product.

Venezuelan companies at any step in the distribution chain tend to place repeated small orders. Foreign company requirements as to minimum orders, or even minimum annual sales, may meet with resistance from prospective distributors or agents. Venezuela has no particular laws or regulations to protect a local agent. There are no legally binding indemnification requirements. The written agreement in all principal-agent, supplier-distributor arrangements is binding. It is common practice to have medium-term trial agreements with clear performance objectives when entering new business relationships.

Placing a Venezuelan citizen on a company's payroll can be costly in case of separation, since separated employees are entitled to benefits stipulated by labor laws. Labor law requires that an employer contribute 60 days of an employee's wages into a severance account in the first year of employment, and an additional two days each year up to a total of 90 days. Payment is retroactive to 1997 and based on the last (likely highest) salary earned. When the employment relationship is terminated, the company must also make retroactive calculations of benefits (30 days salary for each year of service). A minimum wage is set annually by government decree. Employees are allowed a one-month, probationary work period. During this time, an employer can dismiss a worker without cause. If the employer fires the employee after the employee becomes "permanent," the employee has the right to accept the firing and receive a double severance payment or to challenge the dismissal in court. If a permanent employee challenges dismissal in court, the employer must prove it was a "just cause" dismissal – the employee voluntarily left the job, committed a "grave error" in work obligations, revealed confidential/secret company information, or committed grave negligence in operating workplace machinery. If the court finds an employee was fired without just cause, the employer must re-hire the employee and pay a fine. By May 7, 2015, third-party contracting must end for jobs that are of a permanent nature, occur inside the business's installations and are directly related to the productive process.

There are numerous ways to find a business partner. U.S. firms can check the Commercial Service's website for details on services designed to assist U.S. companies to assess the Venezuelan market and to identify a distributor, agent, and/or representative.

Establishing an Office

Return to top

A business must first be registered, although no previous authorization is required, with the Venezuelan Municipal "Commercial Registry" to be legally established. Foreign-owned businesses must be registered within 60 days of incorporation with the Superintendency of Foreign Investment (SIEX). Registration with the Social Security System and the National Institute of National Cooperation is also compulsory. The opening and operating of a coordinating or reporting office is not considered foreign investment or business as long as the office neither sells nor receives financing from the home office overseas. Under the Commercial Code, businesses can be registered as corporations, limited liability companies, partnerships, sole proprietorships, or cooperatives.

Registration is relatively fast and inexpensive, but U.S. companies should have a Venezuelan attorney draft the registration documents. After registration, a business must obtain a municipal business license. Maintaining a municipal business license requires payment of a quarterly tax. The final step in registration is obtaining the income tax registration number (RIF) from the Ministry of Finance. The RIF must be shown on all fiscal documents and bills and serves generally as the identification for the business entity.

Potential investors should be aware that the GBRV has indicated that it can and might require technology transfer in order to approve investment approvals. Although it has not linked such transfers with approvals, it could begin enforcing this policy without warning.

Office space is widely available for rental or purchase, although prices, especially in the capital city Caracas, can be expensive. Foreign companies are permitted without restriction to purchase real estate, except for a restriction on a foreign national's purchase of real estate within 50 km of the national border or in other areas where there are security sensitivities. Standard lease contracts do not cover utilities. Some office buildings do lease office space with at least one phone line, and cellular telephone service is widely available from several competitive providers.

U.S. companies should refer to Chapter 6 for more detail.

Franchising Return to top

Franchising is allowed under the existing foreign investment laws. Franchise payments, royalties, patents, or technical assistance agreements must be registered with the Superintendency of Foreign Investment (SIEX). Certain payments for the use of franchise rights may be subject to withholding taxes. Decree 2095 guarantees the ability to remit funds to overseas franchisors for franchising rights, but currency controls have delayed and limited such remittances.

Venezuela's franchise market is the third-largest in Latin America, following Brazil and Mexico. Currently there are 434 franchisors owning and operating 11,465 franchisee points throughout Venezuela. Currently 44% of franchises are of international origin.

U.S. franchises have enjoyed some success in Venezuela, including: Quizno's, TGI Friday's, Papa John's, McDonald's, Burger King, Domino's Pizza, KFC, Cinnabon, Tony Roma's, Outback, and Chili's. Many other franchises in other sectors are present in Venezuela.

Direct Marketing Return to top

Direct marketing is common in Venezuela. Marketing through TV commercials, newspaper inserts, home visits, or street vendors is widespread. Mail advertising has been slower to develop because of postal system difficulties, but Sunday press is commonly used for advertisements. Placing orders by phone for delivery by messenger is popular, and companies that offer this type of delivery have begun placing their catalogs in newspapers.

Direct marketing by phone is becoming more common. Online sales are also growing as computer and Internet access grow.

Joint Ventures/Licensing Return to top

Although general information is provided under this heading, U.S. companies should refer to Chapter 5 for more detail. Joint ventures are common in Venezuela. The principal requirement is registration of the venture with the Superintendency of Foreign Investment (SIEX).

Venezuelan law generally imposes no limits on the payment of dividends, reinvestment, or repatriation. U.S. financial institutions will not convert Venezuelan bolivars into dollars, so U.S. firms with operations in Venezuela must exchange their bolivar earnings for dollars in Venezuela to repatriate dividends to their home offices. Foreign-exchange commission CADIVI, however, has virtually stopped authorizing dollar sales for dividend repatriation since 2008.

Manufacturing under license is also permitted, but for licensors to collect license fees, royalties, or trademark and patent fees the license must first be registered with SIEX, and the licensees' bolivar proceeds must be converted into dollars. Such payments are thus also subject to GBRV currency controls.

Decree 2095 of 1992 (Gazette No. 34.930, 1992) established the legal framework for foreign investment in Venezuela. This decree implemented Andean Community Decisions 291 and 292 and lifted most restrictions on foreign participation in the economy. Article 13 of the decree guaranteed foreign investors the same rights and imposed the same obligations applied to national investors "except as provided for in special laws and limitations contained in this Decree." Between April 2006, when Venezuela first withdrew from the Andean Community, and April 22, 2011, when its withdrawal was finalized, the GBRV continued to apply some Andean Community norms in the absence of other regulations. Venezuela's formal withdrawal from the Andean Community, however, has added to uncertainty regarding Venezuelan laws based on Andean Community decisions.

Decree 2095 reserved three areas of economic activity to "national companies": (1) broadcast media, (2) Spanish-language newspapers, and (3) professional services regulated by national laws. These professional services include law, architecture, engineering, medicine, veterinary medicine, dentistry, economics, public accounting, psychology, pharmacy, and management. A "national company" (as defined in Article 1 of Andean Community Decision 291) is a company in which Venezuelan nationals hold more than 80 percent of the equity. Foreign capital is therefore restricted to a maximum of 19.9 percent in the areas noted above. The Investment Promotion and Protection Law of October 1999 (Gazette No. 5.390, 1999), whose regulations were published in July 2002, maintained the same reserved sectors.

The 2001 Hydrocarbons Law reserved the rights of exploration, production, "gathering," and initial transportation and storage of petroleum and associated natural gas for the state. Under this regime, primary activities must be carried out directly by the state, by a 100 percent state-owned company such as PDVSA, or by a joint-venture company with more than 50 percent of the shares held by the state. The law left refining ventures open to private investment as well as commercialization activities under a license and permit regime. In contrast to the legal framework for petroleum, the 1999 Gaseous

Hydrocarbons Law offered more open terms to investors in the unassociated natural gas sector. This law opened the entire natural gas sector to private investment, both domestic and foreign, and created a licensing system for exploration and production regulated by the then-Ministry of Energy and Mines (now the Ministry of Petroleum and Mining). The state retained ownership of all natural gas "in situ," but PDVSA involvement was not required for gas development projects (although the law allows PDVSA to back into 35 percent ownership of any natural gas project once the private partners have declared commerciality). The law prohibited complete vertical integration of the gas business from wellhead to the consumer. The state has also nationalized the electricity sector and the dominant telecoms company.

There are restrictions in professional services (attorneys, medical services, CPAs, architects, etc.), which fall under the Law of Professions. Typically, foreign professionals wishing to work in Venezuela must revalidate their professional credentials at a public Venezuelan university. This requirement, however, does not necessarily preclude providing consulting services under contract for a specific project.

Selling to the Government

Return to top

Public procurement is governed by the Partial Tender Reform Act (Gazette No. 5.556, 2001) and the Law of Public Contracts (Gazette No. 39.181, 2009). The 2001 tender law sought to increase participation by small- and medium-sized enterprises. The 2009 law of public contracts sought to enhance the role of communal councils in public procurement. Public contracts executed pursuant to international agreements are exempt from the requirements of the public contract law. Although Venezuelan procurement law and regulations encourage delivery of the best product or service for the lowest possible price to the Venezuelan taxpayer through a transparent and competitive process, many observers express concern that Venezuelan public procurement has become less transparent and openly competitive over the last few years. Most government procurements are made without public tenders and with little transparency.

Venezuelan government officials are not permitted to conduct official business in any language except Spanish. Sending correspondence in English is unlikely to elicit a response from a government official.

Tenders may be opened in one of three ways: only to domestic companies; to domestic and foreign companies; or exclusively to foreign companies. In the case of public tenders open to foreign bidders, the GBRV sometimes stipulates that the foreign company, if it wins a tender, must form a consortium with a domestic firm or have a local representative.

Firms wanting to sell to a Venezuelan governmental agency are required to register in the National Register of Contractors, maintained by the Central Office of Statistics and Informatics. This national registry has “sub-registries,” normally found in all ministries and governmental agencies that regularly purchase goods or services. A labor solvency certificate, evidencing a firm's compliance with Venezuelan labor laws, is also required to do business with the government or with a parastatal company.

If tenders are opened only to foreign companies, bidders might be exempt from registration requirements initially, but could have to register once pre-selected (short-listed). Additionally, selling goods or services to state-owned oil company Petroleos de Venezuela (PDVSA) requires pre-registration with PDVSA's contractor's registry.

Although firms may pay commissions, these cannot be an additional item over the final sales price to the government. Government officials sometimes check the quoted price against the published export price list to make sure that commissions are not added in this way.

U.S. exporters should proceed with caution if a Venezuelan partner requests changes to a contract after it has been signed. Such an agency request, and the change in contract language or terms, must be in writing. Litigating against the government is difficult, as is enforcing any judgment in the firm's favor. Venezuelan regulations prohibit jurisdiction selection clauses in government contracts designating anywhere except Venezuela, and also proscribe international arbitration.

The GBRV promotes purchases from firms employing disadvantaged groups (*empresas de producción social*, EPSs). Consequently, some wholly or partially government-owned companies (national oil company PDVSA, for example) are strongly encouraged to procure as much as possible from EPSs.

The GBRV also insists on "social" contributions as explicit inclusions in tenders on certain types of projects. Bidders are expected to fund health, educational, or community development projects. Such contributions vary from project to project, and potential bidders should explore them as part of the preparation of the bid for large projects. U.S. companies should also be aware of the Foreign Corrupt Practices Act and ensure that their legal department reviews such contributions.

Types of Tenders

Depending on monetary value and types of goods or services purchased, all other procurements are supposed to fall into one three classifications:

- General Tender (*Licitación General*),
- Selective Tender (*Licitación Selectiva*),
- Direct Purchase (*Adjudicación Directa*).

The Bidding Process

Bid proposals usually must be separated into two parts:

- Legal documentation regarding the supplier, description of experience, list of prior clients, and
- Information on the actual technical offer and price.

Traditionally, a commission established by the government buyer has reviewed bids in the presence of a representative of the National Comptroller. The technical review may require outside opinions, such as from the College of Engineers, the National Council of Science and Technology, or a Legislative Committee established for this purpose. The National Comptroller gives final approval on government contracts and can stop a bidding process at any time it believes the procedures were flawed.

The tender publication usually contains a time schedule for pre-selection, submission of the final offer, and the date of the final selection. When several organizations are involved in the final selection, the deadline frequently slips and bidders are asked to provide a date up to which they will hold their prices. If that date passes, price increases may be accepted.

Government agencies usually require that a supplier of specific types of equipment be an authorized seller for the foreign manufacturer. Multiple bids by the same manufacturer may result in disqualification. Authorization to sell is especially important where after-sale support might be needed.

Although the U.S. Embassy has very limited capacity to assist, if a U.S. company feels that the bidding process of a foreign tender in which it is participating is flawed or discriminatory, it should contact the U.S. Embassy Caracas Economic Section.

Distribution and Sales Channels

Return to top

Possible distribution and sales channels include manufacturer's representative or commissioned agent, wholesale importing distributor, importing retailer, or direct sale to end-user. It is common to find Venezuelan companies that play several of these roles.

No specific business license is required for a local company or individual to be an importer. Many retailers handle their own imports, sometimes placing orders through commissioned agents and sometimes purchasing directly from foreign suppliers.

Containers will not pass Customs unless their contents fall under one single tariff classification number. If they contain consolidated mixed cargo, Customs will separate their contents to check each item. To alleviate congestion at ports and airports, Customs will authorize this procedure to take place in a bonded warehouse or under special arrangements at extra cost at the recipient’s warehouse. Containers must be sealed during the transfer.

U.S. firms should avoid parcel post shipment. Venezuelan mail is typically subject to delays. If such a parcel arrives, Customs will send a notification by mail to the recipient, who then has to reply by mail that he is willing to accept the package. This entire procedure can take weeks or months. The speediest procedure is air freight, or sea freight in the case of very heavy shipments.

Major distribution centers include the ports of La Guaira and Puerto Cabello and the international airport of Maiquetía. Firms should note that operations in Puerto Cabello, Venezuela's main long distance port are handled by the government. Much-needed port updating and streamlining are long overdue. Multiple, bureaucratic nationalization procedures can cause substantial delays and demurrage costs, but failure to remove or nationalize product may result in confiscation. Firms should note that freight handling in ports and airports is rudimentary. Products may sustain damage if they are not well packed. Local firms and independent media have reported theft of merchandise.

Selling Factors/Techniques

Return to top

Retail sales are similar to those in the United States. Price haggling in established stores is not common. Special offers are frequent but seasonal in nature. Promotions and sales are governed under a consumer protection law that is not yet supported by a complete regulatory framework, causing uneven application. The law has subjected retailers and franchises to unclear restrictions. The GBRV has threatened retailers about price increases. Retailers selling price-controlled goods are subject to greatest government scrutiny, but consumer protection regulators have also charged sellers of unregulated products with unfair pricing. There are numerous malls, but few department stores.

U.S. companies should provide sales literature in Spanish. While many Venezuelan businesspeople speak English, many of their staff and customers do not. Product literature and instructions for products for retail sale must be in Spanish.

U.S. companies should be prepared to train new agents or distributors, especially if a product is new or entails new technologies. New Venezuelan agents/representatives frequently request training at a U.S. company's facilities for sales staff, maintenance, or repair technicians. Companies intending to offer their Venezuelan agents training in the United States should consider U.S. visa requirements for Venezuelan citizens. A U.S. company's ability to ensure Venezuelan end users spare parts, repair service, and other after-sale support is a critical selling factor.

Electronic Commerce

Return to top

Venezuela's electronic commerce sector is expected to grow due to increasing Internet penetration, development of the legal framework, and improved capabilities of banks to provide secure transactions. However, government restrictions on foreign exchange availability for online credit card purchases have had a negative impact.

The GBRV estimated 4-4.5 million internet users in 2006, when online sales totaled $300 million. The World Economic Forum's Global Competitiveness Index estimated 40 percent of Venezuelans (roughly 12 million people) were internet users in 2012. Online sales have likely risen, but the market was negatively impacted by CADIVI's reduction from $3,000 to $400 of the limit on currency conversions for overseas online credit card purchases.

Local e-commerce purchases are most often settled by non-electronic means (bank deposit, checks, and cash). Barriers for e-commerce growth include relatively low credit card usage, exchange controls, and relatively low (but increasing) Internet usage.

Trade Promotion and Advertising

Return to top

While there are some specialized publications, daily newspapers are the most common form of advertising. This holds true even with machinery or industrial equipment. TV and radio commercials are heavily used to promote durable and non-durable consumer goods. Billboards are common, as are leaflets, newspaper inserts, and in-store promotions. There are numerous advertising agencies, including subsidiaries of well-known U.S. companies.

Premiums are not widely used to target the public at-large, but are often provided to existing customers or business associates. Business gifts are common around Christmas for steady customers, and can be expensive.

The Venezuelan trade show industry declined in the wake of economic difficulties earlier in the century and the strengthening of shows in larger neighboring countries such as Brazil. However, some events – such as the annual "Segur-Show" – weathered the storm. In general, trade shows in Venezuela are not as large or elaborate as in some other Latin American countries such as Brazil and Mexico. Check export.gov's searchable list of trade events for more details.

Venezuelan trade shows typically have proven to be an excellent vehicle to promote a new product, or to find an agent or distributor in certain sectors, though some shows may not meet expectations of seasoned trade show users. Off-the-floor sales are not common, however, except for pre-Christmas gift shows and toy and furniture shows.

Some shows are organized by local show organizers on behalf of trade or industrial associations. U.S. companies also have organized trade shows in Venezuela directly. U.S. companies should check the Commercial Service's website for details on specific trade promotion services offered to help U.S. companies enter or expand their presence in the Venezuelan market.

Major Daily Newspapers

El Universal
Edificio El Universal, Esquina de Animas, Avenida Urdaneta, Caracas
Phone: +58 212 505-2111, 505-2290, Fax: +58 212 505-3710
Email: diario@eluniversal.com

El Nacional
Edificio El Nacional, Av. Principal de Los Cortijos de Lourdes, Caracas
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Pricing

Return to top

The GBRV has subjected an increasing number of food products and consumer goods to price controls. In these cases, mark-ups for products already on shelves or storage were sanctioned by heavy fines or even store closure. Independent analysts have observed that the authorized retail prices are regularly below production costs. As a result, products sometimes disappear, usually temporarily, from the market, and hoarding has become more common. A new law also regulates prices for goods containing certain basic commodities, subjecting a vast number of products, including foods, to the new regulations. Mark-ups of one hundred percent have been common in non-regulated products.

The law prohibits price fixing among manufacturers. All promotions require registration and authorization by the consumer protection agency, INDEPABIS. Venezuela’s consumer protection law requires a suggested price that cannot be exceeded in retail sales.

Sales Service/Customer Support

Return to top

Multinational exporters report it is challenging to sell equipment, whether industrial or durable consumer goods, without offering sales support, spare parts, or service. It is therefore important that prospective agents or distributors either provide this support or be able to contract for it. Currency controls, import processes, and port congestion often delay new shipments, so local firms try to maintain an adequate stock of spare parts.

Protecting Your Intellectual Property Return to top

Several general principles are important for effective management of intellectual property ("IP") rights in Venezuela. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Venezuela than in the U.S. Third, rights must be registered and enforced in Venezuela, under local laws. Your U.S. trademark and patent registrations will not protect you in Venezuela. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Venezuela market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Venezuela. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Venezuela law. The Embassy of the United States in Caracas can provide a list of major law firms located in Venezuela upon request: U.S. Embassy Caracas Economic Section.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Venezuela require constant attention. Work with legal counsel familiar with Venezuelan laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Venezuela or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.

For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.

For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.

For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.

For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit:
http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html

For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.StopFakes.gov** This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Venezuela at: dorian.mazurkevich@trade.gov.

IPR Climate in Venezuela

Return to top

Venezuela's IPR regime provides limited protection for foreign investors. The World Economic Forum's World Competitiveness Report 2012–2013 ranked Venezuela 143 out of 144 countries in strength of IPR protection.

Article 98 of the 1999 constitution guarantees state protection for intellectual property rights "in accordance with the conditions and exception established by law and the international treaties executed and ratified by the Republic in this field." Under the 1999 constitution, intellectual property rights are classified as cultural and educational rights rather than economic rights as they were previously.

Venezuelan legislation generally distinguishes between IPR and industrial-property rights. IPR include protections for literature, graphic arts, audio and visual productions and fall under the August 1993 Copyright Law (Gazette No. 4.638, 1993). Industrial property rights include patents and trademarks and fell under Andean Community Decision 486 (and Decision 345 for plant varieties) until Venezuela withdrew from the bloc. In September 2008 the Autonomous Intellectual Property Service (SAPI) issued a press release reinstating Venezuela's 1955 Industrial Property Law (Gazette No. 25.227, 1955). Most independent observers believe the 1955 law is outdated and inconsistent with the WTO's Trade Related Aspects of Intellectual Property Rights (TRIPs) agreement. In December 2010, the National Assembly passed the Law on the Crime of Smuggling (Gazette No. 6.017, 2010), which aims to combat piracy by criminalizing and punishing acts relating to smuggling goods in or out of the country with higher penalties of 10-14 years.

Venezuela is a signatory to the Berne Convention for the Protection of Literary and Artistic Works, the Geneva Phonograms Convention, the Universal Copyright Convention, and the Paris Convention for the Protection of Industrial Property. Venezuela is also a member of the World Intellectual Property Organization (WIPO).

Since 2002 Venezuelan authorities have permitted the manufacture and sale of copies of patented medicine, if manufacturers can demonstrate that their medicine is the bioequivalent of the existing patented medicine. This rule in effect allows manufacturers to copy medicines. SAPI does not permit companies to obtain so-called second-use patents for innovations.

Venezuela was listed on the Priority Watch List in the U.S. Trade Representative's 2012 Special 301 Report. Key concerns cited in the report relate to the deteriorating environment for the protection and enforcement of intellectual property rights (IPR) in Venezuela. The reinstatement of the 1955 industrial property law created uncertainty with respect to patent and trademark protections. In 2012, the Supreme Court accepted a request from the Venezuelan pharmaceutical chamber (presented in 2009) to decide if ten articles from the 1955 industrial property law are not in conflict with existing international treaties in effect (such as the Paris Convention and World Trade Organization). As of November 2012, the case was under consideration.

Patents and Trademarks

Venezuela's 1955 industrial property law provides that patents of an invention, improvement, model, or industrial drawing can last five or ten years, depending on the will of the filer. Patents for technologies developed abroad may last five years or until the original foreign patent term expires, whichever is shorter. Patent durations under the 1955 law violate the 20-year patent-term standard provided under the TRIPs agreement. Article 15 of the 1955 industrial property law excludes the following items from patent protection: food and drink, including animal feed; medicine; financial systems and plans; naturally occurring substances or forces; second-uses for known objects, substances or elements; industrial processes; speculative or theoretical inventions; the juxtaposition of elements already in the public domain; published inventions.

The return to the 1955 law codified the GBRV's de facto policy of refusing to issue patents, particularly in the area of medicines. The GBRV has not awarded a patent for new pharmaceuticals since 2004. Since 2002, Venezuela's food and drug regulatory agency has approved the commercialization of generic drugs without requiring unique test data. These drugs are the bioequivalent of innovative drugs that have already received market approval. This practice thereby denies innovative drug companies protection against unfair use of their test data as required by the TRIPs agreement. In 2009, the GBRV nullified two patents for an antibiotic produced by a pharmaceutical company after the company protested the local production of two illegal copies of the drug. Regarding trademarks, the 1955 law changes the registration procedure and adds the requirement of publishing trademark applications in a local newspaper before they can be published in the Industrial Property Bulletin.

Venezuela does not automatically recognize foreign patents and trademarks or logotypes, so foreign investors must register patents and trademarks in as many categories as may be applicable. It is advisable not to have agents or distributors do so because the agent can then claim that he/she is the registered owner of the trademark in question. Following the nationalization of a well-known Venezuelan coffee company in 2009, the GBRV also expropriated the trademark and brand name.

Copyrights

Venezuela's 1993 copyright law provides the legal framework for the protection of copyrights. The 1993 copyright law is modern and comprehensive and extends copyright protection to all creative works, including computer software. A National Copyright Office was established in October 1995, and is responsible for registering copyrights, as well as for controlling, overseeing, and ensuring compliance with the rights of authors and other copyright holders.

Enforcement

IPR protection is also hindered by the lack of adequate resources for the Venezuelan copyright and trademark enforcement police (COMANPI) and for the special IPR prosecutor's office. Due to a shortage of personnel, limited budget, and inadequate storage facilities for seized goods, COMANPI has had to work with the National Guard and private industry to enforce copyright laws. COMANPI can only act based on a complaint by a copyright holder; it cannot carry out an arrest or seizure on its own initiative.

In the past, the GBRV's tax authority (SENIAT) has been more successful enforcing IPR laws. It has taken action against some businesses importing or selling pirated goods based on presumed tax evasion. While such actions on the part of SENIAT have decreased over the past few years, it does continue to take action against pirated goods. The 2010 law against smuggling has also been enforced, including provisions that impose penalties for smuggling violations and provided for the seizure of goods that infringe IPR. Copyright piracy and trademark counterfeiting remain widespread, however, including piracy over the Internet. Pirated software, music, and movies are readily available throughout the country.

Due Diligence

Return to top

U.S. exporters are well advised to perform adequate due diligence before entering into new agreements with Venezuelan agents, distributors, or representatives. Local law, accounting, or investigative firms are available to perform these services.

The International Company Profile (ICP) service offered by the U.S. Commercial Service is a tool frequently used by U.S. companies to address either initial or repeat due diligence needs. For more complete information on the ICP, please refer to the Our Services section of Commercial Service Venezuela's website.

Local Professional Services

Return to top

The Venezuelan legal regime is complicated. Venezuela has an economy in which many activities are regulated, not only by laws, but also by presidential decrees or specific regulations. These, especially regarding labor, have multiplied in recent years. The bureaucracy and required paperwork add to the complexity. Consequently, contracting with a reputable local law firm is essential for any U.S. company wishing to establish a presence in Venezuela, form joint ventures, register intellectual property, or enter into any type of extended, formal business relationship.

Local attorneys can provide essential information on labor laws, tax regulations, real estate purchases, and the drafting of by-laws. A number of Venezuelan law firms have attorneys who have studied in the U.S. and are familiar with matching a U.S. company's requirements to local law. U.S. companies can request a list of Venezuelan law firms that specialize in various aspects of commercial and investment law from U.S. Embassy Caracas Economic Section.

Web Resources

Return to top

Venezuela's Superintendency of Foreign Investment (SIEX)
Venezuela's Intellectual Property Rights Office (SAPI)
Venezuela's Consumer Education and Protection Agency

Return to table of contents

Return to table of contents

Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

Agricultural Sectors

Oil and Gas Field Machinery

Overview

Return to top

Unit: USD thousands

Market Data (US $ Million)	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	$8,033,851,626	$12,283,379,294	-	-
Total Exports	$79,420,919	$46,682,945	-	-
Total Imports	$8,113,272,545	$12,330,062,239	-	-
Imports from the US	$2,777,760,226	$3,806,858,301	-	-
Exchange Rate: 1 USD	2.15	4.3	6.3	

**Source: SENIAT, as reported to the World Trade Atlas (NAICS 84, 73)*
*** Local production data is unavailable*
****Total Market Size = (Total Local Production + Total Imports) – (Total Exports)*

The oil and gas machinery sector (OGM) comprises machinery and equipment tracked in the United States under the North American Industrial Classification System (NAICS) code 333132, or under numerous subheadings of chapters 73 and 84 of Schedule B. OGM machinery and equipment includes, but is not limited to: drills, derricks, well equipment, pumps, valves, heat exchangers, compressors, and parts suitable for this type of equipment.

Venezuela remains dependent on oil revenues, which account for over 96 percent of export earnings, 50 percent of the federal budget revenues, and 30 percent of GDP. Venezuela remains the fourth largest supplier of imported crude oil and refined petroleum products to the United States.

Even though the Venezuelan government has a stated objective of diversifying its supply chain away from American suppliers, OGM is in constant demand both by the state oil operator, Petróleos de Venezuela, S.A. (PDVSA), and by private entities that include local and international companies. Consequently, Venezuela usually ranks among the top 10 export destinations for U.S.-made oil and gas field machinery. In Venezuela, U.S. OGM enjoys a comfortable market share in excess of 40 percent, but faces strong competition with manufacturers in China, Germany, Brazil, Argentina, Colombia, and Italy. Imports from the U.S. until September 2010 registered over $2 billion.

According to PDVSA's 2012 annual report, its investment plan for 2013-2019 calls for expenditures of $257 billion, including $25.3 billion in 2013, to increase production of crude oil to 6 million barrels per day (bpd), natural gas to 11.9 trillion cubic meters per day, and natural gas liquids to 255,000 bpd. PDVSA would provide 81 percent of these funds and its partners would provide the remaining 19 percent. Proven reserves of crude oil are 297.7 billion barrels, 257.1 billion barrels of which is extra heavy crude oil in the Orinoco Oil Belt (Faja). Proven reserves of natural gas are 33.9 billion barrels of oil equivalent. Gas reserves include associated gas onshore and non-associated gas fields offshore. Total crude oil production in 2012 was 2,910,000 bpd, including 107,000 bpd of condensates, continuing a steady decline from 3,235,000 bpd in 2008. The U.S. Energy Information Administration put total crude oil production in 2011 at 2,470,000 bpd, including condensates and natural gas liquids. According to PDVSA, natural gas production net of re-injected gas in 2012 was 4.5 billion cubic meters per day.

U.S. Imports from Venezuela of Crude Oil and Petroleum Products
(Thousand Barrels per Day)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2009	1172	960	949	803	1028	1134	904	1007	1014	879	793	772
2010	827	913	984	851	1011	850	1016	974	919	887	884	825
2011	951	878	957	902	895	1012	877	806	759	862	707	810
2012	683	890	936	835	821	750	999	943	1002	928	1032	1054
2013	871	579	0	0	0	0	0	0	0	0	0	0

**Source: U.S. Energy Information Administration*

U.S. exporters enjoy the advantages of cutting-edge technology and geographic proximity. However, the market share of non-traditional partners like China, Russia, Belarus, Vietnam, and Spain may continue to grow because of Venezuelan government political initiatives. Imports from the U.S. still claim the biggest market share.

Sub-Sector Best Prospects

Return to top

Venezuela has always been a significant purchaser of the following U.S.-made equipment: drilling rigs, casing and piping, control systems, double screw and submersible pumps, flanges, heat exchangers, automation equipment, mechanical separators, cranes, pipe taps, valves, and compressors. The natural gas sector offers one of the best prospects for U.S. exports because of private sector participation and strong government support for development. Development of heavy and extra heavy crude oil fields could be also a market opportunity for U.S. exports.

Web Resources

Return to top

North American Industry Classification - NAICS
Petróleos de Venezuela, S.A. - PDVSA

Electrical Power Generation Systems and Electrical Equipment

Overview

Return to top

Unit: USD thousands

Market Data (US $ Million)	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	$823,121,696	$944,894,994	-	-
Total Exports	$914,998	$255,898	-	-
Total Imports	$824,036,694	$945,150,892	-	-
Imports from the US	$544,151,915	$707,880,733	-	-
Exchange Rate: 1 USD	2.15	4.3	6.3	

*"Free on Board" (FOB) values reported by World Trade Atlas.
**Source: SENIAT, as reported to the World Trade Atlas (NAICS Code 85)*
********Total Market Size = (Total Local Production + Total Imports) – (Total Exports)*

Venezuela's thermoelectricity generating plants suffer from lack of investment and spare parts and inadequate maintenance. Efficiency losses are the norm at many plants; Venezuela's natural gas deficit requires combined-cycle plants to operate on liquid combustibles, such as diesel fuel. In 2011, the Ministry of Electricity oversaw a consolidation of all national public electricity companies into one conglomerate, CORPOELEC.

Venezuela imported over $670 million in electrical power generation systems and equipment until September 2010 (65 percent of generators came from the U.S.), a substantial increase from the $75 million imported in 2009. The government encouraged private parties to purchase generators for industrial, commercial, and residential facilities, exempting them from VAT.

Generators, engines, turbines, and power transmission equipment comprise 90 percent of these imports. Despite fierce international competition and an anti-U.S. bias, the U.S. is likely to maintain a significant market share based on the quality of its products and services. Private parties will be more likely to choose competitive U.S. products for smaller generating systems.

Sub-Sector Best Prospects

Return to top

Best prospects for U.S. exporters include: generators, turbojets, turbo propellers, and other gas turbines and parts; electric generating sets and rotary converters; parts suitable solely or principally with machines under headings 8501 or 8502; engines; electrical transformers, static converters and inductors; electric motors and generators (excluding generating sets); steam turbines and other vapor turbines, and parts thereof; and hydraulic turbines.

Web Resources

Return to top

Corpoelec
Ministerio del Poder Popular para la Energía Eléctrica

Auto Parts and Service Equipment

Overview

Return to top

Unit: USD thousands

Market Data (US $ Million)	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	$267,737,486	$372,181,915	-	-
Total Exports	$769,650	$6,743,248	-	-
Total Imports	$268,507,136	$378,925,163	-	-
Imports from the US	$113,553,145	$160,762,676	-	-
Exchange Rate: 1 USD	2.15	4.3	6.3	

* CKD not included
** Tires, wheels, automotive machinery and equipment included
***Sources:
-Venezuelan Chamber of Automobile Parts Importers – CANIDRA
-Venezuelan Chamber of Automobile Parts Manufacturers – FAVENPA.
-Venezuelan Chamber of Tire Manufacturers – ANAFAC
-Venezuelan Foreign Exchange Control Authority – CADIVI

Venezuela is the fourth-largest automobile assembler in Latin America behind Brazil, Mexico, and Argentina. Local assemblers are General Motors, Toyota, Ford Motors, Chrysler, Mitsubishi, Hyundai, Iveco, Encava, and Mack. Assemblers use locally made or imported chassis and engines. Venezuela has a motor vehicle fleet of approximately four million cars, trucks, and buses, plus a rapidly expanding motorcycle fleet.

At its peak in 2007, the sector produced 172,000 vehicles, and with additional imports, sold nearly 500,000 vehicles in Venezuela. Since 2009, auto assembly has remained steady with the sector producing a little over 100,000 vehicles each year. Of the 320,000-unit capacity, domestic production in 2012 only reached 104,000 units, an estimated 41 percent of installed capacity. China and Iran have joint-venture assembly plants, which reportedly receive preferential government support through easy access to foreign exchange and/or relaxed import quotas and local-content requirements. The Government of Venezuela also signed an agreement to import 10,000 cars from Argentina in 2013.

Since 2008, the government has used an import quota mechanism for vehicles in a bid to increase the number of automobiles assembled in Venezuela. In 2012, 9,400 cars were imported with government permission. The import of used vehicles is prohibited. Carmakers are subject to limited allocations of dollars to import components they need to carry out production in Venezuela. On an annual basis, assemblers may present their requests for a determined number and models of imported vehicles, which are then subject to the issuance of import licenses by the government. Import licenses have generally been awarded to assemblers that have a sister assembler in countries that already have government-to government agreements with Venezuela, such as Argentina and Ecuador.

The 2008 automotive regime added a requirement to produce dual fuel (gasoline and natural gas) vehicles. As of April 1, 2009, 30 percent of vehicles sold must be dual fuel, and each Venezuelan assembler must produce at least two dual fuel models. This dual fuel requirement also applies to vehicles imported by assemblers. Of the total number of vehicles brought into the country by an importer, 30 percent of the imported vehicles must be dual models, and the remaining 70 percent must be converted once imported. As of April 2013, however, the ability of the assemblers to meet this requirement is unclear due to the size of the investments needed to comply.

Additionally, the National Assembly has had hearings on a bill that would regulate the prices of new and used cars. The bill has not yet passed, but some legislators continue to push the legislation in attempt to cap sky-high prices of vehicles.

Sub-Sector Best Prospects Return to top

Best prospects in the auto parts sector include: engine parts, spare parts, replacement parts, brake pads, brake and suspension systems, tires, and accessories. However, early 2012, reports of long delays accessing foreign exchange has forced many parts manufacturers and importers to curb operations leading to shortages in the local market.

Web Resources Return to top

Ministerio de Comercio

Cámara de Fabricantes Venezolanos de Productos Automotores - FAVENPA
Cámara Automotriz de Venezuela - CAVENEZ
Asociación de Industriales, Fabricantes y Ensambladores de Motociclos - AIFEM

Medical Equipment

Overview

Return to top

Unit: USD thousands

Market Data (US $ Million)	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	$1,605,248,148	$1,003,734,394	-	-
Total Exports	$4,323,127	$758,913	-	-
Total Imports	$1,609,571,275	$1,004,493,307	-	-
Imports from the US	$103,241,182	$519,393,448	-	-
Exchange Rate: 1 USD	2.15	4.3	6.3	

**Source: World Trade Atlas (HC 9018-9019-9020-9021-9022)*

U.S. exporters continue to be the leading suppliers of medical equipment to Venezuela because of a combination of geographical proximity, quality, competitive pricing, and technical support. U.S. imports have more than 38 percent of the medical equipment market. The Government of Venezuela, however, increasingly imports medical good through its bilateral agreements with Cuba and China. Other countries exporting medical equipment to Venezuela are Germany, Brazil, Colombia, Chile, and Panama. Another point to consider is that many doctors traveling to the U.S. return to Venezuela with equipment/supplies that are not reflected in the sector's trade figures.

Venezuela suffers a considerable shortage of hospital capacity. In 2012, it was estimated that there were 1.3 hospital beds per 1,000 inhabitants, while the World Health Organization recommends a minimum of 3 to 4 hospital beds. Public hospitals lack necessary basic equipment such as imaging machines, as well as necessary personnel. Long waits for treatment have led to an increased demand for private sector (clinics) care. More recently, the private clinics and hospitals have faced efforts by the Venezuelan government to impose price controls as part of a broader effort to control inflation in the country.

All medical equipment must be registered with the Ministry of Health and Social Development (Ministerio del Poder Popular Para la Salud) and the vast majority is charged an import duty of 5 to 15 percent, based on the CIF (Cost Insurance Freight) value of shipment, plus a 1 percent service fee. There is also a value added tax (VAT) of 12 percent.

Sub-Sector Best Prospects

Return to top

Best prospects in the medical equipment sector include: electrocardiograms, tomography and nuclear medicine equipment, ultrasonic equipment, hemodialysis equipment, electroencephalographs, syringes, needles, catheters, ophthalmologic and optical testing apparatuses, X-ray apparatuses, and hearing aids. There are also some municipal governments that are buying mobile intensive care units and high tech ambulances.

Web Resources

Return to top

Ministerio del Poder Popular para la Salud
World Health Organization

Safety and Security

Overview

Return to top

There are no official figures for the size of the Venezuelan security sector. However, major dealers of security products estimate the size of the Venezuelan market for industrial safety equipment to be about $130 million per year.

The safety and security industry has grown considerably in recent years. Independent experts point to the following reasons as rationales for the industry's growth:

Government institutions have forced local companies to adapt their infrastructure to official requirements and acquire new equipment and supplies to protect their workers, as well as applying fines or closing companies that do not fully comply with regulations.

Rates of common crime, such as assaults, home burglaries, short-term ("express") kidnapping, and car thefts continue to increase, as do petty crimes rates. Furthermore, high levels of unreported criminal activity drive growth in private security needs.

Venezuela has traditionally been a strong market for U.S security equipment suppliers, although competition from European and Taiwanese suppliers is increasing. U.S. equipment suppliers normally work closely with local and foreign engineering, petroleum, and manufacturing companies involved in design and engineering. In addition, there is high recognition of U.S. brand names, lower transportation costs due to geographical proximity, and strong local representation by U.S. agents and dealers.

International and U.S. standards are widely recognized in the Venezuelan security market. Prospective U.S. exporters are, however, encouraged to review carefully whether the official technical standards developed by the Servicio Autónomo Nacional de Normalización, Calidad, Metrología y Reglamentos Técnicos (SENCAMER) apply to their particular products. SENCAMER might require product compliance certification from an independent testing agency.

Duties are based on the CIF value of each item. At present, most safety and security equipment is assessed a 5 percent duty, but the rate varies according to the particular item. The highest rate is currently 20 percent. A VAT of 12 percent is levied on all imports, with the exception of those that are part of capital investment in new projects.

A security trade show is held every year in Caracas during the month of October where U.S. companies are able to participate to learn more about the Venezuelan market.

Sub-Sector Best Prospects

Return to top

Best prospects for U.S. firms are for fire alarm/protection systems, evacuation systems, as well as for personnel safety accessories such as boots, gloves, hard hats, etc. Also, demand is increasing for access control equipment, closed circuit television (CCTV), metal detectors for banks, and drug and explosives detection equipment. U.S. companies have proven particularly competitive in the supply of equipment for intelligent fire detection and alarm systems, fire pumps, valves and accessories, and personal safety items. Local production of security and safety equipment and systems is limited.

Web Resources

Return to top

Servicio Autónomo Nacional de Normalización, Calidad, Metrología y Reglamentos Técnicos (SENCAMER)
Venezuela's Annual Security Trade Show – SegurShow

Franchising

Overview

Return to top

Franchise payments, royalties, patent, or technical assistance agreements must be registered with the Superintendency of Foreign Investment (SIEX). Certain payments for the use of franchised rights may be subject to withholding taxes. Decree 2095 guarantees the ability to remit funds for franchising rights, but dollar remittances are subject to the exchange controls now in effect.

Venezuela's franchise market is the third-largest in Latin America after Mexico and Brazil. In the late 1990s there were 60 franchisors and 200 franchisee points; currently there are 386 franchisors owning and operating 9,000 franchisee points throughout the country. Revenues have grown strongly since 2000 for many types of franchises. According to the Venezuelan Franchise Chamber (Profranquicias) the growth rate of the franchise sector has been over 18 percent since 1998, surpassing the telecommunications and banking sectors. The franchise sector is expected to continue growing. Revenues have grown sharply since 2004 for many types of franchises. Since the late 1990s, the growth of the Venezuelan franchise sector has created an estimated 85,000 direct and 190,000 indirect jobs. Currently 44 percent of franchises are of international origin, and 48 percent of those are U.S.

Sub-Sector Best Prospects

Return to top

Best prospects for franchise concepts include children's extra-curricular activities and healthy foods restaurants.

Best prospects for equipment sales in the franchise sector include: restaurant software programs, security cameras for store operations, restaurant equipment and utensils, as well as dry cleaning equipment.

Web Resources

Return to top

Venezuela's Superintendency of Foreign Investment (SIEX)
Venezuelan Franchise Chamber - Profranquicias

Agricultural Sector

Return to top

Best Prospects for Agricultural Products

In 2012, Venezuelan demand for bulk commodities (wheat, corn, rice, soybeans and others) from the United States increased. Total exports were $448 million in 2009 compared to $807 million in 2012. Additionally, demand for intermediate products from the U.S. has also been growing; total exports of this category to Venezuela in 2009 were $390 million compared to $662 million in 2012.

Price Controls

The Venezuelan government implemented price controls on February 11, 2003. Staple products under price controls include: rice, oatmeal, corn flour, wheat flour, bread, pasta, sugar, coffee, salt, beef, pork meat, poultry, eggs, sardines, tuna, corn oil, sunflower oil, vegetable blended oil, powdered milk, milk infant formula, white cheese, margarine, lentils, peas, black beans, mayonnaise, tomato sauce, and bologna. Some upward adjustments are made occasionally, but such adjustments always lag behind inflation, eroding sale values.

State-Owned Enterprises

The Venezuelan Agricultural Corporation (CVA) is a state entity that plays an active role in food supply and distribution. The CVA's main objective is to supply the state-owned food distribution chain, MERCAL. Since 2005, several government-owned processing industries have been created, with mixed success. These industries are intended to produce pre-cooked corn flour, pastas, rice, powdered milk, refined sugar, and various agricultural inputs.

The Government Food Distribution Network

Food purchasing and distribution are handled by three GBRV entities: the Corporation for Food Supply and Services (CASA); the Market of Foods (MERCAL), and the Producer and Distributor of Venezuelan Food (PDVAL).

CASA is charged with purchasing domestic and imported food and agricultural products.

MERCAL sells staple food products at prices about 32 percent lower on average than the controlled-price products sold by supermarkets, but as world food prices have increased, prices in these stores have been adjusted upward. MERCAL's food distribution network continues to expand, and in addition to the approximately 15,743 points of sale (mostly small stores, 37 supermarkets, and "home-cooking-houses," or soup kitchens), it opened two cold storage facilities, acquired 50 refrigerated trucks, remodeled several of the points of sale, and opened new warehouses.

PDVAL, a PDVSA subsidiary, is ostensibly a food producer and distributor for the domestic market.

In December 2009, a new network was created, the Corporación de Mercados Socialistas (COMERSO), in charge of coordinating the programs on commercial distribution driven by the GBRV. The Government announced that PDVAL would administer and supply the COMERSO chain.

In January 2010, the GBRV announced the expropriation of the supermarket chain "Supermercados Exito" after several months of negotiations with majority holders, the French group Casino, and the Colombian "Almacenes Exito." In November 2010, the government bought 81 percent of the shares of the CATIVEN supermarket chain also owned by the Casino Group.

With the acquisition of these networks, the GBRV became the owner of 35 stores that were renamed Abastos Bicentenario (formerly Supermercado CADA), six stores of Gran Bicentenario (former Hipermercado Exito), eight distribution centers, and a transport system. The Bicentenario operates as a network affiliate to COMERSO.

The Private Food Distribution Network

There are 104,057 retail stores in Venezuela, a figure that includes more than 1,500 supermarkets (chains and independents). It is estimated that there are an additional 159,657 traditional "abastos" or "bodegas" that are located on practically every block in Venezuela's cities and towns, especially in middle and low-income neighborhoods.

Most of the major supermarket and hypermarket chains in Venezuela belong to the National Supermarket Association (ANSA). Major retailers are developing increasingly sophisticated distribution systems. However in the case of frozen foods and perishables, retail stores still depend heavily on local distributors as they have limited storage capacity on site. In general, there is interest by the private food distribution network to improve infrastructure for handling frozen and refrigerated food products.

Government Spending

The GBRV's expenditures on social food programs (through MERCAL) will continue to support food demand, in particular for price-controlled foods. Given the changing dynamic of the food import and distribution system in Venezuela, hard data on projected increases are difficult to estimate. Given the government's commitment to provide subsidized food for the poor, some independent analysts project that demand will grow over time.

Non-Tariff Barriers

The use of import licenses and phytosanitary import permits to control trade continues to be a bottleneck. However, this market of 29 million consumers remains an important destination for many food exporters. Contact AgCaracas@fas.usda.gov (fax: 58-212-907-8333) for more details.

Consumer-Oriented Product Prospects

Demand for consumer-oriented products from the U.S. has been growing rapidly; total exports of this category to Venezuela were $116 million in 2009 compared to $221 million in 2012.

Some intermediate and consumer-oriented products that have experienced strong growth are: snack foods, breakfast cereals, pancake mixes, dairy products, fresh fruits, processed fruits and vegetables, food ingredients, fruit and vegetable juices, confectionary products, pet foods and tree nuts.

U.S. exporters face strong competition from Argentina, Brazil, and Chile, however, as those countries take advantage of ALADI (Latin America Integration Association) regulations to export products to Venezuela outside foreign exchange restrictions. Additionally, Argentina and Chile have been very aggressively selling products (especially fresh fruits) to Venezuela and they benefit from duty-free preferential access. Other countries such as Uruguay and Ecuador are also becoming more important suppliers to Venezuela.

Venezuela is a youth-oriented food market, with two-thirds of the population under the age of 30. This dynamic presents an excellent opportunity for U.S. market share to increase in the future. The Venezuelan economy has a deficit in the production of staples such as milk, sugar, beef, chicken, beans, eggs, sardines, and edible oils. In most cases, the government has authorized imports or purchases of these items directly to alleviate scarcity. Under the current economic scenario, food imports are expected to continue.

U.S. agricultural product sales to Venezuela can be hampered by foreign exchange and price control policies, as well as paperwork. Foreign exchange agreements with other ALADI countries, which allow imports to be paid for with local currencies through clearing accounts between central banks, put U.S. exporters at a marked disadvantage. Other trade preferences favor South and Central American countries for vegetable oils, sugar, fruits, and wine. Soybean meal and products imports by Venezuela have been increasing to support the domestic feed industry and livestock production.

Prospects for Commodities

Venezuela imports between 60 and 70 percent of the food and animal feed components it consumes. Brazil, Argentina, Colombia and the U.S. are the major agricultural suppliers to Venezuela. Since early 2003, many Venezuelan foods have been under government-mandated price controls, which have severely distorted the country's production dynamics. As a result, the Venezuela's food imports have been rapidly growing in recent years in order to meet demand.

Wheat

The United States and Canada supply almost all of the wheat Venezuela consumes, as local production is insignificant due to climactic conditions. The market is still strong, but delays in obtaining the approval for dollars from CADIVI are reputed to be problematic for importers, often impeding the timely liquidation of payments to suppliers. Yearly per capita pasta consumption in Venezuela is more than thirteen kilograms – one of the highest in the world.

Corn

The U.S. is the major yellow corn supplier to Venezuela, but competition for this large market is increasing, especially from Argentina. In the last four years, yellow corn imports have shown an increase as a response of high demand from the local feed processing industry and the decreasing domestic production. Importers continue to face delays in obtaining the approval for dollars from CADIVI.

Rice

Although Venezuela was a net rice exporter as recently as seven years ago, the country currently relies on imports for nearly 40 percent of its rice consumption. Since 2007 imports have increased to alleviate the internal deficit and meet growing demand for staple products. Rice imports are carried out by the BGV through their food purchasing entity, Corporation CASA. Although bilateral agreements favor Argentina, Brazil, and Guyana, the United States has remained one of the top suppliers.

Return to table of contents

Return to table of contents

Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

Return to top

Non-Agricultural Goods and Services

Import duties are calculated on the CIF value of the shipment. Venezuela has been a WTO member since 1995 – its harmonized tariff schedule can be seen here.

Venezuela completed its withdrawal from the Andean Community (CAN) in April 2011 and completed the phase out period of CAN-related rights and obligations.

CAN norms covering a wide range of disciplines, however, have become incorporated into local law, and it remains unclear how these laws apply following Venezuela's withdrawal. After applying for full membership in July 2006, Venezuela has yet to become a full member of the Southern Cone Common Market (Mercosur) as it awaits ratification by Paraguay's legislature. Under the original terms of accession, Venezuela had four years to adopt the Mercosur Common External Tariff (CET), and had up to January 2012 to provide tariff-free treatment to its four Mercosur partners on all goods, with sensitive products allowed an extension to January 2014. Exceptions to the CET exist on a product-specific or sector-specific basis, mainly for goods not produced within the union or those which potentially affect the production capacity of the members. Mercosur's average external tariff is approximately 14 percent except for capital goods, which were recently reduced to zero.

Customs calculates duties on the landed (CIF) cost of the product and on the gross weight of the import, thus including the weight or value of the packaging. Venezuela has recently established procedures for imposing special duties to avoid dumping and counteract subsidies.

Typically, Customs authorities accept the value of the shipment as indicated on the documents, but recent regulations allow them to reference a base price on some products such as textiles in order to determine minimum price for purposes of Customs value. Government officials have indicated that this base price system is WTO-compliant. Under-invoicing in any event can result in heavy fines to the importer as well as forfeiture of the goods in question. Complaints by importers of inconsistency in Customs treatment in various ports of entry have led to an effort by the National Tax Authority (SENIAT) to build a common database of information and otherwise coordinate and ensure uniform valuation principles by Customs offices throughout the country.

Agricultural Imports

The National Integrated Custom and Tax Administration (SENIAT) reported that as of March 25, 2013, Venezuela adopted a new tariff schedule, in line with Venezuela's full membership to the Southern Common Market (Mercosur), in July 2012. This new tariff schedule includes the description of goods used by Mercosur and the common tariffs of the member countries. In accordance with the schedule negotiated by Venezuela with the regional bloc, the first phase of the new tariff, which will run for four years, is incorporated. The national commitment is sealed with this new tariff schedule as established in Article 4 of the Approving Law of the Protocol of Accession of Venezuela to Mercosur on the adoption of the Mercosur Common Tariff Nomenclature and Common External Tariff of Mercosur.

Trade Barriers

Return to top

Non-Agricultural Goods and Services

Venezuela has traditionally been a relatively open market to U.S. exporters. In the last several years, however, public procurements have increasingly been handled by private negotiation rather than by public tender. This, combined with a marked preference of the current Venezuelan government for non-U.S. suppliers, has adversely affected U.S. exporters' access to some parts of the Venezuelan market.

Some types of exports to Venezuela – such as medical devices, cosmetics, or drugs – require approval in advance by the Venezuelan Ministry of Health (MINSALUD). The approval process, though lengthy (approximately three to six months), is relatively transparent and routine. The Venezuelan importer or distributor manages the approval and/or registration process, so it is absolutely essential that U.S. companies verify their importer's or local agent's experience with and knowledge of the process. Only the importer or local representative can request product approval and/or registration from MINSALUD, meaning that a U.S. company cannot do it from abroad.

Although they appear to be neither used nor intended as trade barriers to U.S. exporters, the CADIVI currency exchange requirements can place U.S. exporters at a disadvantage to competitors that benefit from SUCRE and ALADI preferences, although reports indicate that these other mechanisms have suffered processing delays. Independent analysts and many Venezuelan importers describe the CADIVI process as lengthy and bureaucratic. The absence of a regulation by the exchange commission for the audiovisual sector is an important barrier for the sector. Note that intangibles (software, media, etc.) are not eligible for the controlled rate.

Agricultural

Venezuela has used its authority to issue sanitary and phytosanitary (SPS) import permits to prohibit or restrict the importation of certain agricultural products from the United States (most notably fruit, live animals, beef, poultry, and pork).

Almost all agricultural imports must have SPS import certificates and a country of origin certificate, issued by the exporting country authorities, to enter. Processed food products require registration with the Ministry of Health (MINSALUD). In the case of imported alcoholic beverages, the tax "band" must be affixed across the bottle closure before the shipment can leave Customs. Adhesive labels are not allowed. Imported tobacco products must indicate on each package that the tobacco tax has been paid.

Agricultural Import Licenses

Under its World Trade Organization (WTO) commitments, Venezuela is entitled to administer tariff rate quotas (TRQ) for up to 62 HS code headings. The TRQs are administered through an import license regime. Management of TRQ commitments by the GBRV has negatively affected trade for some basic agricultural commodities as well as processed products. Venezuela also requires that importers obtain SPS certificates from the Ministries of Food and Agriculture for most agricultural imports. The government has used these requirements to restrict agricultural and food imports without providing evidence of a scientific basis, which raises concerns about the consistency of these practices with World Trade Organization (WTO) requirements. This discretionary use of import licensing and permitting procedures to curtail agricultural imports remains an issue.

The GBRV is responsible, through its different ministries, for issuing import permits, import licenses, and product registration. The Ministry of Agriculture and Lands (MAT) issues SPS health import permits for imported products and sub-products of plant or animal origin; the Ministry of Food (MINAL) issues import permits and licenses; and the Ministry of Health grants food registration for all domestic and imported processed food products. Foods not registered in the country of origin cannot be registered in Venezuela.

Requirements for import licenses have been relaxed to simplify and expedite the processes of food product production and import. There are "one-stop shop" services points at MINAL and sanitary permits are issued within seven days, according to an official resolution published on June 06, 2006 at the Official Gazette No. 38,452. The validity of import licenses for a certain group of food products considered as essential, defined by the government, is valid for six-month to one-year periods. Products that will benefit from that an "extended import license" are milk and cream, cheese, sorghum, soybean oil, palm oil, and coconut oil. Import licenses are valid for three to four months for non-essential products.

Importers and domestic processing companies are required to present various requirements in order to obtain import permits and the foreign currency authorization from CADIVI, including:

- Labor Compliance Certificate
- Non-Production or Insufficient Production Certificate
- Non-Production Certificate issued by SENIAT
- Import taxes (totally or partially exempted)
- Other certificates issued by different local authorities

There has been some relaxation of certain requirements for the issuance of import licenses, however, U.S. exporters must consider the long timeframes between obtaining an import license by a local importer and the final shipment of the product. It is worth noting that the process of obtaining an import license takes time and resources from the local importer.

Expropriations

Expropriations of farmland were a major focus of GBRV economic policy until 2011. The stated goal was to spur domestic production and end dependence on food imports. The state has acquired more than 8.9 million acres from private landholders. While some was unused state land, much private property seized from farmers and ranchers. Industry observers note that owners were often not compensated for their property and that most GBRV takeovers have resulted in decreased production.

The government has also seized food producers, packagers, and other parts of the supply chain. These seizures have put the government among the major players in the milk, sugar, and coffee sectors. Other seizures include rice, corn, and wheat processing plants, and two supermarket chains.

Import Requirements and Documentation Return to top

All shipments must be made on a direct consignment basis. Customs regulations stipulate that the consignee is the owner of the shipment and is responsible for all Customs payments. Thus, a consignee may make the required payments and remove the merchandise from Customs.

It is important to have a reliable and known consignee as the ownership status allows the consignee to have complete control over the imported product. Similarly, some U.S. companies have had difficulties with sight draft transactions. When Venezuelan companies either delay or refuse to claim merchandise arriving in Venezuelan ports, Customs will impound goods not claimed, and, if steep fines and storage fees are not promptly paid, sell the goods at auction.

Since Venezuelan Customs involve many steps, most importers contract a Customs agent. There are additional charges for document preparation and incidentals. The importer normally pays these expenses.

Import Licenses

A certificate of non-production and a certificate of insufficient production are normally required for almost all non-agricultural goods. Arms and explosives require an import permit from the Ministry of Defense (see prohibited or restricted imports, page 46). Import certificates might be required for certain products subject to special supervision. Exporters should note that foreign exchange approval procedures effectively impose import permits for those wishing to avail themselves of foreign exchange at the official rates, a considerable price advantage compared to accessing foreign exchange through the parallel market (see the foreign exchange section of the document).

Import/Export Documentation

Venezuelan Customs requires that all documents be in Spanish. The invoice must be typewritten, and a photocopy will not be accepted in lieu of an original. The manifest of importation and declaration of value (bill of lading) must be in quadruplicate.

The following documents are required: commercial invoice; bill of lading or airway bill; packing list; certificate of origin; special certificates or permits when required (such as phytosanitary or quality standards certificates or Ministry of Defense permits for firearms – see prohibited or restricted imports, page 46). Exporters should consult with the Venezuelan importer regarding what documentation is required in addition to the invoice.

Exporters should quote CIF and FOB prices for Venezuela. Insurance and freight must be listed separately on the invoice. The invoice must be in duplicate and list both the value per unit and the total value of the shipment. The description of the merchandise must include the appropriate tariff number, which the importer can supply. To simplify the import process for a large amount of cargo for one project, there should be a single declaration for all items, and each item then listed separately with its respective tariff number.

Exporters should be aware that independent analysts believe some Venezuelan importers engage in over-invoicing to acquire foreign currency at the official exchange rate. This is illegal under Venezuelan law and exporters should not cooperate with such an attempt since detection could jeopardize your receivable and perhaps endanger future exports to Venezuela.

More details on special requirements and documentation are available in publications such as the following:

Export Reference Guide
The Bureau of National Affairs, Inc.
1801 S. Bell Street
Arlington, VA 22202
Phone: 1-800-372-1033
Fax: 1-800-253-0332
Email: customercare@bna.com

Export Guide
The D&B Corporation
103 JFK Parkway
Short Hills, NJ 07078
Phone: 800-234-3867 / 973-921-5500
Fax: 800-234-3867

Free Trade Zones / Warehouses

The Free-Trade Zone Law (Gazette No. 34,772 of 1991) provides for free trade zones/free ports. The three existing free trade zones are located in the Paraguana Peninsula on Venezuela's northwest coast, Atuja in Zulia State, and Merida (Merida is a free trade zone only for cultural, scientific, and technological goods). These zones provide exemptions from most import and export duties and offer foreign-owned firms the same investment opportunities as host country firms, while Paraguana and Atuja provide additional exemption of local services such as water and electricity.

Venezuela also has two free ports that also enjoy exemptions from most tariff duties: Margarita Island (Nueva Esparta) and Santa Elena de Uairen in the state of Bolívar.

Duty-free bonded warehouses are available at ports, airports, and in most major towns. Industrial establishments can also be declared in-bond if these are used for assembly, completion, or improvement of products for re-export.

U.S. Export Controls

Return to top

Notice was given on August 17, 2006, that the U.S. will no longer authorize the export of defense articles and defense services to Venezuela (see Federal Register/Vol. 71, No.159/ August 17, 2006). All dual-use U.S. technology is potentially subject to export licensing by the U.S. government, and exporters should look into this issue at a very early stage of negotiation.

For information on U.S. Export Controls, U.S. exporters should visit the website of the U.S. Department of Commerce’s Bureau of Industry and Security.

Sanctions

On May 23, 2011, the Department of State imposed sanctions on PDVSA's holding company under the Iran Sanctions Act (ISA) of 1996, as amended by the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) of 2010, for its activity in support of Iran's energy sector. PDVSA delivered at least two cargoes of reformate to Iran between December 2010 and March 2011, worth approximately $50 million. The sanctions prohibit PDVSA's holding company from competing for U.S. government procurement contracts, from securing financing from the Export-Import Bank of the United States, and from obtaining U.S. export licenses. These sanctions do not apply to PDVSA subsidiaries and do not prohibit the export of crude oil to the United States. For more information, interested parties can view a list of the U.S. Department of the Treasury's OFAC sanctions, which include actions against Venezuelan entities.

Temporary Entry Return to top

Venezuelan Customs laws and regulations allow the import of merchandise on a temporary basis for exhibitions, cultural purposes, demonstrations, scientific purposes, or specific contracts. The importer must request permission for temporary entry, providing an exact description of the merchandise, its number or volume, its value, and its expected date of re-export. Temporary entry forms may be requested from the Customs Manager of SENIAT at phone (58 212) 303-3701 and fax number (58 212) 274-4128. A bond covering the full value of the duty payable in case the products stay in the country must be obtained, but will be returned once the products have left the country.

Normally, temporary entry permits are granted for a maximum stay of up to six months and have to be approved by Venezuela's tax agency, SENIAT. A one percent Customs handling charge must be paid and is not reimbursable. In some cases, reimbursable collateral is requested for temporary imports.

Temporary entry of samples is allowed, but the determination of what is a sample is left to the Customs agent at the port or airport of entry. Samples arriving unaccompanied as freight are never considered as such, unless declared as having no commercial value and prepared in such a form that they cannot be sold commercially.

Labeling and Marking Requirements Return to top

For information on food and agriculture import regulations and standards, please see GAIN reports Nos. VE1215 and VE1217 on the U.S. Foreign Agricultural Service web page.

Spanish is the official language of Venezuela, and the official measuring system is metric. MINSALUD oversees processed food labeling. The General Regulation for Foods, the Law for the Defense of people in the Access for Goods and Services, and the General Standards for Labeling of Canned Foods (Venezuelan Commission for Industrial

Norms, COVENIN) standards provide labeling requirements. MINSALUD's authorities may require the elimination or modification of any paragraph or phrase concerning a particular product, as well as recommending the addition of any paragraph or phrase they deem necessary. Spanish-language labeling is mandatory for domestically produced and imported food products. A Spanish translation of the original/foreign label must be authorized by MINSALUD. A change in the labeling requirement prohibits the use of self-adhesive stickers in presenting the required information in Spanish. All products must have the requisite information printed on the label itself in an indelible and non-removable form in order to be sold in Venezuela. The approved label must be applied to the product prior to export because it has to enter the country in its final presentation.

Prohibited and Restricted Imports Return to top

Some products, such as cigarette paper, bank notes, weapons, and certain explosives, can be imported only by government agencies. The government can delegate authority to import on its behalf and can place orders for such products with the local sales agents of the foreign manufacturers.

At this time, imports of used autos, buses and trucks, used clothing, and used tires are prohibited. Pork from most countries is unofficially banned. Live animals of the bovine, sheep, goat, and buffalo families – as well as beef from countries where BSE exists – are banned. Raw poultry from countries where Avian Influenza exists is banned. No protocol exists for potato seeds coming from the U.S.

Military and law enforcement, as well as sports and agricultural organizations are allowed to purchase firearms and ammunition through channels approved by the National Director of Firearms and Explosives (known by its initials in Spanish, DAEX). Since March 1, 2012, all other sale, purchase, or importation of firearms, ammunition, and firearms-related accessories has been prohibited.

Customs Regulations and Contact Information Return to top

Gerente de Aduanas del SENIAT
Ph: (58 212) 303-3701
Fax: (58 212) 274-4128
Commercial Service Caracas

Standards Return to top

- Overview
- Standards Organizations
- Conformity Assessment
- Product Certification
- Accreditation
- Publication of Technical Regulations
- Labeling and Marking

- Contacts

Overview Return to top

Venezuela's standards regime has historically consisted of two organizations: Fondonorma, a private non-profit foundation, and SENCAMER, a part of the Ministry of Commerce. Certifications, testing, conformity certificates, adherence to international practices and norms, and the use of foreign standards were possible and accepted for some imported products until 2008. A SENCAMER decision in that year to stop confirming Fondonorma-issued standards has led to industry confusion and a lack of a normative standards regime.

For specific information on food and agriculture import regulations and standards, please see GAIN reports Nos. VE1215 and VE1217 on the U.S. Foreign Agricultural Service web page.

Standards Organizations Return to top

The Ministry of Commerce is the governing body of the Venezuelan system for quality control. The Ministry exercises supervision and control of the rules of the Venezuelan Commission of Industrial Standards (COVENIN) through SENCAMER.

SENCAMER is responsible for the accreditation, inspection and testing of laboratories. SENCAMER also owns and operates Venezuela's metrology laboratory charged with certifying the equipment and activities used for the measuring of masses, weights, dimensions, temperatures, pressure, torsion forces, electricity, and physical-chemical apparati. Fondonorma, Bureau Veritas, the American Quality Standards Registrar and the Integral Technology Security Foundation are organizations accredited by SENCAMER in Venezuela to certify products and quality systems.

The private sector owns Fondonorma through trade and industry associations, large private companies, and individuals. It has a few government organizations, mainly ministries, among its board members. Fondonorma belongs to the ISO and awards ISO certificates to local companies. It is also a member of the Pan-American Standards Commission and of the International Certification Network (IQNet).

Fondonorma, through individual industry committees, develops new standards as the need is perceived. Its primary objective is quality assurance of both locally made and imported products. In addition to the ISO certification and the development of COVENIN standards, Fondonorma also issues a NORVEN quality seal to local manufacturers for specific products and for services. Fondonorma does not have an annual plan for developing and issuing new standards and instead responds to specific needs or pressures from government agencies or ministries.

NIST Notify U.S. Service
Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets.

Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment Return to top

Fondonorma issues conformity assessments for quality assurance and adherence to existing standards from ISO and SENCAMER. Fondonorma also issues conformity assessments, if required, for local products being exported to verify adherence to foreign standards or the IQNet 9004. Fondonorma is also the channel for obtaining conformity-testing certificates.

In other instances, SENCAMER issues the conformity statement, often after testing in its own metrology lab or in other private and government testing laboratories, such as the National Hygiene Institute for Pharmaceuticals or any other accredited private testing organization.

Product Certification Return to top

Apart from the product registrations most products are not required to be certified in Venezuela. Certain products, such has medical devices, pharmaceuticals, and cosmetics, are subject to a certification and/or registration process. In those cases, the applicant might be required to submit samples for laboratory testing and certification of their safety. ISO, NORVEN, or IQNet certification is frequently helpful in gaining approval that a product or service adheres to existing norms or standards.

Accreditation Return to top

All testing laboratories to be used for official product testing must be accredited by FONDONORMA or SENCAMER.

Publication of Technical Regulations Return to top

Venezuela's new laws, resolutions, decrees, government appointments, and other official data are published in the "Gaceta Oficial" (Gazette). The Gazette, however, does not publish anything similar to notices of proposed rulemaking, so there is no standard official mechanism for inviting comment on proposed changes to technical standards.

The Gazette does not publish new technical regulations. The full contents of a new technical regulation must be obtained directly from the government agency that created it. Changes are made only in the event of widespread public concern. The same holds true for new standards themselves, available only by request from either FONDONORMA or SENCAMER.

Labeling and Marking

Return to top

Labeling or marking of products are ordered by resolutions issued by the responsible ministry and not by the standards making body. Labeling regulations vary by product, but the basic rule is that all labels must be in Spanish and all measurements must be metric. For products that require registration and authorization for sale to the public, the labeling requirements typically include a list of contents; the name of the manufacturer, importer, or distributor; the name of a sponsoring and responsible pharmacist in the case of drugs; and any warnings or other data required as part of the product's registration requirements. Self-adhesive labels affixed over the original labels may not be used for conversion of measures and language; the labels must be permanent.

Operating instructions and owners' manuals must be in Spanish. Labels must list all ingredients, the contents of the package in the metric system or in units, and the registration number of the Ministry of Health or the Ministry of Commerce in the case of animal feed or veterinary medicines.

Almost all agricultural imports must have a certificate of origin from the country of origin, issued by the exporting country authorities. Stickers are no longer permitted in the case of imported products. Compliance with labeling requirements must be part of the original label, which must also identify the importer.

For more information on food and agriculture import regulations and standards, please consult with the Foreign Agricultural Service at agcaracas@fas.usda.gov.

In September 2002, the government decreed new requirements for the labeling of footwear and textiles. Footwear and textile labels have to meet the following criteria:

Text must be in Spanish, in a font not smaller than two millimeters in height, and must include:

- Name of manufacturer
- Country of origin
- Legal name of importer
- Taxpayer number of the Venezuelan importer
- Brand name
- Size of the garment
- Care instructions (in international symbols)
- Fiber composition of the garment according to chapters 61 and 62 of the International Harmonized Tariff Code, with percentages of content spelled out using the generic name of the fibers.

In addition, the footwear and textile importer must have registered with SENCAMER. Failure to comply could impede importation of the merchandise.

Contacts
Return to top

Ministry of People's Power for Commerce
Minister: Alejandro Fleming (As of April 2013)
Address: Torre Oeste de Parque Central, pisos 6-14, Caracas.
Ph: 58-212-509-06-90/509-07-11 /509-09-74

Ministry of People's Power for Health and Social Protection
Minister: Isabel Iturria (As of April 2013)
Address: Parque Central, Torre Oeste, pisos 39-41, Caracas.
Ph: 58-212-481-91-01/408-00-00
Fax: 58-212-574-04-98

Trade Agreements
Return to top

At a July 2012 summit in Rio de Janeiro, Venezuela became the fifth full member of the Southern Cone Common Market (MERCOSUR). Under the terms of its accession, Venezuela will have four years from its date of accession to adopt the MERCOSUR Common External Tariff (CET) and to provide duty-free treatment to its four MERCOSUR partners on all goods, with sensitive products allowed a two-year extension.

Venezuela officially withdrew from the Andean Community (CAN) in April 2006. In July 2012, Venezuela's Supreme Court ruled that the normative framework of the AC agreement was no longer valid under Venezuelan law, as the country was no longer a party to the integration agreement.

Web Resources
Return to top

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Return to table of contents

Return to table of contents

Chapter 6: Investment Climate

Openness to Foreign Investment

Return to top

Political and economic uncertainty, state intervention in the economy, and a volatile legal and regulatory framework make Venezuela a difficult climate for foreign investors. The GBRV's Second Socialist Plan for 2013-2019, embraced by the governing United Socialist Party of Venezuela (PSUV), calls for increased state intervention in the economy and further development of state-owned enterprises and socialist communes as public-sector economic institutions. The GBRV's project of institutionalizing "socialism for the 21st century" in Venezuela emphasizes state-led economic activity, relies on heavy, if uneven, regulation of the economy, degrades the operating environment for private-sector businesses, and increases risks for foreign investors.

The Venezuelan National Assembly passed legislation in 2010 designed to create a communal state and economy, privileging public-sector economic institutions and reducing the space for private-sector participation. Five "popular power" laws sought to incorporate socialist communes into policymaking at all levels of government, discounting consultation with the private sector in the regulatory process: the Organic Law of Popular Power (Gazette No. 6.011, 2010); the Organic Law of Public Planning (Gazette No. 6.011, 2010); the Organic Law of Communes (Gazette No. 6.011, 2010);

the Organic Law of the Communal Economic System (Gazette No. 6.011, 2010); and, the Organic Law of Popular Municipal Power (Gazette No. 6.011, 2010).

Other 2010 legislation increased state power over basic services and retail markets, facilitating government interventions, squeezing margins, and discouraging private investment in the affected sectors. Examples include: the Law of Banking Sector Institutions (Gazette No. 6.015, 2010); the Law for Insurance Activity (Gazette No. 5.990, 2010); the Electricity Service Law (Gazette No. 39.573, 2010); and, the Law for the Defense of People's Access to Goods and Services (Gazette No. 39.358, 2010) ("consumer protection law"); as well as reforms to the Science, Technology, and Innovation Law (Gazette No. 39.575, 2010) and the Telecommunications Law (Gazette No. 39.610, 2010). On December 17, 2010, the Venezuelan National Assembly enacted an enabling law granting then President Hugo Chavez the power to pass legislation by presidential decree for 18 months. More than 50 pieces of legislation directed at deepening socialism in Venezuela were passed under the enabling law before it expired in June 2012.

The 2010 consumer protection law expanded the authority of the Institute for the Defense of People's Access to Goods and Services (INDEPABIS), a government agency that polices retail markets for adherence to price controls and serves as a referral center for consumers with grievances against businesses. The law has empowered INDEPABIS and consumers and exposed businesses to inspections, audits, fines, and closures. INDEPABIS's president said in November 2012 that her organization had received 31,600 formal complaints January-October 2012—regarding allegations of, among other things, non-performance of contracts, over-pricing, real-estate fraud, and false labeling—of which 22,853 resulted in agency-imposed resolutions, with the remainder being referred to administrative adjudication. INDEPABIS said it had inspected 19,500 businesses nationwide through October 2012 to ensure compliance with Venezuela's consumer regulations and price controls. With respect to the food and beverage industry alone, INDEPABIS had conducted 4,146 inspections and 267 audits, levied 217 fines, and closed 50 businesses.

Additional legislation passed in 2011 and 2012 further degraded the investment climate, including the Emergency Law of Urban Lands and Housing (Gazette No. 39.599, 2011), which weakened property rights and increased government authority to expropriate urban real estate, and the Law of Social Responsibility for Radio and Television (Gazette No. 39.610, 2011), which expanded government control of the media. A Law of Fair Costs and Prices (Gazette No. 39.715, 2011) was promulgated on July 14, 2011, and entered into effect on November 22, 2011. The law gives the Venezuelan government (GBRV) authority to regulate prices of most goods and services sold to the public, including imported products. The Superintendent of Fair Costs and Prices (SUNDECOP) is the government entity empowered to determine whether prices are "fair" and to identify businesses that make "excessive profits." As of April 1, 2012, SUNDECOP reviewed and set prices for foodstuffs, personal care and household cleaning products, and construction materials—ranging from soap and shampoo to cement—comprising a total of 19 product lines. SUNDECOP assured manufacturers that prices would be adjusted, but despite industry lobbying SUNDECOP for the changes, prices had not been reviewed as of December 2012. SUNDECOP's national administrator announced in December 2012 that in 2013 the body would analyze regulating prices in the automobile, construction, and pharmaceutical sectors.

The National Assembly passed the Law for the Regulation and Control of Housing Rents in November 2011 (Gazette No. 6.053, 2011), expanding government power over the residential rental market and weakening the rights of property owners. The law mandated that a new government entity, the National Superintendent of Housing Rents (SUNAVI), would set rental prices and approve rental contracts. It eliminated tenant deposit guarantees and limited landlord profits to margins below inflation. SUNAVI promulgated regulations to implement the law in November 2012 and announced that it would enforce them beginning in January 2013. Combined with a May 2011 Law Against Arbitrary Eviction (Gazette No. 39.668, 2011), these real estate regulations make it difficult for landlords to manage properties.

International non-governmental organizations, think tanks, and financial institutions have cited corruption and state intervention in the economy as key factors deteriorating the investment climate in Venezuela. Transparency International's 2012 Corruption Perceptions Index ranked Venezuela as 165 out of 174, the lowest ranked country in Latin America. In 2012, Venezuela ranked 174 out of 177 in the Heritage Foundation's Index of Economic Freedom, up one slot from 2011. The World Bank's 2013 "Doing Business Report" ranked Venezuela 180 out of 185 in terms of the ease of doing business, with an average of 144 days and 17 procedures necessary to start a business. The World Economic Forum's World Competitiveness Report 2012-2013 ranked Venezuela 126 out of 144 countries.

Measure	Year	Index/Ranking
Transparency International Corruption Perceptions Index	2012	165
Heritage Foundation Economic Freedom Index	2012	174
World Bank Doing Business Report	2013	180

Legal Framework for Foreign Investment

Venezuela's legal framework for foreign investment requires equal treatment for both foreign and local companies, with the exception of a few sectors in which the state or Venezuelan nationals must be majority owners, including hydrocarbons and the media. In practice, however, foreign investors encounter hurdles.

The 1999 Constitution

The Venezuelan constitution of 1999 treats investment as a means of promoting the development of the national economy. Article 301 of the constitution adopted international standards for the treatment of private capital, with equal treatment of local and foreign capital. The constitution reserves strategic sectors such as oil and hydropower for the state.

Decree 2095

Decree 2095 of 1992 (Gazette No. 34.930, 1992) established the legal framework for foreign investment in Venezuela. This decree implemented Andean Community Decisions 291 and 292 and lifted most restrictions on foreign participation in the economy. Article 13 of the decree guaranteed foreign investors the same rights and imposed the same obligations applied to national investors "except as provided for in special laws and limitations contained in this Decree." Decree 2095 also guaranteed foreign investors the right to repatriate 100 percent of profits and capital, including proceeds from the sale of shares or liquidation of a company, and allowed for unrestricted reinvestment of profits. Most investors, however, have been unable to repatriate dividends since 2008 due to Venezuela's exchange controls (see section 2 regarding Conversion and Transfer Policies). Between April 2006, when Venezuela first withdrew from the Andean Community, and April 22, 2011, when its withdrawal was finalized, the GBRV continued to apply some Andean Community norms in the absence of other regulations. Venezuela's formal withdrawal from the Andean Community, however, has added to uncertainty regarding Venezuelan laws based on Andean Community decisions.

Under Decree 2095, foreign investors need to register with the Superintendent of Foreign Investment (SIEX) within 60 days of the date of their investment. Foreign companies may open offices in Venezuela without prior authorization from SIEX as long as they do not engage in certain sales or business activities that would require registration. No prior authorization is required for technical assistance, transfer of technology, or trademark-use agreements provided they are not contrary to existing legal provisions. Decree 2095 reserved three areas of economic activity to "national companies": (1) broadcast media, (2) Spanish-language newspapers, and (3) professional services regulated by national laws. These professional services include law, architecture, engineering, medicine, veterinary medicine, dentistry, economics, public accounting, psychology, pharmacy, and management. A "national company" (as defined in Article 1 of Andean Community Decision 291) is a company in which Venezuelan nationals hold more than 80 percent of the equity. Foreign capital is therefore restricted to a maximum of 19.9 percent in the areas noted above. The Investment Promotion and Protection Law of October 1999 (Gazette No. 5.390, 1999), whose regulations were published in July 2002, maintained the same reserved sectors.

Foreign professionals are generally free to work in Venezuela—provided that they possess a government-issued identity card or government-approved work permit—but they must first revalidate their certification at a Venezuelan public university. Consulting services under contract for a specific project are not subject to this requirement.

At a July 2012 summit in Rio de Janeiro, Venezuela became the fifth full member of the Southern Cone Common Market (MERCOSUR). Under the terms of its accession, Venezuela will have four years to adopt the MERCOSUR common external tariff (CET) and to provide duty-free treatment to its four MERCOSUR partners on all goods, with sensitive products allowed a two-year extension. Venezuela announced in December 2012 that it reached an agreement with MERCOSUR's other members regarding CET implementation, though negotiations continue regarding some tariffs.

The Hydrocarbons Sector

Some sectors are regulated by "special laws" that supplement the constitution and affect the business environment. These sectors include banking, hydrocarbons, insurance, mining, and telecommunications. Of these, the hydrocarbons sector has the greatest restrictions on foreign investment.

The GBRV has made changes in royalty, tax policies, and contracts that have expanded state control of the hydrocarbons sector and increased uncertainty for foreign petroleum companies operating in Venezuela. The 2001 Hydrocarbons Law (Gazette No. 37.323, 2001) did not expressly grandfather contracts executed under earlier legislation. Specifically, it did not include the 33 operating service contracts awarded for "marginal" or inactive oilfields resulting from three bidding rounds in the 1990s, exploration and production profit-sharing agreements awarded in 1996, and four so-called "strategic associations"—legal entities with majority private ownership and minority ownership by state oil firm Petroleos de Venezuela (PDVSA)—formed in the 1990s to extract and upgrade extra heavy oil in Venezuela's Orinoco Heavy Oil Belt or "Faja" region. The GBRV argued in 2001 that no grandfather provision was necessary because retroactive application of legislative provisions was forbidden by the constitution.

The 2001 hydrocarbons law reserved the rights of exploration, production, "gathering," and initial transportation and storage of petroleum and associated natural gas for the state. Under this regime, primary activities must be carried out directly by the state, by a 100 percent state-owned company such as PDVSA, or by a joint-venture company with more than 50 percent of the shares held by the state. The law left refining ventures open to private investment as well as commercialization activities under a license and permit regime. It also stipulated that any arbitration proceedings would henceforth be in domestic, not international venues.

In October 2004, the GBRV eliminated a nine-year royalty holiday ceded to the strategic associations, arguing that this action was allowable under earlier hydrocarbons legislation. In 2005, the GBRV informed companies with operating service contracts that they had to transfer their contracts to joint ventures in conformance with the 2001 Hydrocarbons Law. It threatened to seize fields operating under the services contracts on December 31, 2005, if oil companies had not signed transition agreements to migrate their contracts. Sixteen oil companies signed memoranda of understanding, converting their contracts to joint ventures on March 31, 2005. In January 2008, ENI and Total, two companies that had not signed MOUs in 2005, reached an agreement with PDVSA.

Then President Chavez issued a decree in late February 2007 requiring the four strategic associations to convert to joint ventures in which PDVSA would hold a 60 percent stake.

The decree established an April 30, 2007 deadline for completing the conversion. ConocoPhillips and ExxonMobil refused to transfer their investment stakes in the three of the four associations in which they had equity, and the GBRV took control of their investments. Both companies filed international arbitration claims against the Venezuelan government. In 2012 each company received a favorable ruling from the International Chamber of Commerce's arbitration tribunal: ConocoPhillips was awarded $66.8 million in September, while ExxonMobil confirmed an award of $907.6 million in January. Both firms still have cases pending with the World Bank's ICSID; rulings are expected by the panel in late 2013.

Then President Chavez announced on January 8, 2012, that the Venezuelan government would not recognize any ICSID decision related to ExxonMobil's claim and stated that his government should withdraw from ICSID. On January 24, 2012, the Venezuelan government withdrew from the ICSID Convention; Venezuela's exit from ICSID became effective on July 25, 2012. At least 29 ICSID cases against Venezuela are currently pending, making Venezuela the country with the largest number of pending ICSID claims. All cases involving Venezuela pending before ICSID prior to Venezuela's withdrawal remain in process, notwithstanding Venezuela's rejection of the body. Investors cannot, however, as of July 25, 2012, file new ICSID claims against Venezuela.

In April 2011, then President Chavez decreed changes to a windfall profit law first passed in 2008. The new law established a sliding scale payment system that peaks at 95 percent of oil sales revenue when prices exceed $100 per barrel. The changes increased uncertainty about the amount of tax due from crude oil production that had been established in the original 2008 law.

In contrast to the legal framework for petroleum, the 1999 Gaseous Hydrocarbons Law (Gazette No. 36.687, 1999) offered more open terms to investors in the unassociated natural gas sector. This law opened the entire natural gas sector to private investment, both domestic and foreign, and created a licensing system for exploration and production regulated by the former Ministry of Energy and Mines (now the Ministry of Petroleum and Mining). The state retained ownership of all natural gas "in situ," but PDVSA involvement was not required for gas development projects (although the law allows PDVSA to back into 35 percent ownership of any natural gas project once the private partners have declared commerciality). The law prohibited complete vertical integration of the gas business from the wellhead to the consumer. The GBRV has publicly stated, however, that it would like to modify the terms of the 1999 law to require that the state have a controlling interest in primary unassociated natural gas activities.

On September 18, 2008, an Organic Law on the Restructuring of the Internal Liquid Fuels Market (Gazette No. 39.019, 2008) came into effect. The law mandated government control of domestic transportation and wholesale of liquid fuels and set a 60-day period for negotiations with the affected companies. The law does not define the term "liquid fuels," which created uncertainty as to whether it applies to products other than gasoline and diesel fuel, such as motor oils or lubricants. This law affected several foreign companies that had investments in the downstream sector.

On May 7, 2009, Venezuela enacted the Organic Law that Reserves to the State the Assets and Services related to Hydrocarbon Primary Activities (Gazette No. 39.173, 2009). The law specifically affected petroleum service companies involved in the injection of water, steam, or gas as secondary recovery methods, as well as services rendered for the performance of primary activities on Lake Maracaibo. It provided for the "extinction" of contracts executed in the past between PDVSA and private companies and stipulated that all contracts and activities governed by the law would be subject to Venezuelan law and to the exclusive jurisdiction of Venezuelan courts. Under the provisions of this law, the GBRV nationalized more than 75 companies, including three U.S. firms. There are no reports that the GBRV has paid any compensation for these nationalizations to date.

Several international and domestic oilfield services companies have agreed since 2009 to create joint-venture oil field services companies with PDVSA. As majority PDVSA-owned enterprises, the new joint ventures do not have to follow many of Venezuela's public contracting and solicitation regulations, affecting competition in the sector. The number of services companies operating in Venezuela has shrunk considerably due to the problem of late payments from PDVSA that began in late 2008, nationalizations, and internal company risk assessments.

On July 10, 2009, Venezuela's Organic Law for the Development of Petrochemical Activities (Gazette No. 39.203, 2009) entered into force. The Petrochemicals Law reserves basic and intermediate petrochemical activities for the state as well as the assets and facilities required for their handling. It allows the state, through the Ministry of Petroleum and Mining, to create mixed companies in which the GBRV will control at least 50 percent of the shareholder equity and exercise effective control over company decisions. The legislation mandates that certain investment incentives for the GBRV (e.g., technology transfer, incentives for industrial development, infrastructure supply, facility maintenance, social resources, import substitution, price advantages, and estimated profits) will be required for authorization of a mixed company. The petrochemicals law gives priority to the supply of the domestic market and the development of state and socialist companies. Upon the expiration of the term of a mixed company, its works, ancillary facilities, and equipment revert to the state, free of encumbrance and without indemnity.

Conversion and Transfer Policies

Return to top

Venezuela has strict currency controls that foreign investors generally cite as among their greatest difficulties operating in Venezuela. The official exchange rate overvalues the local currency (bolivar) vis-à-vis the U.S. dollar, creating distortions in the economy and problems for businesses. The Law Governing the Foreign Exchange System (Gazette No. 4.897, 1995) empowers the executive branch to intervene in the foreign exchange market "when national interests so dictate." Then President Chavez used this law to create the Commission for the Administration of Foreign Exchange (CADIVI) on February 5, 2003, to regulate the purchase and sale of foreign currency. CADIVI manages transactions at the official exchange rate (currently 6.3 bolivars per dollar), prioritizing the importation of food, medicine, capital goods, and other products determined essential by the GBRV.

A Foreign Exchange Crimes Law (Gazette No. 38.272, 2005, revised 2007) established criminal penalties and fines for transactions outside the official foreign exchange process. The exemption for bond operations in this law led to the creation of a parallel foreign exchange market, known as the "permuta" (swap) market, which was a currency exchange market that operated through the sale, for bolivars, of dollar-denominated public-sector bonds that the purchasers then resold for dollars on the international secondary market. In early 2008, the GBRV prohibited the publication in Venezuela of the parallel exchange rate. The GBRV declared the permuta market to be illegal in May 2010.

The GBRV then instituted a central bank (BCV)-controlled alternative to the permuta market, the System for Transactions in Foreign Currency Assets (SITME), which also operated through the sale of dollar-denominated public-sector bonds. Under SITME banks served as intermediary bond-purchasers, and firms could buy a maximum of bonds with implicit value of $350,000 per month, but not more than $50,000 per day. SITME transacted dollar-denominated public-sector bonds at an implied exchange rate of 5.3 bolivars/dollar. The GBRV eliminated SITME in February 2013. Foreign exchange transactions in an unofficial market continue at rates averaging 25 bolivars/dollar in spring 2013.

Many multinational firms say access to foreign exchange for imports, dividend repatriation, and other financial transaction is among their greatest challenges operating in Venezuela. Importers say CADIVI takes 180-270 days to process a request for foreign currency, creating arrears with their overseas vendors. Most private sector analysts forecast some change to the currency exchange regime in 2013 to help the GBRV improve access to dollars and put its finances on a healthier trajectory. Options include a devaluation of the official exchange rate or increased use of the new complementary foreign exchange system, SICAD.

Foreign investors in capital markets and foreign direct investment projects are guaranteed the right to repatriate dividends and capital under the constitution and Decree 2095. Since 2008, however, CADIVI has essentially stopped approving foreign firms' applications for dollars to exchange their bolivar earnings and repatriate dividends. The inability to repatriate dividends exposes foreign investors to devaluations of the official exchange rate, which reduce the value, in dollar terms, of their bolivar earnings. Foreign investors will be exposed to future devaluations so long as CADIVI limits currency authorizations for dividend repatriation.

CADIVI data indicate the commission authorized nearly $30 billion from January through November 2012, a 5 percent increase over the same period in 2011. Imports represented $23.6 billion of the total, while overseas credit card and other financial transactions made up the remainder. BCV data indicate the bank transacted an additional

$9.1 billion in dollar-denominated assets through SITME from January through November 2012, a 15 percent increase over the same period in 2011.

Expropriation and Compensation

Return to top

The GBRV has nationalized businesses in diverse sectors over the past several years, using such expropriations as a pillar of its project of institutionalizing socialism in Venezuela. The affected sectors have included: agriculture, chemicals, construction, electricity, finance, manufacturing, mining, petroleum, ports, real estate, steel, telecommunications, and transportation. The GBRV has cited the following reasons for its nationalizations: abusive charges for services or products, economic sovereignty, excessive profit margins, food security, monopolistic behavior, public utility, and strategic importance.

The GBRV maintains that it will compensate investors for nationalizations. The process to establish compensation has been slow and opaque, however, leading some companies to seek settlement through international arbitration. The legal framework used to carry out nationalizations includes the Law of Expropriations (Gazette No. 37.475, 2002), the Land and Agricultural Development Reform Law (Gazette No. 5.771, 2005), the Urban Land Law (Gazette No. 5.933, 2009), and the Emergency Law of Urban Lands and Housing (Gazette No. 39.599, 2011).

In January 2007, then President Chavez announced his intent to nationalize strategic sectors. Shortly thereafter, the GBRV took over an electric company and cable television company owned by U.S. companies and investors. These investors received compensation. In 2008, the GBRV announced nationalizations of several multi-national cement companies, a steel maker (SIDOR) and the Banco de Venezuela.

According to Venezuelan trade association Conindustria, the GBRV has expropriated more than 1,170 private businesses since 1998. Nationalizations and expropriations slowed in 2012, as GBRV election-year government spending focused on supporting mass consumption. The government did, however, take control of several firms, including steelmaker Siderúrgica del Turbio (Sidetur), whose expropriation it had decreed in 2010 but did not execute until October 2012. The GBRV has not paid Sidetur for its assets.

Venezuela's 2005 land law calls for the redistribution of “unproductive” land. The GBRV continues to nationalize large tracts of land, including farms, which has hurt agricultural production. At the end of August 2012, the GBRV claimed to have seized over 8.9 million acres of land in the seven years since the law entered into force. Many owners have not received compensation. Homeowners also face the loss of their houses if they are located on land the GBRV determines to be of public use. The GBRV has also conducted “inspections” of plants to determine if they were in violation of Venezuelan law. These inspections have also led to occupations and nationalizations.

On February 21, 2007, the GBRV published the Special Law Against Hoarding (Gazette No. 38.628, 2007), which has become another basis for state intervention in production, wholesale, and retail markets. The law defines all stages of the production cycle for regulated foods as within the ambit of "public utility and the social interest." It also empowers the government to expropriate any business throughout the production cycle to protect "food security and sovereignty." The GBRV announced in January 2013 plans to create a nationwide plan to inspect and audit food producers and distributors to police against hoarding.

Dispute Settlement

Return to top

Venezuela's legal system is available to foreign entities seeking to resolve investment disputes. The legal system, however, is generally slow and inefficient, and critics, such as Human Rights Watch and Amnesty International, have said it suffers from corruption and a lack of independence from the executive branch. Venezuelan attorneys say routine commercial disputes take up to five years to litigate in Venezuelan courts, limiting foreign investors' legal recourse for protecting their interests.

Decree 2095 allows for the arbitration of disputes as "provided by domestic law." The Commercial Arbitration Law (Gazette No. 36.430, 1998) eliminated previous requirement for judicial approval of arbitration; arbitration agreements involving national or international firms can therefore be automatically binding. The law also allows state enterprises to subject themselves to arbitration in contracts with private commercial entities, but requires that they first obtain the approval of the "competent statutory body" as well as the "written authorization" of the responsible minister. As noted above, however, the 2001 hydrocarbons law prohibits PDVSA from entering into agreements providing for international arbitration, although the company appears to have done so in recent years with certain partners.

Performance Requirements and Incentives

Return to top

Foreign companies receive the same tax treatment as domestic companies, with the exception of the non-associated natural gas sector where foreign investors receive preferential tax treatment. Performance requirements related to workforce composition are discussed in the labor section below. The state oil company, PDVSA, seeks to maximize local content and hiring in its negotiations with foreign companies: new deals require technology transfers and also social contributions from companies.

The Law for Communal Management of Responsibilities and Services (Gazette No. 39.945, 2012) outlined preferential treatment for companies that cooperate with the "communal state," including: access to the government's distribution and commercialization network; guarantees of technical assistance; access to GBRV's direct purchasing plans (i.e., closed bidding); access to credits and funds for production encouragement; preferential rates and conditions on manufacturing credits; access to technology; tax exemptions; and exemption from the "Law of Public Contracts" (Gazette

No. 39.503, 2010)—which, among other things, gives the GBRV the right to expropriate a government contractor's equipment if the firm breaches its agreement.

Public procurement is governed by the Partial Tender Reform Act (Gazette No. 5.556, 2001) and the Law of Public Contracts (Gazette No. 39.181, 2009). The 2001 tender law sought to increase participation by small- and medium-sized enterprises. The 2009 law of public contracts sought to enhance the role of communal councils in public procurement. Public contracts executed pursuant to international agreements are exempt from the requirements of the public contract law.

Right to Private Ownership and Establishment Return to top

There are legal limits on foreign ownership in certain sectors, such as banking, insurance, and media, and as noted in the constitution, Decree 2095, and "special laws" (see above).

Protection of Property Rights Return to top

Real Property Rights

Foreign investors may pursue property claims through Venezuela's legal system. See also the Expropriation and Compensation section for discussion of expropriation of real property rights and the Dispute Settlement section for a discussion of the legal system.

Intellectual Property Rights (IPR)

Venezuela's IPR regime provides limited protection for foreign investors. The World Economic Forum's World Competitiveness Report 2012–2013 ranked Venezuela 143 out of 144 countries in strength of IPR protection.

Article 98 of the 1999 constitution guarantees state protection for intellectual property rights "in accordance with the conditions and exception established by law and the international treaties executed and ratified by the Republic in this field." Under the 1999 constitution, intellectual property rights are classified as cultural and educational rights rather than economic rights as they were previously.

Venezuelan legislation generally distinguishes between IPR and industrial-property rights. IPR include protections for literature, graphic arts, audio and visual productions and fall under the August 1993 Copyright Law (Gazette No. 4.638, 1993). Industrial property rights include patents and trademarks and fell under Andean Community Decision 486 (and Decision 345 for plant varieties) until Venezuela withdrew from the bloc. In September 2008 the Autonomous Intellectual Property Service (SAPI) issued a press release reinstating Venezuela's 1955 Industrial Property Law (Gazette No. 25.227, 1955). Most independent observers believe the 1955 law is outdated and inconsistent with the WTO's Trade Related Aspects of Intellectual Property Rights (TRIPs) agreement. In December 2010, the National Assembly passed the Law on the Crime of Smuggling (Gazette No. 6.017, 2010), which aims to combat piracy by criminalizing and punishing acts relating to smuggling goods in or out of the country with higher penalties of 10-14 years.

Venezuela is a signatory to the Berne Convention for the Protection of Literary and Artistic Works, the Geneva Phonograms Convention, the Universal Copyright Convention, and the Paris Convention for the Protection of Industrial Property. Venezuela is also a member of the World Intellectual Property Organization (WIPO).

Since 2002 Venezuelan authorities have permitted the manufacture and sale of copies of patented medicine, if manufacturers can demonstrate that their medicine is the bioequivalent of the existing patented medicine. This rule in effect allows manufacturers to copy medicines. SAPI does not permit companies to obtain so-called second-use patents for innovations.

Venezuela was listed on the Priority Watch List in the U.S. Trade Representative's 2012 Special 301 Report. Key concerns cited in the report relate to the deteriorating environment for the protection and enforcement of intellectual property rights (IPR) in Venezuela. The reinstatement of the 1955 industrial property law created uncertainty with respect to patent and trademark protections. In 2012, the Supreme Court accepted a request from the Venezuelan pharmaceutical chamber (presented in 2009) to decide if ten articles from the 1955 industrial property law are not in conflict with existing international treaties in effect (such as the Paris Convention and World Trade Organization). As of November 2012, the case was under consideration.

Patents and Trademarks

Venezuela's 1955 industrial property law provides that patents of an invention, improvement, model, or industrial drawing can last five or ten years, depending on the will of the filer. Patents for technologies developed abroad may last five years or until the original foreign patent term expires, whichever is shorter. Patent durations under the 1955 law violate the 20-year patent-term standard provided under the TRIPs agreement. Article 15 of the 1955 industrial property law excludes the following items from patent protection: food and drink, including animal feed; medicine; financial systems and plans; naturally occurring substances or forces; second-uses for known objects, substances or elements; industrial processes; speculative or theoretical inventions; the juxtaposition of elements already in the public domain; published inventions.

The return to the 1955 law codified the GBRV's de facto policy of refusing to issue patents, particularly in the area of medicines. The GBRV has not awarded a patent for new pharmaceuticals since 2004. Since 2002, Venezuela's food and drug regulatory agency has approved the commercialization of generic drugs without requiring unique test data. These drugs are the bioequivalent of innovative drugs that have already received market approval. This practice thereby denies innovative drug companies protection against unfair use of their test data as required by the TRIPs agreement. In 2009, the GBRV nullified two patents for an antibiotic produced by a pharmaceutical company after the company protested the local production of two illegal copies of the drug. Regarding trademarks, the 1955 law changes the registration procedure and adds the requirement of publishing trademark applications in a local newspaper before they can be published in the Industrial Property Bulletin.

Venezuela does not automatically recognize foreign patents and trademarks or logotypes, so foreign investors must register patents and trademarks in as many categories as may be applicable. It is advisable not to have agents or distributors do so because the agent can then claim that he/she is the registered owner of the trademark in question. Following the nationalization of a well-known Venezuelan coffee company in 2009, the GBRV also expropriated the trademark and brand name.

Copyrights

Venezuela's 1993 copyright law provides the legal framework for the protection of copyrights. The 1993 copyright law is modern and comprehensive and extends copyright protection to all creative works, including computer software. A National Copyright Office was established in October 1995, and is responsible for registering copyrights, as well as for controlling, overseeing, and ensuring compliance with the rights of authors and other copyright holders.

Enforcement

IPR protection is also hindered by the lack of adequate resources for the Venezuelan copyright and trademark enforcement police (COMANPI) and for the special IPR prosecutor's office. Due to a shortage of personnel, limited budget, and inadequate storage facilities for seized goods, COMANPI has had to work with the National Guard and private industry to enforce copyright laws. COMANPI can only act based on a complaint by a copyright holder; it cannot carry out an arrest or seizure on its own initiative. In the past, the GBRV's tax authority (SENIAT) has been more successful enforcing IPR laws. It has taken action against some businesses importing or selling pirated goods based on presumed tax evasion. While such actions on the part of SENIAT have decreased over the past few years, it does continue to take action against pirated goods. The 2010 law against smuggling has also been enforced, including provisions that impose penalties for smuggling violations and provided for the seizure of goods that infringe IPR. Copyright piracy and trademark counterfeiting remain widespread, however, including piracy over the Internet. Pirated software, music, and movies are readily available throughout the country.

Transparency of Regulatory System

Return to top

Venezuela's regulatory system lacks transparency and suffers from corruption. The World Economic Forum's 2012-2013 World Competitiveness Report ranked Venezuela 142 out of 144 countries in transparency of government policymaking. The World Bank's 2013 "Doing Business Report" ranked Venezuela 180 out of 185 countries in terms of the ease of doing business, with an average of 144 days and 17 procedures necessary to start a business. The World Bank ranked Venezuela 185 in terms of corporate taxation, noting that businesses must make 71 separate tax payments per year and spend an average of 792 hours preparing their corporate taxes. Transparency International's 2012 Corruption Perceptions Index ranked Venezuela as 165 out of 174, the lowest ranked country in Latin America.

The GBRV's ruling PSUV party and its allies control the National Assembly and the judiciary. Proposed laws are generally presented for two rounds of discussion in the National Assembly, but opposition parties are limited in their ability to influence legislative outcomes. Ministries and executive agencies generally develop and promulgate implementing regulations without consulting private-sector representatives of the affected sectors.

The GBRV adopted two laws in the early 1990s to promote free competition and prevent unfair trade practices: a Law to Promote and Protect Free Competition (Gazette No. 34.880, 1992) and an Antidumping Decree (Gazette No. 4.441, 1992). In 1997, the government created an agency, Pro-Competencia, under the Trade Ministry, to implement the 1992 competition law. Pro-Competencia's current stated mission is to democratize economic activity and promote social and economic equality.

Efficient Capital Markets and Portfolio Investment Return to top

Venezuela's financial services are heavily regulated. In 2010 the GBRV passed several laws to reform the financial sector, including: the Organic Law of the National Financial System (Gazette No. 39.447, 2010), which is the regulatory framework for banks, insurance companies, and the capital markets; the Law for Insurance Activity (Gazette No. 5.990, 2010); the Capital Markets Law (Gazette No. 39.489, 2010), a law to create a state-run securities exchange, the Bicentennial Public Securities Exchange (BPVB) (Gazette No. 5.999, 2010); and the Law of Banking Sector Institutions (Gazette No. 6.015, 2010).

The Venezuelan financial services sector accounts for a relatively small but growing share of GDP. According to BCV data, financial services represented 4.3 percent of GDP in 2011, and 5.4 in the first three quarters of 2012. Much of the growth has been driven by increasing liquidity resulting from government spending and increasing volumes of public-sector debt circulating in the economy. Total financial assets as a percentage of GDP reached an estimated 178 percent in 2011, comparable to the regional average, but below levels in larger economies such as Brazil (251 percent), Chile (298 percent), and Mexico (210 percent), according to the Economist Intelligence Unit (EIU).

Capital Markets

Venezuelan capital markets are underdeveloped. The EIU estimated that Venezuelan's stock-market capitalization was 1.6 percent of GDP in 2011. The leading Caracas stock market index, the Caracas Stock Exchange Index (IBVC), was up roughly 297 percent, year on year, in November 2012, but private analysts attribute the rise to government-spending generated liquidity. Activity in Venezuela's stock markets has decreased in recent years due to nationalizations of previously listed firms and the GBRV's seizure of 51 brokerages, since 2010, mostly on charges of illegal trading in the permuta market (see Conversion and Transfer Policies).

Venezuela's primary stock market is the Caracas Stock Exchange (BVC). On January 31, 2011, the GBRV launched the BPVB, under the November 2010 securities market law, to sell government and corporate bonds and compete with the BVC. The BPVB was empowered to trade both bolivar- and dollar-denominated securities, but as of November 2012 it had only traded bolivar-denominated debt. Private brokerages have not been allowed to participate in the BPVB, and as of November 2012 only nine of the BPVB's own employees were licensed to act as brokers.

Foreign investors can buy or sell stocks and bonds in Venezuelan capital markets as long as they have registered with the stock market regulator, the Superintendent of Securities (SNV). Foreign investors may also buy shares directly in Venezuelan companies. No prior registration is generally required before making foreign investments, but subsequent registration with the Superintendent of Foreign Investments is required.

Credit Markets

Venezuelan credit markets are also heavily regulated. The BCV and the Superintendent of Banks (SUDEBAN) regulate Venezuela's banking sector. The 2010 law of banking sector institutions describes banking as a public service and banks as public utilities, permitting the GBRV to nationalize financial institutions without National Assembly approval. The public sector's share of total bank assets has grown in recent years, primarily through GBRV nationalizations. According SUDEBAN data, in November 2012 there were 35 banking institutions—25 private and 10 public—down from 59 in November 2009. Public-sector banks held an estimated 35 percent of total banking sector assets in November 2012.

The BCV sets maximum and minimum interest rates banks can charge. Recent limits included 24 percent on commercial and personal loans, 29 percent on credit cards, and 16 percent on car loans. With inflation ranging between 20 and 30 percent since 2009, real interest rates have generally been negative. Banks are required to allocate roughly 51 percent of their portfolio for loans to the housing, agriculture, small business, manufacturing, and tourism sectors, in most cases at preferential rates. Universal and commercial banks are prohibited from making commercial loans for terms longer than three years.

The majority of banking sector assets is concentrated in the country's six largest banks. Total banking assets, at roughly $206 billion (at the official exchange rate), were 52 percent greater in November 2012 than in November 2011. The three largest private banks were: Banesco, with 13 percent of total system assets in August 2012; Banco Provincial, with 12 percent; and, Banco Mercantil, with 11 percent. Banesco and Banco Mercantil are Venezuelan-owned, while Banco Provincial is majority-owned by BBVA of Spain. Citibank is the only U.S. universal bank with a presence in Venezuela. The two largest state banks are Banco de Venezuela and Banco Bicentenario. The government nationalized Banco de Venezuela from Spain-based Banco Santander in May 2009. Banco de Venezuela is now the country's largest bank, with 16 percent of total sector assets in November 2012. Banco Bicentenario was formed in 2010 through the nationalization of four private banks; it held 11 percent of assets as of November 2012. Public and private universal and commercial banks control 99 percent of the banking sector's assets.

The BCV promulgated regulations in September 2012 (Gazette No. 40.002, 2012) outlining conditions under which businesses and individuals may open dollar-denominated bank accounts at Venezuelan universal and commercial banks. The regulations are designed so that the accounts will be used to facilitate imports and other overseas transactions. Account holders, for example, may not withdraw dollars from the accounts while within Venezuela; they may only withdraw bolivars at the official exchange rate of6.3 bolivars/dollar. Account holders may use the accounts for transfers to other accounts overseas or for debit-card transactions effected abroad. The accounts earn interest at BCV regulated rates, but they are not designed as savings vehicles: dollars acquired via SITME, for example, may not be held in the accounts for longer than twelve months; any dollars remaining from a disbursement via CADIVI may not be deposited in the accounts at all and must be sold back to the BCV. Document requirements for opening dollar-denominated accounts are comparable to those for opening bolivar-denominated accounts. Major public and private universal and commercial banks may offer these accounts, including: Banesco, Banco Provincial, Banco Mercantil, Banco Occidental de Descuento, Banco Exterior, Banco del Caribe, Banco Nacional de Crédito, Citibank, Banco de Venezuela, Bicentenario, and Banco del Tesoro.

Competition from State Owned Enterprises Return to top

Private firms are at a disadvantage when competing with public enterprises, specifically in terms of accessing foreign exchange at the official exchange rate. SOEs, in some cases, do not need to go through CADIVI to request hard currency at the official exchange rate, while private companies struggle with CADIVI's limitations and process delays (see section 2 regarding Conversion and Transfer Policies).

In March 2012 the GBRV amended its customs and tax regimes to favor government imports over those of the private sector. The new rules exempt SOE importers from providing certain customs documentation and grant waivers on value-added taxes, customs duties, and fees on a broad range of imported products. The exemptions do not apply to the private sector.

SOEs are active in diverse sectors of the Venezuelan economy, including agribusiness, hydrocarbons, media, mining, telecommunications, and tourism. GBRV direct appointment of SOE executives is commonplace.

Corporate Social Responsibility Return to top

Article 135 of the Venezuelan constitution declares a general duty for all non-state actors to respect laws regarding social responsibility. Various Venezuelan laws set forth requirements intended to advance principles generally included under the rubric of CSR. GBRV regulation and enforcement of these laws is, however, uneven. For example, the Law of Social Services (Gazette No. 38.270, 2005) sets out broad protections for human, civil, economic, cultural, religious, educational, environmental, and other rights for all persons; the Law for Disabled Persons (Gazette No. 38.598, 2007) requires businesses to reserve at least 5 percent of their payroll for the disabled; the Organic Law of Science and Technology (Gazette No. 39.575, 2010) requires businesses to devote between 0.5 percent and 2 percent of revenues to training, research, and development or to contribute to social projects; the Income Tax Law (Gazette No. 38.628, 2007) provides for tax deductions for donations to social responsibility projects; the Law Against Illicit Traffic in Narcotic and Psychotropic Drugs (Gazette No. 38.377, 2005) requires companies with more than 50 employees to contribute to anti-drug social programs; and the Organic Environment Law (Gazette No. 5.833, 2006) requires businesses to develop and implement projects to promote sustainable development and the prudent use of natural resources.

The Venezuelan-American Chamber of Commerce (VenAmCham), for its part, promotes CSR though its "New Social Contract" (Nuevo Contrato Social) program. In 2012 VenAmCham hosted 22 CSR workshops and held its eighth annual university competition entitled "Promoting Socially Responsible Leaders," co-hosted with the Rotary Club. The Venezuelan Federation of Chambers of Commerce (Fedecamaras) promotes CSR through a standing working group devoted to the dissemination of best practices and an annual award to recognize CSR excellence.

Political Violence

Return to top

Venezuela's political climate is polarized between supporters and opponents of the GBRV and the policies of the PSUV. There were, however, no major incidents of political violence that specifically targeted foreign-owned companies or installations in 2012.

Corruption

Return to top

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see http://www.oecd.org/dataoecd/59/13/40272933.pdf). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Venezuela is not a party to the OECD Convention.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Venezuela is a party to the UN Convention.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html). Venezuela is a party to the OAS Convention.

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.). Venezuela is not a party to the Council of Europe Conventions.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize "active bribery" of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic "passive bribery" (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements. Venezuela does not have an FTA with the United States.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign

Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Transparency International's 2012 Corruption Perceptions Index ranked Venezuela 165 out of 174 countries, the lowest ranked country in Latin America. Venezuela has anti-corruption laws, and engaging in bribery is a criminal act. Venezuela signed the UN Convention against Corruption on December 10, 2003, and ratified it on February 2, 2009. Venezuela has not adopted the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

The National Assembly approved on January 31, 2012, a new Organic Law against Organized Crime and Terrorist Financing (Gazette No. 39.912, 2012). The law empowers prosecutors to obtain detailed information on accounts subject to investigation. The law requires banks to share detailed financial information with a new National Financial Intelligence Unit (Unidad Nacional de Inteligencia Financiera or UNIF) or face penalties. The law also requires banks to develop mechanisms to identify suspicious transactions.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf.

General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://cpi.transparency.org/cpi2012/. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/publications/gcr.

The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/index.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/s?s=global+enabling+trade+report.

Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

Bilateral Investment Agreements

Return to top

Venezuela has concluded the following bilateral investment agreements as of June 1, 2011:

Partner	Date of Signature	Date of entry into force
Argentina	16-Nov-93	1-Jul-95
Barbados	15-Jul-94	31-Oct-95
Belarus	6-Dec-07	13-Aug-08
Belgium and Luxembourg	17-Mar-98	29-Apr-04
Brazil	4-Jul-95	---
Canada	1-Jul-96	28-Jan-98
Chile	2-Apr-93	25-May-95
Costa Rica	17-Mar-97	2-May-01
Cuba	11-Dec-96	15-Apr-04
Czech Republic	27-Apr-95	23-Jul-96
Denmark	28-Nov-94	19-Sep-96
Ecuador	18-Nov-93	1-Feb-95
France	2-Jul-01	30-Apr-04
Germany	14-May-96	16-Oct-98
Indonesia	18-Dec-00	23-Mar-03
Iran, Islamic Republic	11-Mar-05	7-Jun-06
Italy	14-Feb-01	---
Lithuania	24-Apr-95	1-Aug-96
Netherlands*	22-Oct-91	1-Nov-93
Paraguay	5-Sep-96	14-Nov-97
Peru	12-Jan-96	18-Sep-97
Portugal	17-Jun-94	7-Oct-95
Russian Federation	7-Nov-08	---
Spain	2-Nov-95	10-Sep-97
Sweden	25-Nov-96	5-Jan-98
Switzerland	18-Nov-93	30-Nov-94
United Kingdom	15-Mar-95	1-Aug-96
Uruguay	20-May-97	18-Jan-02

OPIC and Other Investment Insurance Programs

Return to top

OPIC programs in Venezuela were suspended in 2005 as a result of Venezuela's decertification for failure to cooperate in suppressing international narcotics trafficking. The certification process is an annual event, and in 2012 President Obama determined that Venezuela “failed demonstrably” to make sufficient or meaningful efforts to adhere to its obligations under international counternarcotics agreements and conventions. However, President Obama also issued a national interests waiver in 2012, determining that support for programs to aid Bolivia, Burma, and Venezuela is vital to the national interests of the United States. Under this waiver, Venezuela is eligible for OPIC programs.

The Export-Import Bank has not provided new financing for projects in Venezuela since formally placing Venezuela "off cover" for new lending in April 2003. Both OPIC and the Ex-Im Bank still have significant exposure in Venezuela contracted prior to suspending operations.

Labor

Return to top

Several factors make human resources a challenge for domestic and foreign investors alike: heavily regulated labor markets; talent flight, as skilled Venezuelans have sought employment abroad due to domestic political and economic uncertainty; government programs that support poorer Venezuelans making it more difficult for companies to attract unskilled labor; and declining traditional trade unions, as the GBRV has supported the establishment “parallel” unions aligned to government interests. Roughly 9 to 11 percent of the total workforce is unionized. The GBRV extended in December 2012 a firing freeze in place since 2002 that shields most private-sector workers from termination through December 31, 2013.

In April 2012, President Chavez used his decree law power to pass a long-pending Organic Law of Labor and Workers (Gazette No. 6.076, 2012). The law replaced a 1997 labor law, expanding workers’ rights and benefits. The law prohibits employer discrimination on the basis of race, sex, age, civil status, religion, political beliefs, social class, nationality, sexual orientation, union membership, criminal record, or disability. The law prohibits termination without legal justification and requires employers to consult labor courts regarding the lawfulness of a termination. The law also prohibits employers from hiring third-party contractors to perform ongoing, regular duties as a means of avoiding legal obligations owed to those on one’s payroll. The law guarantees a retirement pension for workers in both the formal and informal sectors. The law reduced the legal work week from 44 to 40 hours and guaranteed workers 15 days of vacation, plus one day for each additional year of employment, up to a total of 45 days per year. The law also introduced new rights for female workers with children, including: 26 weeks of paid maternity leave for mothers (six pre- and 20 post-natal); two breaks per day for mothers who are breastfeeding their babies; and access to a lactation room, if they work for an employer with more than 20 employees. The Superior Labor Council, which is empowered to oversee implementation of the labor law, said in December 2012 that by May 2013 it would further develop regulations to put the law into effect and reform the Labor Ministry.

In 2012, Venezuela saw continued protests and work stoppages by unions across the public and private sectors. Union protests—in some cases resulting in deaths—have disrupted operations at many companies since 2009, including auto assembly plants owned by General Motors, Toyota, and Mitsubishi, and forced the temporary shutdown of various oil drilling operations and oil service companies. In addition, the union protests in the state of Guyana have stopped operations at the Venezuelan Corporation of Guayana (CVG), the largest state-owned industrial conglomerate in the country. The GBRV has delayed negotiations over collective bargaining agreements for workers in the public sector, leaving more than two million public employees without collective contracts, including teachers and electrical workers. In July 2012, PDVSA and unions representing oil and gas industry employees agreed on a new collective bargaining agreement for the period of 2011-2013.

The Venezuelan government's National Institute of Statistics (INE) estimated in December 2012 the unemployment rate at 6.4 percent. The INE estimated informal and formal sector employment at 42.5 and 57.5 percent, respectively.

Foreign-Trade Zones/Free Ports Return to top

The Free-Trade Zone Law (Gazette No. 34.772, 1991) provides for free-trade zones and free ports. The three existing free-trade zones, created in subsequent Gazette decrees, are located in the Paraguana Peninsula on Venezuela's northwest coast, Atuja in the State of Zulia, and Merida (but only for cultural, scientific, and technological goods). These zones provide exemptions from most import and export duties and offer foreign-owned firms the same investment opportunities as Venezuelan firms. Venezuela has two free ports that also enjoy exemptions from most tariff duties: Margarita Island (part of Nueva Esparta state) and Santa Elena de Uairen in the state of Bolivar.

Foreign Direct Investment Statistics Return to top

Neither the Venezuelan authorities, nor independent analysts separately publish foreign direct investment (FDI) or foreign portfolio investment data for the country. The BCV, however, publishes on a quarterly basis Venezuela's international investment position (IIP), generally following the IMF's Balance of Payments Manual. FDI and foreign portfolio investment data may be extracted from the BCV's IIP data. Third quarter 2012 data were the most recent available as of January 2013.

Foreign Direct Investment

BCV data on FDI data were the following:

FDI ($ millions)	3Q2012	2Q2012	1Q2012	4Q2011	3Q2011
Total Assets	20,841	20,003	19,630	18,565	18,391
Public Sector FDI	17,701	16,865	16,493	15,422	15,365
Equities	5,135	5,129	5,126	5,118	5,103
Reinvested Earnings	8,125	8,022	7,914	7,797	7,692
Other capital	4,441	3,714	3,453	2,507	2,570
Private Sector FDI	3,140	3,138	3,137	3,134	3,026
Equities	2,042	2,040	2,039	2,036	2,003
Reinvested Earnings	1,098	1,098	1,098	1,098	1,023
Other capital	0	0	0	0	0
Total Liabilities	45,955	46,321	45,040	44,645	44,406
Public Sector FDI	12,411	11,958	11,733	11,578	12,309
Equities	372	372	372	372	372
Reinvested Earnings	5,686	6,040	5,624	5,055	4,874
Other capital	6,353	5,546	5,737	6,151	6,763
Private Sector FDI	33,544	34,363	33,307	33,067	32,097
Equities	9,442	9,889	10,003	10,308	10,203
Reinvested Earnings	14,635	14,542	13,874	13,755	13,330
Other capital	9,467	9,932	9,430	9,004	8,564
Net Position	(25,114)	(26,318)	(25,410)	(26,080)	(26,051)

Venezuela recorded a total of $5.3 billion in net foreign direct investment (FDI) flows in 2011, according to the UN's Economic Commission for Latin America and the Caribbean (ECLAC). ECLAC observed, however, that Venezuelan net FDI flows in 2011 (and in 2010) derived primarily from reinvested earnings among in-country affiliates of foreign-owned firms. According to ECLAC, Venezuela's net FDI flow as a share of GDP, at 1.8 percent, was among Latin America's lowest in 2011. The EIU estimated Venezuela's net FDI flow for 2012 at zero.

U.S. FDI in Venezuela is concentrated in the petroleum, manufacturing, and finance sectors. In 2011, according to the U.S. Trade Representative, the stock of U.S. FDI in Venezuela was $ 12.1 billion, down 17 percent from $14.5 billion in 2009.

Foreign Portfolio Investment

BCV data on foreign portfolio investment were the following:

Foreign Portfolio Investment ($ millions)	3Q2012	2Q2012	1Q2012	4Q2011	3Q2011
Total Assets	8,761	8,616	8,214	9,400	9,742
Public Sector Portfolio Investment	8,258	8,009	7,623	8,789	9,087
Equities	38	35	34	34	29
Securities	8,145	7,899	7,589	8,680	8,983
Money Markets	75	75	75	75	75
Private Sector Portfolio Investment	503	607	591	611	655
Equities	13	13	18	19	19
Securities	441	542	512	542	598
Money Markets	49	52	61	50	38
Total Liabilities	41,643	36,598	38,455	31,114	27,193
Public Sector Portfolio Investment	40,983	35,990	37,968	30,786	26,816
Equities	71	71	71	71	71
Securities	40,912	35,919	37,897	30,715	26,745
Money Markets	0	0	0	0	0
Private Sector Portfolio Investment	660	608	487	328	377
Equities	660	608	487	328	377
Securities	0	0	0	0	0
Money Markets	0	0	0	0	0
Net Position	(32,882)	(27,982)	(30,241)	(21,714)	(17,451)

GBRV and PDVSA issuances of dollar-denominated debt securities in 2011 and early 2012 drove the recent growth in Venezuela's negative net position in foreign portfolio investment. BCV data indicate, however, that Venezuela's overall net IIP was positive, despite negative net FDI and foreign portfolio investment positions, due to large positive net positions in commercial credits, loans, currency, and deposits.

Return to table of contents

Return to table of contents

Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment) Return to top

This is the most common concern for U.S. exporters to Venezuela. Letters of credit or prepayment provide the best protection for U.S. exporters, although Venezuelan buyers may have difficulty using either of these methods because of economic uncertainty, and/or inadequate credit lines from non-Venezuelan banks. Prepayment is particularly difficult as Venezuelan importers are unable to acquire prepayment dollars due to currency control requirements. Other methods, such as sight payment, may not provide sufficient legal protection in Venezuela to the exporter unless all parties to the transaction are well known to the exporter.

How Does the Banking System Operate Return to top

Venezuelan credit markets are heavily regulated. The BCV and the Superintendent of Banks (SUDEBAN) regulate Venezuela's banking sector. The 2010 law of banking sector institutions describes banking as a public service and banks as public utilities, permitting the GBRV to nationalize financial institutions without National Assembly approval. The public sector's share of total bank assets has grown in recent years, primarily through GBRV nationalizations. According SUDEBAN data, in November 2012 there were 35 banking institutions—25 private and 10 public—down from 59 in November 2009. Public-sector banks held an estimated 35 percent of total banking sector assets in November 2012.

The BCV sets maximum and minimum interest rates banks can charge. Recent limits included 24 percent on commercial and personal loans, 29 percent on credit cards, and 16 percent on car loans. With inflation ranging between 20 and 30 percent since 2009, real interest rates have generally been negative. Banks are required to allocate roughly 51 percent of their portfolio for loans to the housing, agriculture, small business, manufacturing, and tourism sectors, in most cases at preferential rates. Universal and commercial banks are prohibited from making commercial loans for terms longer than three years.

The majority of banking sector assets is concentrated in the country's six largest banks. Total banking assets, at roughly $206 billion (at the former 4.3 official exchange rate), were 52 percent greater in November 2012 than in November 2011. The three largest private banks were: Banesco, with 13 percent of total system assets in August 2012; Banco Provincial, with 12 percent; and, Banco Mercantil, with 11 percent. Banesco and Banco Mercantil are Venezuelan-owned, while Banco Provincial is majority-owned by BBVA of Spain. Citibank is the only U.S. universal bank with a presence in Venezuela. The two largest state banks are Banco de Venezuela and Banco Bicentenario. The government nationalized Banco de Venezuela from Spain-based Banco Santander in May 2009. Banco de Venezuela is now the country's largest bank, with 16 percent of total sector assets in November 2012. Banco Bicentenario was formed in 2010 through the nationalization of four private banks; it held 11 percent of assets as of November 2012. Public and private universal and commercial banks control 99 percent of the banking sector's assets.

The BCV promulgated regulations in September 2012 (Gazette No. 40.002, 2012) outlining conditions under which businesses and individuals may open dollar-denominated bank accounts at Venezuelan universal and commercial banks. The regulations are designed so that the accounts will be used to facilitate imports and other overseas transactions. Account holders, for example, may not withdraw dollars from the accounts while within Venezuela; they may only withdraw bolivars at the official exchange rate of 6.3 bolivars/dollar. Account holders may use the accounts for transfers to other accounts overseas or for debit-card transactions effected abroad. The accounts earn interest at BCV regulated rates, but they are not designed as savings vehicles: dollars acquired via SITME, for example, may not be held in the accounts for longer than twelve months; any dollars remaining from a disbursement via CADIVI may not be deposited in the accounts at all and must be sold back to the BCV. Document requirements for opening dollar-denominated accounts are comparable to those for opening bolivar-denominated accounts. Major public and private universal and commercial banks may offer these accounts, including: Banesco, Banco Provincial, Banco Mercantil, Banco Occidental de Descuento, Banco Exterior, Banco del Caribe, Banco Nacional de Crédito, Citibank, Banco de Venezuela, Bicentenario, and Banco del Tesoro.

Foreign-Exchange Controls

Return to top

The Venezuelan government (GBRV) maintains a strict regime of currency exchange controls. U.S. exporters routinely experience delays, and occasionally non-payment, for merchandise sold to Venezuela. The Venezuelan Commission for the Administration of Currency Exchange (CADIVI) is the sole legal authority for exchanging bolivars for dollars at the official exchange rate of 6.3 bolivars/dollar. Venezuelan importers seeking official dollars must register with CADIVI, obtain supporting documentation from various government ministries (e.g., certificates of non-national production), and file a request with CADIVI. CADIVI only honors requests for imports deemed essential to Venezuela and maintains lists of priority products, including food, medicine, and capital goods. The process is not guaranteed, even for such priority products. Some Venezuelan importers fail to obtain dollars despite good-faith efforts to acquire them. Successful applicants often wait 180-270 days to receive dollars from CADIVI.

Venezuelan law generally permits foreign investors to repatriate dividends to their corporate home offices. Nevertheless, since 2008 CADIVI has virtually stopped authorizing dollar sales for the repatriation of dividends to the home offices of multi-national corporations with operations in Venezuela. Independent estimates suggest multi-national corporations hold $12-15 billion worth of retained bolivar earnings in Venezuela. Three devaluations of the official exchange rate since 2008 have created uncertainty regarding the dollar value of such un-repatriated bolivar dividends. Many multi-national corporations have recognized accounting losses on their bolivar cash and equivalents held in Venezuela.

From May 2010 to February 2013, the Venezuelan central bank (BCV) operated an alternative exchange mechanism, SITME. SITME used to sell dollar-denominated bonds, for bolivars, at an implicit exchange rate of 5.3 bolivars/dollar. Many importers of products deemed non-priority by CADIVI, including small and medium enterprises, used SITME to obtain dollars for their operations. Since February 2013, importers of non-priority products have been without an official alternative mechanism for buying dollars.

The GBRV introduced in March 2013 a new complementary foreign exchange system, SICAD. Details regarding SICAD remain sparse, but the GBRV has said it will periodically auction dollars through SICAD at exchange rates greater than the official 6.3 bolivars/dollar. To date, only firms registered to use CADIVI can access SICAD. The authorities have said they will conduct pre- and post-transaction verifications to ensure that SICAD dollars reach only foreign suppliers with which Venezuelan importers have an agreement. SICAD held one auction in March 2013. The GBRV did not announce the exchange rate(s) the auction realized, but media reports said the weighted average exchange rate in the first SICAD auction was 13-14 bolivars/dollar. Accessing SICAD dollars requires GBRV acceptance of the Venezuelan importer’s auction bid. The GBRV has said it reserves the right to reject any bid determined to be inconsistent with the government’s priorities.

There is greater Venezuelan demand for dollars than official supply. There is a parallel, unofficial market for dollars. Venezuelan law prohibits the publication in Venezuela of the parallel exchange rate, but private websites outside of Venezuela publish it. The parallel exchange was roughly 25 bolivars/dollar in spring 2013. Venezuelan law provides for fines and imprisonment for transacting dollars in the parallel market in Venezuela.

The exchange control system’s primary impact on U.S. exporters is the requirement that Venezuelan importers obtain CADIVI approval in advance for settling an import transaction in dollars. The Venezuelan importer arranges all the paperwork (the application to CADIVI to settle the claim in U.S. Dollars), and it is in the U.S. company's interest to give the importer all required information needed to file accurate documents with CADIVI.

Although securing advance payment is recommended, Venezuelan importers technically cannot pay U.S. exporters in advance, because they will not have CADIVI approval for that particular transaction at that point.

The exchange controls present risks and challenges to doing business in and with Venezuela. More than $18 billion in U.S. exports to Venezuela in 2011 evidences that U.S. exporters have succeeded in doing business with Venezuela. U.S. exporters must factor delays and risks of non-payment into their analyses and exercise due diligence in selecting business partners in Venezuela.

U.S. Banks and Local Correspondent Banks Return to top

Citibank is the only U.S. bank with operating branches in Venezuela other than a representative office. For more details, contact: (58 212) 705-2614, website: https://www.citibank.com.ve.

Project Financing Return to top

Merchandise – U.S. Ex-Im Bank

As of August 8, 2003, the U.S. Export-Import Bank (Ex-Im Bank) ceased processing applications in the public and private sector due to existing conditions in this market. Although closed for certain routine trade finance transactions, Ex-Im Bank can consider structured financing arrangements such as Ex-Im Bank's project finance program, asset-based aircraft leases, and other financing arrangements that offer a reasonable assurance of repayment and reliable access to adequate foreign exchange.

Interested parties are advised to monitor Ex-Im's Country Limitation Schedule (CLS), which details coverage policies for each country.

Project & Investment Finance – USTDA, OPIC, IBRD, IDB, and CAF

The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing and middle income countries through funding of technical assistance, feasibility studies, training, orientation visits and business workshops. However, USTDA is not actively promoting its services under the current market conditions in Venezuela.

The International Bank for Reconstruction and Development (IBRD), Inter-American Development Bank (IDB), and the Andean Development Corporation (CAF) are all multilateral financial institutions that offer project financing in Venezuela.

The U.S. Department of Commerce maintains Multilateral Development Bank (MDB) liaisons to counsel U.S. firms about opportunities associated with funding by the World Bank and the Inter-American Development Bank. MDB liaison officers ensure project information is available on a timely basis and organize and develop outreach programs throughout the U.S. They provide in-depth counseling to U.S. firms on bank opportunities and advocate on behalf of U.S. firms. Click here for information on World Bank- and IDB-related business opportunities.

For additional information on trade and project financing in Venezuela, contact:

- U.S. Department of Commerce's Trade Information Center at 1-800-USA-TRAD(E). Email: tic@ita.doc.gov

Web Resources

Return to top

Export-Import Bank of the United States: http://www.exim.gov
Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: http://www.opic.gov

Trade and Development Agency: http://www.tda.gov/

SBA's Office of International Trade: http://www.sba.gov/oit/

USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm

U.S. Agency for International Development: http://www.usaid.gov
The Andean Development Corporation (CAF): http://www.caf.com/
Ave. Luis Roche, Torre CAF
Altamira, Caracas – Venezuela
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Return to table of contents

Return to table of contents

Chapter 8: Business Travel

Business Customs

Return to top

U.S. and Venezuelan companies have enjoyed a high level of commercial interaction for many decades, largely because of geographic proximity and the nature of Venezuela's economy. Although there are cultural factors to consider, there are more similarities than differences in how companies in the two countries approach business.

Language is one obvious difference. U.S. companies interested in selling to the Venezuelan government should note that, according to Venezuelan law, all correspondence must be in Spanish. In the private sector, although many Venezuelan business executives might speak English, U.S. exporters in many sectors place themselves at a disadvantage if Spanish language promotional materials are not available. Firms should be aware that the ability to communicate in Spanish may be a major deciding factor on the part of the Venezuelan partner.

Proposals or unsolicited offers are often not acknowledged. U.S. firms should consider that be taken to ensure that important business documents arrive in the proper hands. Compared to U.S. companies, decisions within Venezuelan companies are often taken at a much higher organizational level. However, independent analysts advise to respect the chain of command. U.S. vendors might bear in mind that decisions may take longer because of this tendency.

Venezuelan importers typically prefer to buy directly from the manufacturer, instead of going through intermediaries. U.S. exporters that are not manufacturers may consider trying to associate themselves closely with the U.S. manufacturer whenever possible.

Weekends and holidays are generally off-limits for business meetings with Venezuelans. Christmas holidays effectively last from December 15 through January 15. Public and private sector offices are typically closed or missing key personnel during Easter week and Carnival (Mardi Gras) as well. Scheduling business trips during these periods should be avoided if at all possible.

Travel Advisory

Return to top

For the latest security information, Americans traveling abroad should regularly monitor the State Department's Internet web site for Travel Warnings and Public Announcements.

Up-to-date information on safety and security can also be obtained by calling 1-888-407-4747 toll free in the U.S., or for callers outside the U.S. and Canada, a regular toll-line at 1-202-501-4444. These numbers are available from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays).

Visa Requirements

Return to top

To obtain a Venezuelan business visa, U.S. travelers should contact the Venezuelan Embassy or nearest Venezuelan Consulate.

Instructions on obtaining business, investment, or work visas are available on the websites of Venezuela's consulates in New York, Miami, Chicago, New Orleans, Boston, Houston, San Francisco, or San Juan. Please be aware that requirements may vary on a case-by-case basis. Visitors with business visas are required to pay local income taxes if their stay in the country extends beyond 180 days.

In many instances, especially with non-U.S. airlines, the exit tax and airport fee are not included in the airline ticket price and must be paid separately at the airport upon departure. Authorities usually require that payment be made in local currency. Both the departure tax and the airport fee are subject to change with little notice, and additional nominal fees may vary by airport. Travelers should check with their airlines for the latest information.

Venezuelan immigration requires citizens of the United States and certain other countries to have at least six months' validity remaining on their passports to enter Venezuela. While this rule has not been uniformly enforced, some U.S. citizens have been denied entry. Ensure that your passport has at least six months validity from the date of arrival to Venezuela.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: http://travel.state.gov/visa/
U.S. companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to this link.

Telecommunications Return to top

Local mail service is not dependable, and important correspondence should not be sent by mail. International courier service should be used only for papers and documents and not include anything else or it will be delayed by Venezuelan Customs. Independent observers have reported checks being removed from international courier packages. Using messenger delivery is the recommended option within Caracas and other large cities in lieu of the mail (for correspondence, invitations to receptions, etc). Fax or email is used for most routine correspondence. Telephone service, both domestic and international, is reliable, though beginning to deteriorate. There are three cellular telephone providers offering country-wide and international service.

Transportation Return to top

Travel between Caracas and its international airport on the coast, Maiquetía, can be unpredictable. Traffic jams on the east-west highway leading to the highway down to the coast and airport are common. The highway to the airport itself often is backed up by accidents or stalled cars. Exit procedures at the airport entail multiple lines after flight check-in and can be time-consuming. Travelers are advised to allow plenty of time for travel and airport procedures.

The Embassy strongly advises that all arriving passengers make advance plans for transportation from the airport to their place of lodging. If possible, travelers should arrange to be picked up at the airport by their hotel or by someone who is known to them. The Embassy has received frequent reports of armed robberies in taxicabs going to and from the airport at Maiquetía. There is no foolproof method of knowing whether a taxi driver at the airport is reliable. It is no longer possible to rely on the fact that a taxi driver presents a credential or drives an automobile with official taxi license plates marked "libre."

Taxis are widely available in Caracas. Visitors should use licensed cabs belonging to established taxi lines. Incidents of taxi drivers in Caracas overcharging, robbing, and injuring passengers are common. Travelers should take care to use radio-dispatched taxis, those from reputable hotels, or those available at major malls (Sambil, Tolon, etc.). Taxi service fees at hotels run about 50 percent higher than street taxis. Another option is taxi "lines" (such as Taxi Tour, Teletaxi, etc.). Both are generally considered "worth the money" in terms of increased security. During the morning rush hour, at mid-day, and again in the early evening, it can be difficult to find a taxi.

Public transportation within Caracas consists of buses, the metro (subway), and taxis. Due to increasing crime, travelers must exercise caution if using the metro or buses, and should avoid them if possible.

The Embassy does not vouch for the professional ability or integrity of any specific provider. Likewise, the absence of any individual or company does not imply lack of competence or reliability. Expect to pay 350 to 500 Bolivares (depending on the transportation) for service from Maiquetía airport to Caracas.

U.S. airlines servicing Venezuela include American, Continental/United, and Delta. Many foreign airlines also serve Venezuela, most through Caracas, and a few through Maracaibo. Domestic flights are available to almost all secondary cities.

Corporate, private, and executive aircraft without cargo or paying passengers require only an international ICAO flight plan, which must be at the destination airport before arrival. Initial landing in Venezuela must be at an international airport to pass through Customs and Immigration. Checks for drugs, weapons, and explosives are possible as well as an aircraft safety ramp check and a check for documents (registration, airworthiness certificate, insurance, and pilot licenses). Flights from the initial arrival airport to domestic destinations are possible, but require a permit in addition to a domestic flight plan. English language skills of controllers at domestic airports and en route control are spotty and may require patience. The transport of company-owned cargo or paying passengers constitutes a "commercial flight," which requires clearance at least 24 hours before arrival.

Security

The Embassy strongly recommends visitors arrange flights so as not to arrive in Caracas between the hours of midnight and 5:00am. Depending on road and traffic conditions, the drive to/from the airport varies from 30 minutes to 2 hours. There are neither restroom facilities nor locations to purchase food or drink along the way. Passengers should plan accordingly. Drivers, often wearing badges identifying them as 'taxi officials,' have been known to rob unwary travelers. If someone asks for personal information, refrain from providing a name, rather ask for the name of the person being sought and request to see their identification. Do not go with the person if unable to give you the information requested.

General Crime

Caracas continues to experience significant levels of violent and nonviolent crime. Homocides, robberies, and kidnappings occur across the city, even during daylight hours. Other major cities have been similarly affected. Wearing valuable jewelry or using expensive electronics (smartphones, iPods, etc.) in public can attract the attention of thieves.

If one is confronted by armed criminals, the Regional Security Officer (RSO) strongly recommends complying with the attackers' demands. Do not attempt to run or antagonize the perpetrator. Levels of impunity in Venezuela are high—criminals may decide to simply kill victims who resist.

To avoid being the victim of a crime, visitors should remain alert to their surroundings and maintain constant control of purses, backpacks, briefcases, and luggage. Travelers should carry only the minimum cash needed and, if possible, no credit cards when venturing outside of the hotel.

The Department of State has rated Caracas a critical-threat crime environment. While most of the crime is concentrated in the low-income areas of the city, crime does permeate the entire city. Most crime is economically motivated and criminals seek targets of opportunity; Americans and other foreigners are not specifically targeted. Common crimes range from theft and pick pocketing to credit card fraud and the occasional carjacking. People are advised not to carry large amounts of cash or display signs of wealth. Credit card fraud is rampant in Venezuela and therefore credit card use should be avoided whenever possible. The Embassy advises against using public ATM machines, as robberies there are becoming increasingly frequent. If you must use an ATM, use one in a well lit, high traffic area, such as a shopping mall. Experience has shown that people using good judgment and exercising caution significantly reduce their chances of being victims of crime in Venezuela.

Civil Disturbances

Travelers to Venezuela should be aware of the potential for violent demonstrations, especially in urban centers, and exercise appropriate caution by avoiding public protests and political gatherings. Demonstrations and protests have the potential for turning violent without notice. Travelers should also stay tuned follow local news for information regarding unannounced demonstrations and protests.

Health

Return to top

Daytime temperatures in Caracas are usually between 75 and 90 degrees Fahrenheit. Locations at sea level – including Maracaibo, Valencia, Puerto La Cruz, and Barquisimeto – are considerably warmer than Caracas. During the rainy season, roughly from April through November, afternoon rain showers are common. Evenings can be cool at any time of the year. It is recommended that travelers bring a sweater or light jacket for evening outings, and an umbrella, no matter the time of year.

Vaccinations

The Centers for Disease Control and Prevention’s website is a reliable and regularly updated source of information about vaccination requirements and recommendations for travel to Venezuela. It is recommended that travelers to Venezuela consult this website *and* visit a professional travel medicine and immunization clinic prior to travel to Venezuela.

Vaccination issues related to travel to Venezuela

There are no *required* vaccinations for entry to Venezuela. Specifically, Yellow Fever vaccination is not required for entry to Venezuela. However, travelers arriving from Venezuela to certain countries (including but not limited to Costa Rica, El Salvador, Panama, Columbia, Brazil and Belize) will may be required to show proof of Yellow Fever vaccination.

Certain vaccinations are *recommended* for travel to Venezuela. These include the routine vaccinations for mumps, measles, rubella, polio, diphtheria, whooping cough, tetanus, and chicken pox. Also recommended are Hepatitis A; Hepatitis B for persons at risk for blood exposure through activities such as healthcare work, needle-sharing, sexual contact, acupuncture, and tattooing; Yellow Fever for travelers to the more remote southern areas (*not* recommended for travel to Caracas, Maracaibo, Valencia, Margarita Island); typhoid; rabies for persons likely to have frequent exposure to wild animals, especially bats (cavers). Due to the shortage and high cost of the rabies vaccine, the embassy health unit only stores a minimum supply for emergency use. Also recommended are vaccinations for H1N1 influenza, seasonal influenza, and pneumococcal vaccination for persons over age 65 or otherwise at increased risk for pneumococcal infection.

Water and Food

Potable water in Caracas and other major cities is treated, typically by chlorination, but due to frequent break-downs in treatment facilities the water is not reliably safe to drink. Culinary water in other parts of the country should generally be considered contaminated. Drink only bottled water or carbonated soft drinks and avoid ice in drinks. Do not eat raw vegetables or fruits unless they have been disinfected, peeled, or cooked. Wash your hands often with hot, soapy water.

Insect-Borne Disease

Malaria is not a significant problem in Caracas or most other large cities in Venezuela. Malaria occurs primarily in the remote southern parts of the country, including but not limited to the states of Barinas, Bolivar, and Amazonas. Sucre state has also seen limited outbreaks of malaria. If travelling to a malaria-endemic part of Venezuela, avoid mosquito bites by using long clothing, DEET-containing insect repellant, and bed-netting. Also, consult a travel medicine clinic about taking prophylactic anti-malarial medication. Seek medical care if you think you have malaria.

Dengue Fever is endemic throughout Venezuela, in urban as well as rural areas, and has become increasingly prevalent in the past several decades. Dengue Fever is a viral illness transmitted by mosquito bite. Symptoms include fever, headaches, body-aches, and sometimes a rash. Though there is no specific treatment, the embassy health unit advises use of non aspirin medicines only. Dengue is rarely fatal, with a mortality rate generally less than that of influenza. Still, if vomiting or bleeding problems occur, or if a young child is affected, or if you are concerned, seek medical attention. Prevention is through the use of appropriate clothing and insect repellent.

Chagas Disease is a rare but serious parasitic disease transmitted by the bite or feces of the triatomine bug (also called kissing bug, or assassin bug). In Venezuela, outbreaks have occurred as a result of drinking contaminated non-commercially prepared fruit juice, and from the night-time bite of the triatomine bug, which hides in the nooks and cracks of structures constructed of mud, adobe brick, and palm thatch.

Medical Services in Venezuela

Medical services in Caracas and other large cities in Venezuela are generally good, especially in private hospitals and clinics. The number of patients seen daily has increased in the past 3 years, resulting in a waiting list to see specialists. Physicians are usually well-trained, often in the U.S. or Western Europe. However, the facilities, nursing and support services, and quality control systems of hospitals in Venezuela are generally not as good as those found in the U.S. The quality of medical services outside of the larger cities drops off considerably. Shortages of medicine are common in Caracas so patients are advised to bring a three month supply of prescription medication with them.

The U.S. Embassy does not make or guarantee payments to medical providers on behalf of non-U.S. Government employees. All visitors should bring clear evidence of medical insurance coverage. Venezuelan hospitals and physicians do not accept foreign insurance documents and usually require up-front payment in cash or by credit card.

Local Time, Business Hours, and Holidays Return to top

U.S. companies should note that Venezuela does not have daylight savings time. The time is one-half hour behind U.S. Eastern Time from April to October and one half hour ahead of Eastern Time (U.S.) the rest of the year.

For planning contacts in Venezuela, it is useful to know the usual hours of business operations, although not all stores close for lunch:

- Office (Mon-Fri) 8:30-12:30 and 2:30-6:00
- Stores (Mon-Sat) 9:00-12:30 and 3:00-7:00
- Factories (Mon-Fri) 7:30-4:30

Weekends and holidays are generally off-limits for business meetings with Venezuelans. Christmas holidays effectively last from December 15 through January 15. Public and private sector offices are typically closed or absent key personnel during Easter week and Carnival as well. Scheduling business trips should be avoided during these periods if at all possible.

Holidays 2013:

New Year's Day 2013	Tuesday, January 1
Birthday of Martin Luther King, Jr. *	Monday, January 21
Carnival	Monday, February 11
Carnival	Tuesday, February 12
Washington's Birthday *	Monday, February 18
Holy Thursday	Thursday, March 28

Good Friday	Friday, March 29
Declaration of Independence	Friday, April 19
Labor Day	Wednesday, May 1
Memorial Day *	Monday, May 27
Carabobo Battle	Monday, June 24
Independence Day *	Thursday, July 4
Independence Day	Friday, July 5
Birthday of Simon Bolivar	Wednesday, July 24
Labor Day *	Monday, September 2
Day of Indigenous Resistance **	Saturday, October 12
Columbus Day *	Monday, October 14
Veterans Day *	Monday, November 11
Thanksgiving Day *	Thursday, November 28
Christmas Eve	Tuesday, December 24
Christmas Day	Wednesday, December 25
New Year's Eve	Tuesday, December 31

** Denotes U.S. holidays, which the U.S. Embassy observes but Venezuelan businesses do not. The other holidays listed above are observed both by the U.S. Embassy and by Venezuelans.*
***Venezuelan Holiday: When a Venezuelan holiday falls on Saturday or Sunday, there is no substitute Friday or Monday as a day off.*

Temporary Entry of Materials and Personal Belongings Return to top

Business travelers are allowed to bring in reasonable quantities of personal belongings without having to pay duties. Luggage checks are at the discretion of the inspector. Personal belongings such as laptops and cameras are allowed without duty. However, if belongings exceed what is normally needed by a traveler (example: 30 shirts instead of four for a two-day stay), Customs might ask whether these are samples or for re-sale.

Business samples can be brought in but should be declared, so Customs can decide whether to charge duty or not. All other items (such as cameras, laptops, a reasonable volume of giveaway advertising items—ballpoint pens, promotional billfolds, etc) are allowed entry.

Not all pieces of luggage are opened at the Customs counter upon entry, but every item is X-rayed. Individual inspectors have discretion whether to open a piece of luggage or parcel, but spot checks are always possible. Venezuelan Customs' main concerns are drugs, weapons of any type, pornography, and similar items with a public safety or morality component.

Travelers bringing in audio visual or other equipment to conduct demonstrations and are transporting the equipment on the same plane as "accompanied cargo" should arrange for a temporary entry permit, which should be requested at least two days before arrival. However, in some instances, the traveler can complete the necessary paperwork at the airport. This entails a written request through a customs agent and securing a bond covering the value of the duty applicable, to be returned once the equipment leaves the country again. This system is frequently used by participants in trade fairs or by companies wanting to demonstrate their equipment to a potential customer. The customer can make the arrangements in advance through a customs agent. If the demonstration equipment is not accompanying the traveler, it normally would come in as freight. The normal procedures for temporary entry also apply.

Web Resources

Return to top

U.S. Embassy Caracas
State Department

Return to table of contents

Return to table of contents

Chapter 9: Contacts, Market Research and Trade Events

- Contacts
- Market Research
- Trade Events

Contacts Return to top

U.S. Government Contacts in Caracas, Venezuela:

The Economic Section, U.S. Embassy Caracas:
Robert Winchester, Economic Counselor
U.S. Embassy Caracas
Unit 3140
DPO, AA 34037
Tel: (58 212) 907-8402
Fax: (58 212) 907-8033
Email: WinchesterRF@state.gov
http://caracas.usembassy.gov/

U.S. Government Contacts in Washington, D.C.:

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U.S. Department of Commerce
Market Access and Compliance
Tel: (202) 482-0057
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Market Research

Return to top

To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

`Trade Events

Return to top

Please click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents/index.asp
http://www.buyusa.gov/venezuela/en/15.html

Return to table of contents

Return to table of contents

Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the U.S. Department of Commerce's Trade Information Center at (800) USA-TRAD(E).

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, The Department of Commerce does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. The Department of Commerce can assist companies in these endeavors.

Return to table of contents