Doing Business in Venezuela: 2011 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Venezuela

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- In light of current conditions, particularly President Chavez's nationalization of companies in many sectors of the Venezuelan economy, anti-market orientation, payment difficulties, and anti-U.S. rhetoric, U.S. exporters to and investors in Venezuela are well-advised to perform their risk-return calculations carefully, mindful of the uncertainties, but aware of the opportunities in the Venezuelan market.

- Venezuela is the sixth most populous nation in Latin America with 28 million people.

- The political relationship between Venezuela and the U.S. is characterized by harsh anti-U.S. rhetoric by President Hugo Chavez (elected in 1998 and re-elected in 2000 and 2006, with the next presidential election in 2012).

- 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. 2010): $386 billion
  - GDP real annual growth rate (est. 2010): -1.9%
  - GDP per capita (est. 2010): $12,600 at the official exchange rate
  - Petroleum industry (est. 2010): 30% of GDP
  - Exports (est. 2010): $55 billion (54% to the U.S.)
  - Imports (est. 2010): $38 billion (26% from the U.S.)
  - Inflation (2010): 27.5% (25.1% in 2009, 30.9% in 2008, 22.5% in 2007)

- The official exchange rate policy has been in flux, and it remains difficult for foreign and Venezuelan companies to obtain adequate dollars to pay suppliers and repatriate profits abroad. In May 2010, the Venezuelan government abolished the former "permuta" or parallel market for foreign exchange, in place since currency controls were implemented in 2003. In June 2010, the Central Bank (BCV) created the System for Financial Transactions in Foreign Currencies (SITME). Average SITME approvals since June 2010 have been approximately $35 million per business day, while average disbursals in the old parallel market were estimated at $110 million per business day during 2009. SITME operations have received an exchange rate of approximately 5.30 BsF/$1. The existence of multiple exchange rates in 2010 introduced greater complexity into the process; this has now been eliminated. Under SITME, transaction amounts for individual customers are limited to $50,000 per day, with a maximum total of $350,000 per month. Requests for SITME exchange transactions are made through Venezuelan banks. Importers and others that acquire foreign exchange through the Currency Administration Commission (CADIVI) are not allowed to access SITME during the next 90 days. The elimination of the permuta market and restricted access to CADIVI and SITME has resulted in the growth of a black market for foreign exchange transactions.

- Foreign Exchange Controls: All forex requests at the controlled rates require government approval. A less over-valued rate is available through SITME and certain PDVSA bond issuances.

- On January 1, 2011, Venezuela eliminated what used to be known as the preferential exchange rate of BsF 2.6/$1 reserved for basic food items and medicines. Now, the official exchange rate is BsF 4.30/$1. This change means that the preferential exchange rate was devaluated by 35% (equivalent to a 65% increase in price). Approvals to import many products require certificates of no or insufficient local production.

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- Political tensions between Venezuela and the U.S. and within Venezuela itself.

- Commercial uncertainties from the government’s ongoing “Bolivarian reforms” that may affect private property rights, the government-private sector relationship, currency controls, increasing regulation, and the democratic process.

- Currency controls remain an issue. Through 2009, long delays were common for foreign exchange for many imported products, and foreign exchange for dividend repatriation has been very limited since 2008. The new exchange rate regime is too new to determine its effects. Most products for which payment was not released may be registered at the new rate, with significant losses for the importers. All CADIVI requests submitted before December 31, 2010, will be honored at the 2.6 BsF/$1 rate.

- Oil prices remain key to Venezuela’s ability to import and pay for goods.

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

- Increasing and aggressive “social responsibility” requirements levied on the private sector, with requirements to remit percentages of profits to local authorities and/or undertake local investment in priority sectors.

- Inadequate intellectual property rights (IPR) protection. Venezuela's withdrawal from the Andean Community has returned an outdated 1955 IPR law to validity, with reduced IPR protection that does not match current realities. President Chavez and other key officials have expressed antipathy toward patents.

- Lack of clarity on standards. The government no longer approves standards issued by the major private sector standards body, resulting in increased dual standards with no mediation process.

- Lack of judicial certainty and independence.

- 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.

- Maintenance issues and occasional closure of the major highway between Caracas and its principal port and international airport.

- 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.

- 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.

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

- 537 properties or businesses expropriated in 2010, according to the Observatory for Venezuelan Property. This represents 34 percent more expropriations than in 2009.

Market Opportunities Return to top

- Venezuela's growth is primarily related to high petroleum earnings and government spending. The recent devaluation has made billions more bolivars available for government use; however, inflation will likely depress growth in 2011.

- 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. This is tempered by evidence suggesting active discrimination against U.S. products by government agencies and government-owned companies.

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

- Relatively low tariff rates.

- Leading sectors for U.S. exporters include: oil & 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

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- Venezuela is a relationship-based, rather than rules-based, society. Do not expect a quick or satisfactory legal remedy in Venezuela if the relationship goes bad. Rather, U.S. companies are well advised to invest considerable effort up front in identifying the right partner, agent, distributor, or representative. Use all the resources available to you, e.g., counseling from your U.S. Export Assistance Center and the products and services offered by the Commercial Service in Caracas, both to assess the market and to identify a partner.

- Anticipate the special conditions of doing business in this market, e.g., current political risk issues (which might look significantly more challenging to an investor than to an exporter), an overvalued local currency, the cost and time added by the foreign exchange controls, the increasing potential for significant payment delays, and a possible devaluation. Build these factors into your business plan.

- Decide whether your particular product/business will benefit from being identified with the U.S. or might be hurt by the identification. This plays out differently in different sectors, with different buyers, and with different products. Some are more popular because they are "American," whereas in other situations a low-profile identity will work better. Either way, be prepared to promote and support your product with professional quality Spanish language materials.

- Look for relevant trade events in Venezuela to promote your products or to test market interest.

- Let the Commercial Service (CS) in Caracas know if you are participating in a trade show in the U.S. and you are interested in being visited by a Venezuelan company. CS Venezuela will be glad to pass your company information on to Venezuelan companies in advance of an event.

- Be aware that laws and regulations in Venezuela governing trade, industry, and commerce can change dramatically with little or no notice. Make sure that your local partner has the ability to keep up with such changes. Contact CS Venezuela to get the latest on regulations.

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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.

http://www.state.gov/r/pa/ei/bgn/35766.htm

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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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. A minimum wage is set annually by government decree. The law prohibits separation of employees earning less than three minimum wages. Absent unusual circumstances, commissioned agents are not considered employees.

There are numerous ways to find a business partner. 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

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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, business enterprises can be registered as corporations, as limited liability companies, as partnerships, as sole proprietorships, or as cooperatives.

Registration itself is relatively fast and inexpensive, but U.S. companies should have a Venezuelan attorney draft the registration documents. After registration, documents are prepared and a municipal business license must be obtained; this requires the 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 Government of Venezuela has said it will demand transfer of technology in order to approve investments. The status of this is not clear at this time, but such decisions can be made and implemented quickly.

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

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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 for franchising rights, but dollar remittances are subject to the exchange controls now in effect. Delays were common during 2010.

Venezuela's franchise market is the third-largest in Latin America. Currently there are 360 franchisors owning and operating 6,000 franchisee points throughout the territory. Revenues have grown strongly 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.

Franchises originating in the U.S. have found Venezuela to be an excellent market. Currently there are 159 international franchisors in the market, and 48 percent are U.S.

Some U.S. franchises present are: 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

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Direct marketing is a common feature of everyday life 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 issues. Placing orders by phone for delivery by messenger is becoming more popular, and companies that offer this type of delivery have turned to 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

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

The law imposes no limit on the amount of dividends, reinvestment, or repatriation. However, the Venezuelan currency is not accepted in the U.S. and repatriation through dollar purchases is subject to currency exchange controls now in effect.

Similarly, manufacturing under license is permitted, but to collect license fees, royalties, or trademark and patent fees the license must first be registered with SIEX, and conversion into dollars is subject to the currency exchange controls. For more specific information on remittance of royalties from Venezuela to the U.S., contact the U.S. Commercial Service at the U.S. Embassy in Caracas.

Joint ventures and wholly owned subsidiaries of foreign companies are generally treated, technically, the same as Venezuelan firms. However, some foreign firms do increasingly appear to be disadvantaged at various times in various ways when they do not fit the "endogenous development" priorities of the Chavez administration.

Foreign investment is limited to 19.9 percent of capital in such enterprises as security companies (guard services, armored cars, etc.), TV and radio broadcasting, and Spanish language newspapers. Banking, insurance, and brokerage companies are completely open to foreign investment. The banking sector has experienced problems since late 2009 due to interventions in about 20 percent of banks, which held 11 percent of Venezuelan deposits. Some of these have been merged into a state-owned bank holding company.

Recent government actions have increased the minimum stakes the state must hold in the hydrocarbons sector—majority stakes in oil production, and certain oil services were nationalized completely in May 2009. The state has also recently bought out private sector interests in several industries. In the process, the entire electricity sector has been nationalized, as well as 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

Technically, the government's purchase of goods and services is ruled by a system of laws, decrees, and regulations. These include the 2001 Law of Procurement (Ley de Licitaciones), Decree 1555, and Presidential Decree 5929, which apply to government purchases at any level of government. 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. Correspondence in English is unlikely to get a response.

There is no single agency in overall charge of government procurement that can provide guidance to foreign bidders or sellers. The purchasing agency within the Venezuelan government unit and the Commercial Service in the U.S. Embassy are sources of information for U.S. companies with no direct representation in Venezuela.

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, it is sometimes stipulated that the foreign company, if it wins a tender, must form a consortium with a domestic firm or have a local representative.

Anyone wanting to sell to a Venezuelan governmental agency is required to register in the National Register of Contractors, maintained by the Central Office of Statistics and Informatics. This National Register has "sub-registers," normally found in all ministries and governmental agencies that regularly purchase goods or services. A Labor

Solvency certificate is also required to do business with the government or with a parastatal company.

If tenders are opened on an international level with only foreign companies expected to participate, these bidders might be exempt from registration requirements initially, but might have to register once pre-selected (short-listed). Selling goods or services to the state-owned oil company Petroleos de Venezuela (PDVSA) usually requires pre-registration with PDVSA's central supply office, PDVSA Services, which used to be called Bariven and maintained an office in Houston. Purchasing decisions have been devolved back to individual operating units in Venezuela, but the situation is not clear at this time.

Although it is an acceptable practice to 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. The Venezuelan Controller General has maintained offices in the U.S. to assist in verifying pricing used in international bids.

U.S. exporters are advised to proceed with caution if requested to make changes in a contract after it has been signed. Such an agency request, and the change in contract language or terms, must be in writing. Litigation against the government is difficult and enforceability of judgments precarious. Companies should also be aware that Venezuelan practice prohibits jurisdiction in government contracts anywhere except in Venezuela, and also proscribes international arbitration.

The Government of Venezuela 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.

In addition, the government also insists on “social” contributions as explicit inclusions in tenders on certain types of projects. That is, bidders are expected to fund health, educational, or community development projects. These vary from project to project and should be explored as part of the preparation of the bid for large projects. Companies should 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: a) General Tender (*Licitación General*), b) Selective Tender (*Licitación Selectiva*), or c) Direct Purchase (*Adjudicación Directa*).

The Bidding Process

Bid proposals usually must be separated into two parts:

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

Traditionally, a commission established by the 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. In the past, the National Comptroller has had the final word and could stop a bidding process at any time his office sensed that 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.

Although there are limits to the type of assistance we might render if a U.S. company feels that the bidding process of a foreign tender in which it is participating is flawed or unfair, it is strongly advised to contact the U.S. Commercial Service.

Distribution and Sales Channels Return to top

There are no existing laws or regulations that limit distribution. Possible channels include manufacturer's representative or commissioned agent, wholesale importing distributor, importing retailer, or direct sale to end-user. It is quite 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.

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.

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 single 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.

Courier services such as UPS and FedEx should not be used to transport merchandise if packages exceed two kilograms in weight. In those cases, the shipments are treated as airfreight and could be subject to delays in Customs. These facilities should be used primarily for the shipment of documents.

Likewise, parcel post shipment using the mail should be avoided. 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 several weeks, or even months. The speediest procedure is air freight, or in the case of very heavy shipments, sea freight.

Major distribution centers include the ports of La Guaira and Puerto Cabello and the international airport of Maiquetía. It should be noted that operations in Puerto Cabello, Venezuela's main long distance port, were taken over 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. It should be noted that freight handling in ports and airports is somewhat rudimentary. Damage might occur unless products are well packed. There have also been frequent, credible reports of theft of merchandise.

Selling Factors/Techniques

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Sales at the retail level are not much different from those in the U.S. Price haggling in established stores is not common. Special offers are frequent, but are seasonal in nature. Promotions and sales are governed under a consumer protection law that is not yet supported by a regulatory framework, causing uneven application. The law has subjected retailers and franchises to sometimes incomprehensible restrictions. The government has become increasingly menacing about price increases. While goods whose prices are legally controlled cause the most trouble, violations may be charged even where not strictly warranted. This is especially true following devaluation. There are numerous malls, but few department stores.

It is highly advisable that U.S. companies 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 at retail sale must be in Spanish.

In many cases, U.S. companies should be prepared to train new agents or distributors, especially if a product is new or entails new technologies. New Venezuelan agent/representatives frequently request training at the U.S. company's facilities for sales staff, maintenance, or repair technicians. A U.S. company's ability to ensure Venezuelan end users spare parts, repair service, and all other types of after-sale support is a critical selling factor. Companies should consider visa requirements when the training will be provided in the U.S.

Electronic Commerce

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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.

No one collects such statistics, but the government estimated 4-4.5 million users in 2006, when online sales totaled $300 million. Online sales have likely risen since, but the market was negatively impacted by the reduction of the limit for online credit card purchases eligible for controlled dollars from $3,000 to $400.

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 (albeit increasing) Internet usage.

Trade Promotion and Advertising

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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 here link 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. CS Venezuela can help you make the decision. 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.

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Pricing [Return to top]

The Chavez government 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. While most stores have been able to cope with these measures, many producers and packers have complained that the authorized retail prices were 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, meaning that a vast number of food items have come under regulation. This also affects non-food products, as well. Mark-ups of 100 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.

U.S. companies should directly contact the Commercial Service office in Caracas for more detailed pricing formula information.

Sales Service/Customer Support [Return to top]

It is not normally possible to sell equipment, whether industrial or durable consumer goods, without offering sales support, spare parts, or service.   It is therefore extremely important that prospective agents or distributors either provide this support or be able to contract for it. Maintaining an adequate stock of spare parts is considered essential.

Protecting Your Intellectual Property [Return to top]

Protecting Your Intellectual Property in Venezuela
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 U.S. 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 Venezuelan law. The U.S. Commercial Service can provide a list of local lawyers upon request.

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 in 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 U.S. 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 U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**.

- For more information about registering for copyright protection in the U.S., contact the U.S. 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 U.S. 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 Venezuela. 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
Article 98 of the 1999 constitution guarantees state protection for intellectual property rights "in accordance with the conditions and exceptions established by law and the international treaties executed and ratified by the Republic in this field." 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. Although Venezuela is a member of the World Intellectual Property Organization (WIPO), no official GBRV delegation has attended a WIPO meeting for several years. Venezuela implemented its obligations under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) through Andean Community Decision 486. As noted above, however, Venezuela has withdrawn from the Andean Community (CAN). Upon Venezuela's withdrawal from the CAN, IPR protection reverted to a 1955 law that is extremely out of date and that does not meet many realities of a modern economy.

The Venezuelan Industrial Property Office (SAPI), through its actions and occasional public antagonism towards IPR, often draws criticism from IPR advocates and rights holders. 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. SAPI has publicly advocated for anti-IPR legislation and has not issued a pharmaceutical patent since 2004. Pirated software, music, and movies are readily available throughout the country. In the 2011 Special 301 Annual Review, Venezuela remained on the "Priority Watch List."

Patents and Trademarks
Venezuela provided the legal framework for patent and trademark protection through Andean Community Decision 486 (and Decision 345 for plant varieties). However, the reversion to the 1955 IPR law may change how Venezuela deals with such issues.

Very few patents for new pharmaceuticals were awarded in 2004 and none were issued after. 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 already received market approval. This practice thereby denies the innovative drug companies protection against unfair use of their test data as required by TRIPS.

Venezuela does not automatically recognize foreign patents, trademarks, or logotypes, so foreign investors must be sure to register patents and trademarks appropriately and in as many categories as applicable. It is advisable not to have agents or distributors do so because the agent can then claim to be the registered owner of the trademark in question.

Copyrights
Andean Community Decision 351 and Venezuela's 1993 Copyright Law provided the legal framework for the protection of copyrights. Andean Community Decision 351 no longer applies. 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 given responsibility for registering copyrights, as well as for controlling, overseeing, and ensuring compliance with the rights of authors and other copyright holders.

COMANPI, the Venezuelan copyright and trademark enforcement branch of the police, fails to provide adequate copyright enforcement. Due to its lack 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. 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 on the basis of presumed tax evasion. In December 2010, a Law on the Crime of Contraband was passed, criminalizing smuggling and strengthening customs controls.

Since 2004, the National Assembly has also been considering a copyrights bill. The bill, which was proposed by SAPI, has been very controversial and raised serious concerns in the private sector. Among other things, the bill calls for the local registration of all works, certification by a government-appointed commission to approve the copyright, a significant increase in royalty rates, and a provision to expropriate works if in the national interest.

Due Diligence

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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

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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 lawyers 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 Commercial Service Venezuela: office.caracas@trade.gov.

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

For more detailed information on any subject covered in this chapter, as well as a listing of business service providers, please refer to Commercial Service Venezuela's website.

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

Commercial Sectors

Agricultural Sectors

Oil and Gas Field Machinery

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The oil and gas machinery sector (OGM) is comprised of 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 highly dependent on oil revenues, which account for roughly 90 percent of export earnings, about 50 percent of the federal budget revenues, and around 30 percent of GDP. Venezuela remains a leading supplier of imported crude and refined petroleum products to the United States. President Hugo Chavez's continued efforts to increase the government's control of the economy by nationalizing firms in many sectors has hurt the private investment environment, reduced productive capacity, and slowed non-petroleum exports.

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.

Market Data (US$ Million)	2008	2009	2010
Market Size	7,900	7,345	5,520
Exports*	187	100	70
Imports *	6,996	6,579	4,948
Imports from the U.S. *	2,809	2,326	2,062
U.S. Share of Import Market	40%	35%	42%

*Source: World Trade Atlas (HS 84, 73)

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

In 2010, PDVSA awarded two joint venture projects in the Carabobo area of the Orinoco Heavy Oil Belt ("Faja"), the first new projects in the Faja since the original four so-called "Strategic Association" projects were negotiated in the 1990s. Since October 2009 PDVSA has signed strategic agreements with Russian, Chinese, Belarusian, Vietnamese, Japanese, and Italian oil companies to develop projects in the Junin section of the Faja. PDVSA estimates that these projects will require combined investments of over $120 billion. PDVSA is responsible for funding 60 percent of these investments.

Venezuela's Oil Minister declared that the country has oil reserves of 297 billion barrels, placing Venezuela as the country with the largest oil reserves, beating Saudi Arabia which has 266 billion barrels. Venezuela claims it sends 450,000 bpd to China as repayment of loans totaling $28 billion. In terms of natural gas, Venezuela has reserves of 195 trillion cubic feet (TCF).

Venezuela is one of the world's leading net oil exporters. From January to October 2010, Venezuela exported 1.01 million barrels per day (bpd) of crude oil and petroleum products to the U.S., the main destination for its oil exports. In recent years, Venezuela has supplied around 10 percent of the oil and derivatives imported by the U.S.

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	1,276	1,131	1,033	1,189	1,171	1,215	1,329	1,305	1,051	1,162	1,236	1,159
2009	1,353	1,139	1,106	891	1,141	1,256	976	1,070	1,146	955	874	849
2010	911	1,009	1,061	950	1,109	899	1,084	1,022	1,008	930	942	917
2011	1,030	989										

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

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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.

Opportunities

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The Commercial Service office in Caracas maintains a detailed listing of current projects, especially those in the oil and natural gas industry, which will be of interest to U.S. exporters. For more information on these projects, please contact our office.

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

Electrical Power Generation Systems and Electrical Equipment

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Market Data (US$ Million)*	2008	2009	2010
Market Size	162	215	1,044
Exports	2	0	0
Imports	164	215	1,044
Imports from the U.S.	60	75	679
U.S. Share of Import Market	36%	35%	65%

*"Free on Board" (FOB) values reported by World Trade Atlas.

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

An El Niño-spawned drought, rising demand, and years of neglect brought Venezuela's electrical grid to the brink of collapse in 2010. The most telling sign was the reservoir level at the Guri dam, which provides up to 73 percent of the nation's electricity. At its low point, the reservoir level stood at approximately 252 meters above sea level, placing it dangerously close to the level where 80 percent of the dam's power generation turbines would have to be shut down, resulting in widespread electricity rationing and outages.

President Chavez issued an "emergency decree" in February 2010. The decree ordered the National Electric Corporation (Corpoelec) and its subsidiaries to accelerate execution works for electric infrastructure enhancement, as well as to take all necessary economic and technical measures to guarantee continuity of service.

VENEZUELA: POWER PLANTS UNDER CONSTRUCTION

NAME	TYPE	CAPACITY	ESTIMATED COMPLETION DATE:
Tamare	Thermoelectric	470 MW	2012
Alberto Lovera	Thermoelectric	300 MW	2010
San Diego de Cabrutica	Thermoelectric	450 MW	2010
Ezequiel Zamora	Thermoelectric	150 MW	2010
La Raisa	Thermoelectric	1,080 MW	2011
Cumana	Thermoelectric	500 MW	2012
Antonio Jose de Sucre	Thermoelectric	1,000MW	2012
Juan Manuel Valdez	Thermoelectric	900 MW	2014
Fabricio Ojeda	Hydroelectric	514 MW	2010
Manuel Piar	Hydroelectric	2,196 MW	2014

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. The government has fast-tracked many generation projects, some of which are not expected to be completed for the next couple years. 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.

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Best prospects for U.S. exporters include: generators, turbojets, turbopropellers, 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.

Opportunities

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The Commercial Service office in Caracas maintains a detailed listing of current projects of interest to U.S. exporters. For more information on these projects, please contact our office.

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Corpoelec

Ministerio del Poder Popular para la Energía Eléctrica

Auto Parts/Service Equipment

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Market Data (US$ Millions)	2007	2008	2009
Total Market Size	2,633	2,300	2,198
Total Local Production	865	1,000	998
Total Exports	130	100	98
Total Imports	1,768	1,300	1,200
Imports from the U.S.	530	500	490

* CKD not included
** Tires and wheels include
*** Automotive machinery and equipment included
Source of Information:
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

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

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, Mack, and several bus builders using locally made or imported chassis and engines. Venezuela has a motor vehicle fleet of approximately four million cars, trucks, and buses, plus an estimated half a million motorcycles.

In September 2010, 125,202 vehicles were sold, 8.3 percent less than in 2009. Total units sold of imported vehicles were 15,962, and motor vehicle production decreased 6.5 percent.

The new motor vehicle policy subjects all imports of motor vehicles and parts to licenses, effectively assigning to the Ministry of Commerce full power to allocate production and import quotas to all assembly plants, as well as importers of assembled vehicles and parts. Companies must present detailed production and import plans each year.

Presumably, each assembler's import quota will be a function of its domestic production, although many auto companies importing to Venezuela have no local production. The automotive industry and the Ministry are negotiating a program to raise domestic content from 40 percent to 50 percent by 2013. Newly established assemblers from Iran and China will not be immediately subject to a local content requirement, however. In addition, the regulation required engine assembly by 2010, which local assemblers say has not been possible due to low sales volumes for any one engine and the difficulty and expense of transferring the technology.

The regulation also mandated that all passenger cars must be dual fuel (gasoline/natural gas) beginning July 1, 2008. However, the deadline has been postponed twice, and now the effective date of the regulation is undetermined.

The importation of used vehicles is prohibited.

	2009	**2010**	**Var. %**
Vehicles Sold	**136,517**	**125,202**	**- 8.3%**
Local	110,015	109,240	- 0.7%
Imported	26,502	15,962	- 39%
Vehicles Produced	**111,554**	**104,357**	**- 6.5%**
Exports	55	0	
Auto Parts Sales	**833**	**716**	**-14%**
Original ($ Millions)	390	308	- 21%
Replacement ($ Millions)	427	396	- 7.3%
Exports ($ Millions)	16	12	- 25 %

Source: FAVENPA

CAVENEZ reports that the sales of three vehicle brands comprise 72 percent of the market. Chevrolet has 41.05 percent market share with sales of 47,224 units, Ford has 18.20 percent with 20,933 units sold, and Toyota 12.68 percent with 14,589 units sold.

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Best prospects in the auto parts sector include: engine parts, spare parts, replacement parts, brake pads, brake and suspension systems, tires, and accessories.

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The Commercial Service office in Caracas closely monitors developments and opportunities in Venezuela's auto parts sector. For more detailed information on this sector, please contact Commercial Assistant Adriana Sierra or our office.

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Ministerio del Poder Popular para el Comercio - MinComercio
Cámara de Fabricantes Venezolanos de Productos Automotores - FAVENPA
Cámara Automotriz de Venezuela - CAVENEZ

Medical Equipment

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Market Data (US$ Million)	2008	2009	2010 Jan/Sep.
Total Market Size	725	715	872
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	725	715	872
Imports from the U.S.	414	387	443

HC 9018-9019-9020-9021-9022
Source of statistics: World Trade Atlas

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

U.S. exporters continue being 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 50 percent of the medical equipment market. Other countries exporting medical equipment to Venezuela are China, Germany, Colombia, and lately, Ecuador. Another point to be considered is that many doctors who travel to the U.S. return to Venezuela with equipment/supplies that are not shown in the above figures.

Although no statistics are available, we understand that the GBRV has increased its purchases of medical equipment as part of its plan to improve health care coverage for the general public. However, the bulk of medical equipment purchases remain in the private sector.

Venezuela suffers a considerable shortage of hospital capacity. It is estimated that there are 1.35 hospital beds per 1,000 inhabitants, when the minimum recommended by the World Health Organization is 3 to 4 hospital beds. The situation is such that there are clinics where patients have to wait two or three days to get a bed. Given the lack of resources in the public sector and the rise of private health insurance, major private hospitals (clinics) are undertaking expansion programs and have already initiated infrastructure works to offer nearly 500 additional hospital beds.

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

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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.

Opportunities Return to top

For more complete information, and more detailed market research, U.S. exporters can contact the medical sector specialist at the U.S. Commercial Service Venezuela at betty.castro@trade.gov or at office.caracas@trade.gov.

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Ministerio del Poder Popular para la Salud

World Health Organization

Safety and Security

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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 & security industry has been growing considerably in recent years, becoming a sector with high levels of professionalism and applying the newest technologies. The main reasons for this growth are:

1 – Government institutions have been forcing local companies to adapt their infrastructure to official requirements and acquire new equipment and supplies to protect

their workers. Lately government has been applying fines or closing companies that do not fully comply with regulations.

2 – Rates of common crime, such as assaults, home burglaries, short-term kidnapping, car thefts, and other assorted petty crimes have increased considerably.

Venezuela has traditionally been a strong market for the U.S, although European and Taiwanese competition 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 a 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 any official technical standards developed by the "Servicio Autónomo Nacional de Normalización, Calidad, Metrología y Reglamentos Técnicos (SENCAMER) apply to their particular products. If so, SENCAMER might require product compliance certification from an independent testing agency.

Duties are based on the CIF (Cost Insurance Freight) 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 can participate to learn more about the Venezuelan market.

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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.

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For more complete information, and more detailed market research, U.S. exporters can contact the safe & security sector specialist at the U.S. Commercial Service Venezuela at betty.castro@trade.gov or at office.Caracas@trade.gov.

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Servicio Autónomo Nacional de Normalización, Calidad, Metrología y Reglamentos Técnicos (SENCAMER)
Security trade show SegurShow

Franchising

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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.

U.S. franchise concepts have found Venezuela to be an excellent market, with the U.S. accounting for 48 percent of franchises based in Venezuela.

Quiznos, TGI Friday's, Papa John's, McDonald's, Burger King, Domino's Pizza, KFC, Cinnabon, Tony Roma's, Outback, and Chili's are just some of the successful brands in the market. Many other franchises in other sectors are present in Venezuela.

Sub-Sector Best Prospects

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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.

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For more complete information, and more detailed market research, U.S. exporters can contact the franchise sector specialist at U.S. Commercial Service Venezuela at adriana.sierra@trade.gov or at office.caracas@trade.gov.

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

Agricultural Sectors

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Best Prospects for Agricultural Products
(note: latest available data used)

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 industry sources claim that they still lag behind cost inflation

State-Owned Enterprises:
The Venezuelan Agricultural Corporation (CVA) is a state holding 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 were created, with mixed success. These industries are intended to produce pre-cooked corn flour, pastas, rice, powdered milk, refined sugar, and various agricultural inputs. They also plan to import and export unprocessed and processed food.

The Government Food Distribution Network:
Food purchases and distribution are handled directly by these government entities: Corporación de Abastecimiento y Servicios Agrícolas (CASA); Mercado de Alimentos C.A (MERCAL), and Productora y Distribuidora Venezolana de Alimentos (PDVAL). CASA, originally created in August 1989, is in charge of purchasing domestic and imported food and agricultural products. PDVAL's role in importing has declined due to serious administrative issues.

Created in April 2003, 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.

In January 2008, after several months of shortages of basic food products, the government, through the Venezuelan state oil company PDVSA, created PDVAL, a subsidiary to produce and distribute food in Venezuela.

In December 2009, a new network was created, 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.

Most recently, 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 this network, 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 selling food and beverages, a figure that includes supermarkets (chains and independents). It is estimated that there are 102,353 traditional "abastos" or "bodegas" (mom & pops), that are located on practically every block in Venezuela's cities and towns, especially in middle and low-income neighborhoods. 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. Still, given the government's commitment to provide subsidized food for the poor, it is felt 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 28 million consumers remains an important destination for many food exporters. Contact AgCaracas@fas.usda.gov (fax: 58-212-907-8333) for more details.

Best Prospects, by Type:
BEST 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 $69 million in 2005.

Among the 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, and tree nuts.

There is also strong competition from Argentina, Brazil, and Chile. The main reason for this is importers are taking advantage of ALADI (Latin America Integration Association) regulations to bring products without 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 is a good 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, are a disadvantage to U.S. exporters. 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.

COMMODITIES: WHEAT, CORN, RICE, AND OTHERS

Venezuela imports between 60 and 75 percent of the food and the animal feed components it consumes. Brazil, Argentina and the U.S. are the major agricultural suppliers to Venezuela. Colombia was prominent in recent years, and may return to an important role.

Since early 2003 many Venezuelan foods have been under government-mandated price controls, which have the consequence of distorting supply and demand relationships in the market. As result, the country's food imports are growing in order to meet demand.

WHEAT: Venezuela imports wheat mostly from the U.S. and Canada, and to a lesser extent, wheat flour from Argentina. The market is still very strong, despite recent changes to the official exchange rate which make imports less profitable and has disrupted import programs. The delays in obtaining the approval for dollars from CADIVI continue to be a problem for importers, sometimes impeding timely liquidation of payments to suppliers.

Pasta is a main staple for Venezuelans, with yearly per capita consumption just over 13 kilograms. Venezuela is the 7th-largest pasta producer of the world, and 88 percent of pasta is made out of 100 percent durum wheat.

CORN: The U.S. is the major yellow corn supplier to Venezuela, but competition for this large market is increasing, especially from Argentina. During the harvest season, import licenses are sometimes denied to protect domestic producers, but given high demand from the local feed processing industry, restrictions are often lifted.

RICE: Traditionally Venezuela had been self sufficient in rice production. However, since 2007 imports have increased to alleviate the internal deficit and meet growing demand for staple products. Due to industry and producer recommendations, the government started to import rice in 2008 to guarantee domestic rice supply. Imports from the U.S. have covered this deficit.

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Chapter 5: Trade Regulations, Customs, and Standards

Import Tariffs

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Non-Agricultural Goods and Services
Import duties are calculated on the CIF value of the shipment. Venezuela has adopted the harmonized tariff schedule.

Venezuela officially withdrew from the Andean Community (CAN) in April 2006 due to the fact that other CAN member countries were entering into free trade agreements with the U.S. The CAN's rules state that all rights and obligations cease to exist after the formal withdrawal from the organization by any member country, with the exception of preferences related to the liberalization program of the union (which phase out five years from the date of the denunciation of the treaty – April 2011 in Venezuela's case).

Over the years, CAN norms, which cover a wide range of disciplines, have become local law. It remains unclear whether these will continue to apply following the withdrawal from the pact.

In July 2006, Venezuela applied to become a full member of the Southern Cone Common Market (Mercosur), which has yet to be ratified by all existing members. Under the terms of accession, Venezuela has four years to adopt the Mercosur Common External Tariff (CET), and to provide tariff-free treatment to its four Mercosur partners by January 2012 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.

While CAN offers higher protection levels to fisheries, textiles, and agriculture, Mercosur applies higher protection levels to vehicles, parts, leather, textiles, and shoes. Under the Andean Community's Common Automotive Policy (CAP), assembled passenger vehicles constitute an exception to the 20 percent maximum tariff and are subject to 35 percent import duties. Venezuela formally withdrew from the CAP in December 2009.

All imports are assessed a 1 percent customs handling charge.

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

Venezuela has been using the tariffs established under the Andean Community's price band system since 1995 for certain agricultural products, including feed grains, oilseeds, oilseed products, sugar, rice, wheat, milk, pork, and poultry. *Ad valorem* rates for these products are adjusted according to the relationship between commodity market reference prices and established floor and ceiling prices. When the reference price for a particular commodity falls below the established floor price, the compensatory tariff for that commodity and related products is adjusted upward. Conversely, when the reference price exceeds the established ceiling, the compensatory tariff is eliminated. Floor and ceiling prices are set once a year based on average prices during the past five years. Venezuela publishes these prices each April. Venezuela's withdrawal from the Andean Community (CAN) became effective in April 2011 and it is still uncertain what the impact will be on tariffs.

Trade Barriers

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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 it can be somewhat 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 the U.S. company cannot do it from abroad.

Under the Andean Community Common Automotive Policy, Venezuela, Colombia, and Ecuador impose local content requirements as a condition for reduced duties on imports.

In addition, in November 2007 Venezuela published a new auto decree that alters substantially the import and assembly regime. In addition, each car offered for sale in Venezuela must be "dual fuel," that is, capable of running on both gasoline and natural gas or diesel and natural gas. This was originally to take effect as of January 1, 2008, but has been postponed because the automakers were unable to comply in time and the natural gas supply infrastructure could not be put into place. As of late 2010, only about 10 percent of Venezuela's 1,800 service stations could provide natural gas. In practice, few dual fuel vehicles are being assembled.

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, sometimes considerable, to their competitors who benefit from Andean Pact and ALADI preferences, although reports indicate that ALADI also began to suffer as foreign exchange became more scarce. The CADIVI process has been accused of being lengthy and bureaucratic. It was overwhelmed by the volume of transactions and has difficulty coping administratively and financially. 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.

<u>Agricultural</u>

Venezuela has used its authority to issue sanitary and phytosanitary (SPS) import permits to prohibit or restrict the importation of certain agricultural products (most notably fruit, live animals [beef and swine], 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's so-called "absorption agreements" sometimes require the domestic processing industry to purchase available local production before granting import licenses. While still on the books, these agreements have been less strictly applied as domestic production often lags demand.

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 now “one-stop shop” service points at MINAL, and sanitary permits are issued within seven days, according to an official resolution.

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

- 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

President Hugo Chavez has made the expropriation of farmland a main focus of his economic policy. The stated goal is to spur domestic production and end dependence on food imports. The state has acquired more than 5 million acres. Some was unused state land, but increasingly it includes land seized from farmers and ranchers. The government says it goes after unproductive farms, compensating the owners, or land deemed to have been stolen years ago.

Not only land has been expropriated. In the second half of 2009, several coffee roasters were taken, and the government created a joint venture with one of them. In October 2009, the GBRV seized two sugar mills in the western border states of Táchira and Zulia. The government said the seizures were needed as the mills’ owners had put the desire for excessive profits before the needs of their workers and the general public. The seizures put the government among the major players in both the sugar and coffee sectors. Other seizures include rice, corn, and wheat processing plants, and two supermarket chains.

New Exchange Rate for Agriculture Industry

In the last days of 2010, the GBRV unified the two official exchange rates at BsF 4.30 per U.S. dollar. The government previously used the BsF 2.60 exchange rate for purchases of food and medicines, among other goods. The GBRV has clarified that imports made until December 31, 2010, will be paid at the previous exchange rate of BsF 2.60 per U.S. dollar.

Import Requirements and Documentation

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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. The Commercial Service in Caracas can provide a list of agents. Venezuelan Customs brokers typically charge one percent of the CIF value, or less on regular orders. There are additional charges for document preparation and incidentals. The importer normally pays these expenses.

Import Licenses
Import licenses are rarely required for non-agricultural, commercial goods, but there are products that still require permits. These include arms and explosives, which require an import permit from the Ministry of Defense. 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.

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 must be in quadruplicate.

The following documents may be required: commercial invoice; bill of lading or airway bill; packing list; certificate of origin (if required); special certificates or permits when required (such as phytosanitary or quality standards certificates or Ministry of Defense permits for firearms). 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 over-invoicing is increasingly prevalent in order to acquire more foreign exchange at the official 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

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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.

Temporary Entry
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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 Gerente de Aduanas del 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.

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For information on food and agriculture import regulations and standards, please see GAIN report No. VE7010 at 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. Labeling is mandatory for domestically produced and imported food products. The General Regulation for Foods, the Sanitary Defense Law, and the 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. All labels must be presented in Spanish. 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.

Processed Food Products Health Registration
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All domestically produced and imported processed food products must be registered with MINSALUD, through its Food Hygiene Division, before it can be sold to Venezuelan consumers. Although Venezuelan law does not prohibit a foreign exporter from registering food products, a local consultant or agent may prove the best resource in order to complete the food registration process. The general guidelines for registering processed food products are:

- All consumer-ready food products under the following Venezuelan Harmonized Schedule headings (HS codes) are subject to registration: 03,04,05,16,19,20,21, and 22.

- Prior to importing consumer-ready food products, importers should obtain a registration number from MINSALUD.

- Processed foods not registered in the country of origin cannot be registered in Venezuela.

- All new-to-market local or foreign processed food products must be submitted for registration before being imported.

- The foreign exporter/seller is the owner of the product registration, although authorized importers can proceed with the registration process.

- The processed food product health registration is valid for five years. Renewals are permitted.

- In special cases, MINSALUD would consider exceptions to the registration process for GBRV food imports, like the imports carried by CASA.

- If an imported product does not meet the minimum quality standards or does not have a health registration number, it could be confiscated and/or destroyed by MINSALUD authorities.

- Inspection at the point of sale is done by MINSALUD and INDEPABIS authorities on a regular basis to determine if imported products are fit for human consumption, have sufficient shelf life, or alternatively, are thought to have been adulterated.

Labels must list all ingredients, the contents of the package in the metric system or in units, and the registration number of the MINSALUD 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. Operating instructions or owners' manuals must be in Spanish.

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.

Weapons for private use - such as shotguns, sporting rifles, air rifles, non-military pistols and commercial explosives - can be imported only with authorization of the Ministry of Defense or its company, CAVIM.

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

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Venezuela's standards regime consists of two organizations. One is a private non-profit foundation, the Fondo para la Normalización y Certificación de Calidad (FONDONORMA), and the other, SENCAMER, is part of the Ministry of Commerce. While there is some overlap between the two organizations, in practice, the system appeared to work well until recently. Certifications, testing, conformity certificates, and adherence to international practices and norms were common. The use of foreign standards was possible and accepted for some imported products.

Unfortunately, all that changed in 2008. New management at SENCAMER made clear its intention to break with the previous open system managed essentially by the private sector. It began refusing to confirm standards issued by FONDONORMA, leaving them without official sanction. In practice, this has led to no standards and, in some cases, duel standards.

For specific information on food and agriculture import regulations and standards, please see GAIN report No. VE6009 at the U.S. Foreign Agricultural Service web page.

Standards Organizations

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The Venezuelan Commission for Industrial Standards, known for many years as COVENIN, no longer exists. COVENIN has been replaced by FONDONORMA. However, Venezuelan standards developed by FONDONORMA still are referred to as COVENIN norms.

The private sector owns FONDONORMA, a non-profit foundation, 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 (COPANT) and of the International Certification Network (I Q Net).

FONDONORMA does not receive budgetary support from the government, and derives its income from issuing quality certificates and testing certificates. Other sources of income include guidance and support to the private sector in adopting and applying standards, issuing certificates for Customs indicating that a foreign standard is an acceptable replacement for a COVENIN standard, performing accreditation of testing laboratories, offering seminars, and conducting other standards-related activities.

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.

SENCAMER accredits testing laboratories, accredits training institutions, supervises fire prevention and fire fighting bodies, supervises elevator maintenance and inspections, develops technical regulations, supervises vehicle technical and safety standards, and intervenes in some environmental protection issues. SENCAMER also owns and operates Venezuela's metrology laboratory in charge of certifying equipment and activities used for the measuring of masses, weights, dimensions, temperatures, pressure, torsion forces, electricity, and physical-chemical apparatus.

At this time the state of relations between FONDONORMA and SENCAMER is unclear, meaning that the standards regime is uncertain. Through the July 2009 creation of a new standards body (FDN), the GBRV has expressed its intention to change the standards regime, but, as far as is known, FDN has yet to be organized and no action has been taken on standards. Public pronouncements indicate that it might no longer accept standards issued in other countries, but will seek to develop its own standards based on what it sees as the national interest. It may seek to coordinate standards activity through the Bolivarian Alliance for the Americas (ALBA), a sub-regional organization organized and promoted by the GBRV.

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.

Conformity Assessment

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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, the laboratories operated by the Engineering Foundation (Fundación Institute de Ingenieria), or any other accredited private testing organization.

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Apart from the product registrations that might be required for some types of products, no overall requirements exist for product certification 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. Commercial Service Venezuela is unaware of mutual recognition agreements with any U.S. organizations.

Accreditation

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

Publication of Technical Regulations

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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.

Nor does the Gazette 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

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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.

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The Commercial Service in Caracas carefully monitors technical standards developments that might have an impact on U.S. commercial interests. For more information on the Venezuelan technical standards regime and technical standards issues, contact the Commercial Service.

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Venezuela is no longer a member of the Andean Pact (CAN) with Colombia, Ecuador, Bolivia, and Peru. Bilateral commerce with Colombia has been challenging of late due to political disputes, but appears to have stabilized as of this writing. A recent change in the trade policy with Colombia, which went into effect in July of 1999, resulted in the requirement that all goods in transit to Venezuela be transferred to local transportation companies.

In July 2006, Venezuela agreed to join the Southern Cone Common Market (Mercosur). All existing members except Paraguay have fully ratified its accession. Paraguay's Congress has put off a vote twice, and it is uncertain when it will vote to approve Venezuela's membership. Under the terms of accession, Venezuela has four years to adopt the Mercosur Common External Tariff (CET), and to provide tariff-free treatment to its four Mercosur partners by January 2012 on all goods, with sensitive products allowed an extension to January 2014.

Web Resources

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Fondo Para la Normalización y Certificacion de Calidad (FONDONORMA)

Servicio Autónomo Nacional de Normalizacion, Calidad, Metrologia y Reglamentos Técnicos (SENCAMER)

The Commercial Service in Caracas carefully monitors technical standards developments that might have an impact on U.S. commercial interests. For more information on technical standards, U.S. exporters can contact the Commercial Service, Caracas.

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Chapter 6: Investment Climate

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Economic and political uncertainties, a recent history of actual and threatened nationalizations, increasing state intervention in the economy, and an increasingly restrictive legal framework make Venezuela's investment climate considerably less welcoming than it once was. As a result of these risks, foreign direct investment in Venezuela has been lower in recent years than in most other Latin American countries. According to the Central Bank of Venezuela, foreign direct investment in Venezuela decreased by $1.5 billion from January to September 2010, following a decrease of $3.1 billion in 2009. The investment climate began to decline in 2009 because of increasing political and economic uncertainty, although many companies decided to maintain their investment position in Venezuela in the expectation that the economic environment would eventually improve. Strict labor and environmental laws coupled with the difficulty investors face in moving dividends out of Venezuela have also increased the costs of withdrawing from the Venezuelan market. A flurry of new laws passed by the Venezuelan National Assembly in a marathon session at the end of 2010 may adversely impact future investment in the country. In 2011, Venezuela's economic outlook is for continued recession or anemic growth.

Important developments in 2010 and early 2011 included the devaluation of the official exchange rate, continued banking sector interventions, and the nationalization of assets in the petroleum, steel, tourism, agribusiness, and banking industries. An electricity crisis in 2010 caused rationing throughout the country and electricity consumption fell by 30 percent. The Government of the Bolivarian Republic of Venezuela (GBRV) has also revoked or refused to renew important concessions held by private companies. 2010 was a record year for expropriations, including at least 234 companies (up from 138 in 2009; these were mostly expropriations of domestically-held assets) and 301 properties, according to data developed by the private sector. Expropriations encompassed a broad swath of the economy: oil production and services, agriculture, banking, food, logistics and distribution, steel, ports, packaging, construction, tourism, auto parts manufacturing, electrical services, paper, telecommunications, and textiles.

In August 2007, as part of his push toward "21st Century Socialism," President Chavez proposed a series of constitutional reforms that would have, among other things, defined Venezuela as a socialist state and significantly weakened protections for private property. Voters rejected these proposals by a slim margin in a December 2007 referendum, but President Chavez decreed 26 new laws on July 31, 2008, that implemented some of the rejected constitutional reforms and weakened property rights. Many of the most important reforms rejected in the December 2007 referendum were passed by the National Assembly in December 2010. Among the most important were the five “popular power” laws intended to create a communal state and economy. In addition, other laws affecting investment were passed in 2010: the Banking Sector Institutions Law, the Emergency Law of Urban Lands and Housing, the Insurance Activity Law, the Electricity Service Law, as well as reforms to the Science, Technology, and Innovation Law, the Law of Social Responsibility for Radio and Television, and the Telecommunications Law.

Growing state intervention in the economy has created a series of distortions. The GBRV has maintained a fixed exchange rate and exchange controls since February 2003. As a result, there was intense competition to gain access to hard currency at the official rate (including for repatriation of capital and/or profits), and rationing of official dollars led to the development of a parallel foreign exchange market. In January 2010, President Chavez announced a devaluation of the bolivar, implementing a dual official exchange rate system. However, the official bolivar/dollar exchange rate remained overvalued. The government also took steps in May 2010 to declare the parallel market illegal. In January 2011, President Chavez once again devalued the bolivar exchange rate by eliminating the lower of the two official exchange rates established in January 2010. The GBRV has also maintained price controls on a wide variety of goods and services since 2003. These controls caused shortages and created disincentives to investment, in some cases driving companies that produce price-controlled goods out of business.

In 2010, Venezuela ranked 174th in the Heritage Foundation’s Index of Economic Freedom, reflecting substantial declines in eight of 10 economic freedoms since last year. According to the Heritage Foundation report, Venezuela had the second lowest score in Latin America due to an increasingly interventionist government, inefficient and rigid regulation, opaque and burdensome investment laws, corruption in civil society and the judiciary, and the weakening of property rights. The World Bank’s 2011 “Doing Business Report” ranked Venezuela 172nd in terms of the ease of doing business, with an average of 141 days and 17 procedures necessary to start a business. Transparency International's 2010 Corruption Perceptions Index ranked Venezuela as the most corrupt country in Latin America.

Measure	Year	Index/Ranking

TI Corruption Index	2010	164
Heritage Economic Freedom	2011	175
World Bank Doing Business	2011	172

Legal Framework for Foreign Investment

In theory, Venezuela's legal framework for foreign investment is relatively liberal: the law requires equal treatment for both foreign and local companies, with the notable exception of a few sectors in which the state or Venezuelan nationals must be majority owners, including hydrocarbons and the media. Although no prior registration is generally required for foreign investment, subsequent registration with the Superintendency of Foreign Investments is required. The 2010 Insurance Activity Law requires half of the members of Boards of Directors to be Venezuelan, and all are now required to be Venezuelan residents. Repatriation of capital and dividends is allowed, subject to the exchange control regime. In practice, however, few companies have been able to repatriate dividends since 2008. The Venezuelan judicial system is highly politicized and is marked by frequent interventions by the Executive branch.

The 1999 Constitution

The Venezuelan Constitution of 1999 treats capital 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 established the legal framework for foreign investment in Venezuela. This decree implemented Andean Community Decisions 291 and 292 and lifted most prior restrictions on foreign participation in the economy. Article 13 of the decree explicitly guaranteed foreign investors the same rights and imposed the same obligations as 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. As noted above, however, most investors have been unable to repatriate dividends since 2008 due to Venezuela’s exchange controls. Venezuela withdrew from the Andean Community in April 2006, but the GBRV continued to apply some of the Andean Community norms in the absence of any other regulations. Venezuela’s withdrawal from the Andean Community became final on April 22, 2011. It appears that it may replace its membership in the Community with bilateral agreements with individual Andean member states.

Under Decree 2095, foreign investors need only to register with the Superintendent of Foreign Investment (SIEX) within 60 days of the date a new investment is made. Foreign companies may generally 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 that are regulated by national laws. These 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, whose regulations were published in July 2002, maintained the same reserved sectors.

Foreign professionals are free to work in Venezuela without restriction—provided that they possess a government-issued identity card or government-approved work permit—but must first revalidate their certification at a Venezuelan public university. Consulting services under contract for a specific project are not subject to this requirement.

The Hydrocarbons Sector

A number of sectors are regulated by "special laws" that supplement the Constitution and affect the business environment. These sectors include hydrocarbons, mining, telecommunications, banking, and insurance. Of these, the hydrocarbons sector has the most significant restrictions on foreign investment.

Over the last several years the GBRV has made a number of changes in royalty, tax policies, and contracts that have substantially increased uncertainty for foreign companies operating in Venezuela. For example, the 2001 Hydrocarbons Law 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 in three rounds in the 1990s, exploration and production profit-sharing agreements awarded in 1996, and four so-called "Strategic Associations," legal entities with majority private and minority PDVSA ownership formed in the 1990s to extract and upgrade Venezuela's extra heavy oil in the Faja region. The GBRV argued in 2001 that no grandfather provision was necessary because retroactive application of legislative provisions is forbidden by constitutional mandate.

In contrast to the legal framework for petroleum, the 1999 Gaseous Hydrocarbons Law offers more liberal 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 Energy and Petroleum, MENPET). The state retained ownership of all natural gas "in situ," but Petroleos de Venezuela (PDVSA) involvement was not required for gas development projects. Complete vertical integration of the gas business from wellhead to consumer was prohibited. President Chavez has publicly stated, however, that he would like to modify the terms of the 1999 law, i.e. to require that the state have a controlling interest in primary unassociated natural gas activities.

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 unilaterally eliminated a nine-year royalty holiday ceded to the Strategic Associations, arguing that this was allowable under earlier hydrocarbons legislation. The GBRV then informed companies with operating service contracts in early 2005 that they must migrate the contracts to joint ventures that conform to the 2001 Hydrocarbons Law. It threatened to seize fields operating under the services contracts on December 31, 2005, if oil companies did not sign transition agreements to migrate their contracts. Sixteen oil companies signed memorandums of understanding converting their contracts to joint ventures on March 31, 2005. In January 2008, ENI and Total, two companies that did not sign MOUs in 2005, reached an agreement with PDVSA.

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 migrate their investment stakes in three of the four associations. As a result, the GBRV took control of their investments. Both companies have treated the government's actions as expropriations and filed international arbitration claims against the GBRV.

In April 2008, a new windfall profit law was promulgated, mandating a special contribution by parties that export or transport natural or upgraded liquid hydrocarbons abroad. The contribution is calculated at a variable rate, which is determined using a formula involving the current price of oil and total exports from Venezuela.

On September 18, 2008, an Organic Law on the Restructuring of the Internal Liquid Fuels Market 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 which 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. The bill 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. It stipulated that all contracts and activities governed by the law would be subject to Venezuelan law and subject to the exclusive jurisdiction of Venezuelan Courts. Under the provisions of this law, over 75 companies, including three U.S. firms, were expropriated by the GBRV. We do not believe that any compensation has been paid to date.

On July 10, 2009, Venezuela's Organic Law for the Development of Petrochemical Activities entered into force. The new Petrochemicals Law has a limited scope of application and does not apply to activities regulated by the 2001 Hydrocarbons Law or the 1999 Gaseous Hydrocarbons Law. 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 MENPET, 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 expiration of the term of a mixed company, its works, ancillary facilities, and equipment shall be delivered to the State, free of encumbrance and without any indemnity whatsoever.

Conversion and Transfer Policies Return to top

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. In practice, however, repatriation poses problems for many companies.

The Law Governing the Foreign Exchange System (Gazette No. 4897 of 1995) permits the executive branch to intervene in the foreign exchange market "when national interests so dictate." 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. A Foreign Exchange Crime Law (Gazette No. 38,272 of 2005; revised by the National Assembly in December 2007) established criminal penalties and fines for transactions made 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 essentially a currency exchange market that operated through bond swaps. In early 2008, the GBRV prohibited the publication in Venezuela of the parallel exchange rate. In January 2010, President Chavez announced that the Central Bank of Venezuela (BCV) and the executive branch would intervene in the parallel foreign exchange market to “eliminate the speculative increase in hard currency.” The government ultimately declared the “permuta” market to be illegal in May 2010.

The GBRV established a legal alternative exchange market in June 2010, called the Transaction System for Foreign Exchange Denominated Securities (SITME). SITME is accessed through authorized Venezuelan financial institutions and operates through a bond swap mechanism under the auspices of the Central Bank. The SITME exchange rate has been approximately 5.3 BsF/$1. Foreign exchange operations in an unofficial market continue at rates currently averaging between 8-10 BsF/$1.

On January 11, 2010, the GBRV devalued the bolivar and established two exchange rates, an official rate at 2.6 BsF/$1 (which applied to certain priority imports) and a 4.3 BsF/$1 rate (which applied to non-priority imports and most other categories of foreign exchange requests). According to President Chavez’s announcement on January 8, 2010, the official 2.6 BsF/$1 exchange rate applied to imports of food, health products, machines and equipment, and science and technology; to imports made by the public sector; to remittances to family members; to hard currency for students studying abroad; to embassies and consulates in Venezuela; to retired pensioners; and other special cases. The higher rate applied to “everything else,” including the repatriation of dividends. Despite the devaluation, the official exchange rate remained overvalued, and companies that manufacture tradable goods in Venezuela found it very difficult to compete against goods imported at either of the official rates. On January 1, 2011, President Chavez devalued the currency once again, eliminating the 2.6 BsF/$1 rate, so that only the 4.3BsF/$1 remained. There is speculation that another devaluation could occur in 2011.

Foreign companies wishing to repatriate capital, dividends, or profits at the 4.3 BsF/$1 rate have to secure authorization from CADIVI. In fact, however, CADIVI approvals of foreign exchange for capital repatriation have been limited since 2008. CADIVI authorized approximately $61.1 million in foreign exchange for "foreign investment" in 2010, $579 million in 2009, $1.17 billion in 2008, and $3.79 billion in 2007.

Expropriation and Compensation Return to top

The government has nationalized significant assets in recent years. Given President Chavez's public threats to various sectors, this trend is expected to continue. In January 2007, President Chavez announced his intent to nationalize strategic sectors. Shortly thereafter, the GBRV took over an electric company and cable company owned by U.S. companies and investors. These investors received compensation. In 2008, the GBRV announced nationalizations of multi-national cement companies, a steel maker (SIDOR), and the Banco de Venezuela. In 2009, the GBRV nationalized assets in the petroleum, tourism, agribusiness, and banking industries. As noted above, ConocoPhillips and ExxonMobil have not come to agreement with the GBRV for the expropriation of their respective investments in the Strategic Associations and have filed for international arbitration. The Swiss cement supply company Holcim also opened international arbitration proceedings following the nationalization of its assets in Venezuela. Two U.S. oil field service companies filed for international arbitration in 2010 following the expropriation of their assets in 2009.

According to statistics compiled by the local NGO Liderazgo y Visión, in 2010 the GBRV seized 234 primarily domestic companies (up from 138 in 2009) and 301 urban or rural properties, many of which were taken after the September 26 elections. The sectors that have been affected by expropriations encompass a wide cross-section of the economy: oil production, oil services, agriculture, banking, food, logistics and distribution, steel, ports, packaging, construction, tourism, auto parts, manufacturing, electrical services, paper, telecommunications, textiles, and shopping centers. The GBRV has cited the following as reasons for takeovers: monopolistic behavior, strategic importance, food security, abusive charges for services or products, excessive profit margins, economic sovereignty, and public benefit. In 2010. among the companies with U.S. ownership affected by expropriations were Helmerich and Payne, Johnson Controls, Koch Industries, and Owens-Illinois.

The legal framework used to carry out these nationalizations includes the Law of Expropriations (2002), the Reformed Land Law (2005), the Urban Land Law (2009), Decree 1040 of the Mayor of Libertador (2009). Additionally, a series of laws passed in the final weeks of December 2010 may lay the groundwork for future expropriations: the Emergency Law of Urban Lands and Housing, the Banking Sector Institutions Law (declaring banking services and activity a public service), the Law to Reform the Organic Law of Science, Technology, and Innovation (giving the GBRV complete control over science and technology research funded by the private sector), and a package of five

“Popular Power” fundamental Organic Laws intended to create a “communal” economy. On December 17, the Venezuelan National Assembly enacted an enabling law granting Chavez the power to pass legislation by presidential decree for 18 months.

The GBRV maintains that it will compensate for nationalizations. However, of the companies with U.S. ownership whose assets have been seized over the past couple of years, President Chavez has offered compensation but has seldom paid, often forcing companies to seek settlement through international arbitration. There are now 17 cases involving U.S. and other investors before the World Bank International Centre for Investment Disputes (ICSID).

Venezuela's 2001 land law, as modified in 2005, calls for the redistribution of "unproductive" land. The GBRV claims to have seized over 4.7 million acres of land since 1998. Some of this land was seized without compensation. These actions have discouraged investment in several key agricultural subsectors and reduced their output potential. The GBRV has also conducted “inspections” of plants to determine if they are in violation of Venezuelan law. These inspections have also led to occupation or nationalization.

On February 21, 2007, the GBRV published the "Decree Law of Popular Defense against Hoarding, Speculation, Boycott, and any other Conduct that Affects Consumption of Food or Products under Price Controls." 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 that fits this sweeping definition in order to protect "food security and sovereignty." The GBRV invoked this decree to direct the military to seize two slaughterhouses in 2007.

Dispute Settlement Return to top

Venezuela's legal system is available to foreign entities seeking to resolve investment disputes, and legal proceedings have generally not discriminated against foreign entities. However, the legal system is often slow and inefficient, and it has been accused of being both corrupt and lacking independence from the executive branch.

Decree 2095 allows for the arbitration of disputes as "provided by domestic law." The Commercial Arbitration Law (Gazette No. 36,430 of 1998) eliminated the 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.

In a few cases, the GBRV has accepted the results of international arbitration in disputes involving foreign investors and government entities. Recent GBRV statements and actions, however, call into question whether this trend will continue. For example, in a February 2006 decision involving Haagen-Dazs, GBRV courts invalidated an American Arbitration Association award entered in Miami. In April 2006, a GBRV court set aside an International Court of Arbitration award entered in favor of an Italian electronics company against VTV, the state owned television channel, in connection with a concession agreement.

In October 2008, the Venezuelan Supreme Court, while acknowledging the existence of a fundamental right to arbitration, resolved that the GBRV must expressly consent to it. The ruling challenged the legal analysis cited by a number of former investors who believe that Article 22 of the 1999 Law on Promotion and Protection of Investors provides them with access to arbitration with the World Bank International Centre for Investment Disputes (ICSID). The Court reasoned that Article 22 does not provide a clear and open offer of consent to ICSID arbitration. The impact of this decision remains to be seen.

On June 10, 2010, ICSID issued a jurisdictional decision in the ExxonMobil (XM) case against the GBRV and national oil company PDVSA, ruling that while ICSID has jurisdiction to hear the case against Venezuela based on the Dutch bilateral investment treaty, it rejected the argument that Venezuelan law provides the private sector with an explicit right to go to ICSID.

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 that companies make social contributions.

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
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 in the past. 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. Although Venezuela is a member of the World Intellectual Property Organization (WIPO), no official GBRV delegation has attended a

WIPO meeting in the last few years. In the past, Venezuela has implemented its obligations under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) through Andean Community Decision 486.

The Venezuelan Industrial Property Office (SAPI), through its actions and occasional public antagonism towards IPR, often draws criticism from IPR advocates and rights holders. 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. SAPI has publicly advocated for anti-IPR legislation. Both President Chavez and former Commerce Minister Eduardo Saman publicly called for the elimination of patents. 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. Pirated software, music, and movies are readily available throughout the country. In December 2010, the National Assembly passed the Law on the Crime of Smuggling 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. In the 2011 Special 301 Annual Review, Venezuela remained on the U.S. Department of State’s "Priority Watch List."

Patents and Trademarks

Venezuela has provided the legal framework for patent and trademark protection through Andean Community Decision 486 (and Decision 345 for plant varieties). In September 2008, however, SAPI issued a press release resurrecting the Industrial Property Law of 1955, which expressly prohibited patent protection for pharmaceuticals and other products. The return to the 1955 law codifies the GBRV's de facto policy of refusal 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 the innovative drug companies protection against unfair use of their test data as required by TRIPS. From a trademark standpoint, the 1955 law changes the registration procedure and adds the cumbersome and expensive requirement of publishing trademark applications in a local newspaper before they can be published in the Industrial Property Bulletin. The law also contains numerous provisions which conflict with TRIPS.

Venezuela does not automatically recognize foreign patents, trademarks, or logotypes, so foreign investors must be sure to register patents and trademarks appropriately and in as many categories as are 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 domestic coffee company in 2009, the GBRV expropriated the trademark and brand.

Copyrights

Andean Community Decision 351 and Venezuela's 1993 Copyright Law provide 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 given responsibility for registering copyrights, as well as for controlling, overseeing, and ensuring compliance with the rights of authors and other copyright holders.

COMANPI, the Venezuelan copyright and trademark enforcement branch of the police, fails to provide adequate copyright enforcement. Due to its lack 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 on the basis of presumed tax evasion. While such actions on the part of SENIAT have decreased considerably over the past few years, it does continue to take action against pirated goods.

In 2004, the National Assembly considered a copyright bill, but there has been no additional advancement on copyright since then. The bill, proposed by SAPI, was very controversial and raised serious concerns in the private sector. Among other things, the bill called for the local registration of all works, certification by a government-appointed commission to approve the copyright, a significant increase in royalty rates, and a provision to expropriate works if in the national interest.

Transparency of Regulatory System

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The Government of Venezuela adopted three laws in the early 1990s to promote free market competition and prevent unfair trade practices: a Law to Promote and Protect Free Competition (Gazette No. 34,880 of 1992), an Antidumping Decree (Gazette No. 4441 of 1992), and a Consumer Protection Law (Gazette No. 4898 of 1995). In 1997 the government created a new agency, Pro Competencia, to implement the 1992 law. A government procurement law of 2001 supposedly increased transparency in the competitive bidding process for contracts offered by the central government, national universities, and autonomous state and municipal institutions.

Despite this legal and institutional framework, there is little transparency in Venezuela's regulatory system. The vast majority of contracts are awarded without open competition. There is often little coordination between the government and private sector, and even among different government agencies, in the process of promulgating new laws and/or regulations. As a result of this lack of coordination and the state's increasing intervention in the economy, many companies are struggling to cope with the growing array of regulations in areas as diverse as the tax code, labor, and the environment.

Venezuela's consumer protection law was amended on July 31, 2008. This law renamed the consumer protection institute—now INDEPABIS—and gave it broader powers. Since then, INDEPABIS has operated in the absence of implementing regulations which has given its inspectors an extraordinary degree of discretion, resulting in uneven standards and enforcement. INDEPABIS conducted over 15,000 inspections in 2009 and 6,700 in 2010, and numerous companies, both domestic and foreign, have been shut down for several days or have faced serious fines due to what some observers see as over-zealous enforcement.

Efficient Capital Markets and Portfolio Investment Return to top

Capital Markets

Venezuela's 1999 Constitution generally provides equal treatment for foreign and domestic investors, although investment in some sectors is restricted. As long as the foreign investor has registered with the National Securities Superintendency, it can buy or sell stocks and bonds in Venezuelan capital markets. Foreign investors may also buy shares directly in Venezuelan companies. Although no prior registration is generally required prior to making foreign investments, subsequent registration with the Superintendency of Foreign Investments is required. On January 31, 2011, the GBRV launched the Bicentennial Public Securities Exchange to sell government and corporate bonds. This new market will compete with the private Caracas Stock Exchange, but will function differently in that entities that can participate by issuing bonds include "organized communities" and state entities.

In November 2010, the Capital Markets Law was superseded by the Securities Market Law (Gazette 39,546). As a result, the National Securities Commission, which had been Venezuela's securities market regulator since 1973, was replaced by the National Securities Superintendency. The new law prohibits brokerage houses from handling transactions involving instruments of public debt and from holding public debt instruments in their portfolios. It mandates the creation of a public securities exchange, which is exempted from this prohibition. The Collective Investment Entities Law (Gazette No. 36,027 of 1996) allows for creation of collective investment companies such as mutual funds, collective investment venture capital companies, and collective real estate investment companies.

Credit Markets

Financing is available from a variety of sources, and there is no discrimination against foreign investors seeking access to credit. The credit market is highly regulated, however. The maximum nominal interest rate banks can charge is 29 percent. Banks are required to set aside 51percent of their portfolio for loans to the housing, agriculture, small business, manufacturing, and tourism sectors, in most cases at preferential rates.

The majority of banking sector assets are concentrated in the country's six largest banks, which are generally solid. However, the banking sector as a whole is highly exposed to the public sector through government deposits and bond holdings. Some banks have a large percentage of their portfolio in consumer loans, and some banks are pushing the limits of capital adequacy requirements. In November 2009, the GBRV took over or shut down eight banks, ostensibly for violating a number of regulatory requirements. Since then, nine more banks have been intervened by the GBRV. The GRBV now controls approximately 33 percent of the banking sector by assets.

Competition from State Owned Enterprises Return to top

Private enterprises are often at a disadvantage when competing with public enterprises, specifically in terms of accessing foreign exchange at the official rate. For example, in 2010, non-petroleum public sector imports were eligible for an exchange rate of 2.6 BsF/$1, whereas the majority of private sector imports were eligible only for the 4.3

BsF/$1 rate. Public sector companies, in some cases, did not need to go through the GBRV's exchange control board, CADIVI, to request hard currency at the official exchange rate, but CADIVI often delayed or refused the applications of private companies, limiting or denying their access to foreign exchange. In 2011, even with the single exchange rate, the public sector still had an easier time of accessing dollars than private enterprises have had.

State owned enterprises (SOEs) are active in almost every sector of the Venezuelan economy, including hydrocarbons, mining, media, telecommunications, tourism, and agribusiness. The CEO of PDVSA is also the Minister of Energy and Petroleum; the rest of PDVSA's board members are appointed by the President. The pattern is similar in other important SOEs (although their CEOs are not ranked as ministers), such as the Venezuelan Corporation of Guayana (CVG), a state holding company that includes companies in basic heavy industry, such as electricity generation, steel production, iron ore mining, and aluminum production.

Corporate Social Responsibility

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Many companies in Venezuela have attempted to integrate corporate social responsibility (CSR) into their business models, although it is difficult to measure the general awareness of CSR among consumers. By law, companies bidding on state contracts must earmark five percent of their budget for CSR-related activities. This requirement has raised concerns about corruption, particularly when companies are not vigilant about the organizations receiving the funds and how they administer them. While some foreign and local enterprises have adopted generally accepted corporate social responsibility practices such as the OECD Guidelines for Multinational Enterprises, these principles are not broadly applied.

Political Violence

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Venezuela's political climate is polarized between supporters and opponents of President Chavez and his policies. However, there were no major incidents of political violence that specifically targeted foreign-owned companies or installations in 2010.

Corruption

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Corruption is a very serious problem in Venezuela and appears to be worsening. Venezuela has laws on the books to prevent and prosecute corruption, and accepting a bribe is a criminal act. However, the judicial system has been accused of being politicized and ineffective in applying these laws. Government contracts are vulnerable to corruption because the tender process frequently lacks transparency. The current regime of price and foreign exchange controls has also provided opportunities for corruption.

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 from the U.S. Department of Justice.

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available here. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies.

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available from the Department of Commerce Office of the Chief Counsel for International Commerce.

- 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. 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.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest.

- 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.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report*.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems.

Bilateral Investment Agreements

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Venezuela has concluded the following bilateral investment agreements as of June 1, 2010:

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

*Effective November 1, 2008, Venezuela revoked its Bilateral Investment Treaty with the Netherlands. Revocation did not have any immediate consequences for investments made prior to the date of revocation. The BIT remains in force for these investments for a period of 15 years.

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 September 2010 the President again determined that Venezuela “failed demonstrably” in living up to its obligations under international counternarcotics agreements and conventions.

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 currently have significant exposure in Venezuela contracted prior to suspending operations.

Labor

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Venezuela's National Institute of Statistics (INE) estimated December 2010 unemployment at 6.5 percent. However, a leading local economic consulting firm, Econanalytica, estimated unemployment at 8.8 percent for the year, 0.9 percent more than in 2009, when unemployment reached 7.8 percent. These estimates do not include individuals who work in the informal sector or those who are self-employed—both groups collectively constitute more than half of the nation's workforce. Several factors make human resources a challenge for domestic and foreign investors alike: a significant number of skilled and professional Venezuelans have sought employment opportunities abroad due to domestic political and economic uncertainty; government programs that support poorer Venezuelans have also made it more difficult for companies to attract unskilled labor; and the power of traditional trade unions has diminished as the government has supported the establishment of thousands of "parallel" unions that are closely aligned to government interests. Only 9 to 11 percent of the total workforce is unionized.

In 2010, Venezuela saw continued protests and work stoppages by unions across both the public and private sectors. Union protests—in some cases resulting in deaths—disrupted operations at many companies in 2009, including auto assembly plants owned by General Motors, Toyota, and Mitsubishi, and forced the temporary shut-down of various oil drilling operations and oil service companies. Meanwhile, the GBRV has repeatedly delayed negotiations over collective bargaining agreements for workers in the public sector, leaving more than two million public employees without collective contracts, including employees in the oil and gas industry, teachers, and electrical workers.

The Organic Labor Law (Gazette No. 5152 of 1997) places quantitative and total wage cost restrictions on the employment decisions made by foreign investors. Article 27 requires that the number of foreigners hired by an investor not exceed 10 percent of a company's employees, while salaries paid to foreigners may not exceed 20 percent of the total company payroll. Article 28 allows for temporary exceptions to Article 27 and outlines the requirements for hiring technical expertise when equivalent Venezuelan personnel are not available. Article 20 of the law requires that industrial relations managers, personnel managers, captains of ships and airplanes, and foremen be Venezuelan.

Foreign Direct Investment Statistics

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U.S. FDI in Venezuela is concentrated largely in the petroleum, manufacturing, and finance sectors. In 2009, according to U.S. Department of Commerce statistics, the stock of U.S. foreign direct investment (FDI) was $14.5 billion. According to Venezuelan Central Bank (BCV) statistics, FDI declined 15 percent between 2007 and 2010.

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

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This is the most common concern for U.S. exporters to Venezuela. The recommended method of selling to Venezuelan buyers is by letter of credit or prepayment, although Venezuelan buyers may have difficulty using either of these because of continuing economic uncertainty, foreign exchange controls, and inadequate credit lines from non-Venezuelan banks. 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. In January 2011, Venezuela devalued its currency to 4.3 BsF/$1.

Venezuela has continued to experience a shortage of foreign exchange with which to pay for imports. A system of what amounts to licenses to import at the official exchange rate slow the approval of transactions, and a lack of hard currency greatly slows payments to non-Venezuelan suppliers. The Commercial Service recommends that exporters to Venezuela request advance payment. At this writing, the devaluation and changes to the currency control system have made preferred payment mechanisms unclear. Please contact the Commercial Service in Caracas for further information.

How Does the Banking System Operate

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As of December 2010, Venezuela's banking system consisted of 42 institutions, 30 of them private and 12 owned by the state. The system is overseen by four institutions: Venezuela's Central Bank (BCV), which designs and implements monetary policy; the Superintendency of Banks (SUDEBAN), which monitors the sector and ensures the financial soundness of all financial operators; the Deposit Guaranty Fund (FOGADE), which guarantees deposits in the banking system; and the Ministry of Finance, which sets overall policy.

The banking sector has been challenged by state takeovers of multiple banks in the past two years. The government arrested bankers and issued corruption-related arrest warrants for others who had fled the country.

Citibank is the only U.S. bank operating branches in Venezuela other than a representative office.

Total bank assets were approximately $100 billion in December 2011, down from $155 billion in December 2010, due to the devaluation that occurred as of January 1, 2011. At the end of December 2010, the banking sector credit portfolio was about 45 percent of the financial sector's total assets, an increase from 20 percent in 2009.

The banking system directs credit to borrowers in accordance with government requirements such as the imposition of a minimum amount of lending to be made to housing (12 percent), agriculture (25 percent), micro-business (3 percent), manufacturing (10 percent), and tourism (3 percent). The BCV sets maximum and minimum interest rates for lending and deposits.

General Financing Availability

Venezuela's banking system remains a viable source of project and trade financing. However, the uncertainty that prevails regarding short-term political and economic stability in Venezuela permeates international financial markets, thus further restricting sources of project financing available to companies operating in the country. This has driven up interest rates and rendered borrowing less attractive. In addition, lengthy delays in approvals of dollars at the controlled rate by CADIVI, the exchange rate administration agency, caused banks to stop issuing letters of credit, the primary trade payment instrument, in late 2007 because banks had run up against their credit line limits with foreign banks. Many banks will confirm new letters of credit obligations only as others are liquidated; some banks have reduced or terminated their credit lines for confirmations. Exporters are advised to ensure that payment mechanisms are available and that carrying costs are considered in pricing.

Foreign-Exchange Controls

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President Chavez announced the creation of an Exchange Administration Board (CADIVI) on February 5, 2003, to regulate the purchase and sale of foreign currency. The regulations include a list of items eligible for foreign exchange at the official rate, including intangibles such as services and the repatriation of capital.

Decree 2095 guaranteed foreign investors the right to repatriate 100 percent of profits and capital, including proceeds from the sale of shares or liquidation of the company, and allows for unrestricted reinvestment of profits. However, in practice, dividend repatriations authorized by CADIVI have fallen precipitously since 2008 when it authorized $1.17 billion. In 2010, CADIVI authorized only $61.1 million in dividend repatriations.

CADIVI sets the official exchange rate, which has seen many permutations over the past few years. The currency, originally called the bolivar, was renamed the "bolivar fuerte," or, "strong bolivar," when three zeros were dropped in January 2008. On January 1, 2011, Venezuela's administration eliminated what used to be known as the preferential exchange rate of 2.6 BsF/$1 reserved for basic food items and medicines. Now, the official exchange rate is 4.30 BsF/$1. This change means that the preferential exchange rate was devalued by 35 percent (equivalent to a 65 percent increase in price). Approvals to import many products require certificates of no or insufficient local production.

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 USD), and it is in the U.S. company's interest to give the importer all required information needed to file accurate documents with CADIVI.

CADIVI appeared to process requests fairly efficiently for a time, but its systems appear to have been overwhelmed by the increased volumes as high oil prices enabled increased imports. The number of items explicitly excluded from the controlled rate also increased. Approval and liquidation intervals lengthened substantially beginning in 2007 as the administrative system could not cope with the flood in imports caused by an increasingly overvalued exchange rate. In late 2008, the intervals began to lengthen seriously as the collapse in oil prices left the GBRV with far less foreign exchange to pay for imports. There were also credible reports that the BCV was not liquidating the full amount of the CADIVI-approved transactions, requiring importers to resort to the parallel market to buy the remaining portion.

Venezuelan importers technically cannot pay U.S. exporters in advance, because they will not have CADIVI approval for that particular transaction at that point. Many payments for non-essential products can be delayed by eight months to over a year.

In 2010, the Venezuelan government abolished the former “permuta” or parallel market foreign exchange system and created the *Sistema de Transacciones con Títulos en Moneda Extranjera* (SITME). Average SITME approvals since June 2010 have been approximately $35 million per business day, while average disbursals under the old parallel market were estimated at $110 million per business day during 2009. SITME operations have received an exchange rate of approximately 5.30 BsF/$1. The existence of multiple exchange rates introduced greater complexity into the process which has now been eliminated. Under SITME, transaction amounts for individual customers are limited to $50,000 per day, with a maximum total of $350,000 per month. Requests for SITME exchange transactions are made through Venezuelan banks. Importers and others that acquire foreign exchange through CADIVI are not allowed to access SITME during the next 90 days. The elimination of the permuta market and restricted access to CADIVI and SITME has resulted in the growth of a black market for foreign exchange transactions. The Foreign Exchange Crime Law establishes criminal penalties and fines for transactions made outside the official foreign exchange process, reinforcing the foreign exchange control regime.

The exchange controls are inconvenient, but over $9.3 billion in U.S. exports to Venezuela in 2009 and an estimated $10.2 billion in 2010 testifies to the fact that many U.S. exporters have succeeded in doing business here. The important thing is that the U.S. exporter factors a delay in receiving payment into the equation and exercises patience and 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:

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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 Overseas Private Investment Corporation (OPIC) is a development agency of the U.S. government that helps U.S. businesses invest overseas and fosters economic development in new and emerging markets by complementing the private sector in managing the risks associated with foreign direct investment. OPIC has extensive experience supporting U.S. investors in Venezuela with insurance policies and financing, especially in the energy sector. However, OPIC was statutorily obligated to suspend operations in Venezuela due to Venezuela's failure to achieve certification under U.S. anti-narcotics trafficking laws.

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

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U.S. Commercial Service Caracas

The Venezuelan Exchange Administration (CADIVI)

Citibank Venezuela

Export-Import Bank of the United States:

Country Limitation Schedule

OPIC

Trade and Development Agency

SBA's Office of International Trade

USDA Commodity Credit Corporation

U.S. Agency for International Development

The Inter-American Development Bank (IDB)

The Andean Development Corporation (CAF)

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Chapter 8: Business Travel

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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 business culture 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. Companies that write to a government agency in English will probably not receive a reply. 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. 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. Care must 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, it is best to respect the chain of command. Vendors must remember 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 should try to associate themselves closely with the U.S. manufacturer whenever possible.

Weekends and holidays are generally off-limits for business meetings with Venezuelans; these times are reserved for family. 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 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.

An exit tax and airport fee must be paid when departing Venezuela by airline. The exit tax is currently 162.50 BsF (4.3 BsF/$1), and the airport fee is currently 195.40 BsF. 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 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. We have heard reports of 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

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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 three different 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. The airport taxi line uses black Ford Explorers only. If possible, travelers should arrange to be picked up at the airport 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 or those from reputable hotels. Taxi service fees at hotels run about 50 percent higher than street taxis, but are well worth the money in terms of increased security. Several companies operate a radio-dispatched pick-up service. During the morning rush hour, at mid-day, and again in the early evening, it can be extremely difficult to find a taxi.

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

Click here for a list of transportation services used by members of the Embassy community. The Embassy does not vouch for the professional ability or integrity of any specific provider. The list is not meant to be an endorsement by the Department of State, the Department of Commerce, or the Embassy. Likewise, the absence of any individual or company does not imply lack of competence or reliability. Expect to pay $50 to 70 in local currency for taxi service from Maiquetía to the city.

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. The section of road between the first tunnel (Boqueron I) and El Trebol (cloverleaf) is particularly hazardous due to assaults involving the blocking of the target vehicle by one or more vehicles and the use of violence. Depending on road and traffic conditions, the drive to/from the airport varies from 45 minutes to 1.5 hours. There are neither restroom facilities nor locations to purchase food or drink along the way. Passengers should plan accordingly. Many drivers, often wearing badges identifying them as 'taxi officials,' have been known to rob unwary travelers. If someone asks for personal information, do not give your 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 has experienced a significant rise both in the crime rate and in the level of violence associated with street crime. Robberies at gunpoint occur in all sections of the city, even during daylight hours. Other major cities have been similarly affected. Jewelry, particularly gold-colored, attracts the attention of thieves and should be left in a safe place along with other valuables (such as watches, radios, iPods, iPads, cell-phones, wallets/purses, etc.).

If you are confronted in a robbery situation, the Regional Security Officer (RSO) strongly recommends that you comply with the criminals’ demands. Do not attempt to run or antagonize the perpetrator. Most criminals only seek cash or jewelry; many will resort to violence only if you resist their demands.

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 Diplomatic Security Service 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. 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 standing well clear of public protests, police lines, and barricades. Travelers should avoid all demonstrations/protests, as they have the potential for turning violent without notice. Travelers should also stay tuned to local news/radio outlets for information regarding unannounced demonstrations and protests.

Language Return to top

Spanish is the official language of Venezuela. U.S. companies interested in selling to the Venezuelan government should note that, according to law, all correspondence must be in Spanish. Companies that write to a government agency in English will probably not receive a reply. Government officials are not permitted to conduct official business in any language other than 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.

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.

The following is a brief summary of 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, and Panama) 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). 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, 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 the private hospitals and clinics. 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.

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

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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 business's usual hours of operation, although not all stores close for lunch:

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

Weekends and holidays are generally off-limits for business meetings with Venezuelans; these times are reserved for family. 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 2011:

New Year's Day 2011	Friday, December 31, 2010
Martin Luther King's Birthday*	Monday, January 17
President's Day*	Monday, February 21
Carnival	Monday, March 7
Carnival	Tuesday, March 8
Declaration of Independence	Tuesday, April 19
Holy Thursday	Thursday, April 21
Good Friday	Friday, April 22
Labor Day**	Sunday, May 1
Memorial Day*	Monday, May 30
Carabobo Battle	Friday, June 24
Independence Day*	Monday, July 4
Independence Day (Venezuela)	Tuesday, July 5
Simon Bolivar's Birthday**	Sunday, July 24
Labor Day*	Monday, September 5
Columbus Day*	Monday, October 10
Day of Indigenous Resistance	Wednesday, October 12
Veterans' Day*	Friday, November 11
Thanksgiving*	Thursday, November 24
Christmas Day***	Monday, December 26
New Year's Day 2011	Saturday, January 1

The * 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. ***December 25, 2011, falls on a Sunday. For most Federal employees, Monday December 26, 2011, will be treated as a holiday.

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 "critical" items.

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.

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U.S. Commercial Service Venezuela

U.S. Embassy Caracas

State Department Visa

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Chapter 9: Contacts, Market Research and Trade Events

Contacts Return to top

The Commercial Section, U.S. Commercial Service, U.S. Embassy Caracas:
Eric P. Olson, Commercial Counselor
Unit 3140 Box 041
DPO, AA 34037-0041
Tel: (58 212) 907-8315
Fax: (58 212) 975-9643
Eric.Olson@trade.gov
www.buyusa.gov/venezuela/en/

The Economic Section, U.S. Embassy Caracas:
Darnall Steuart, Economic Counselor
U.S. Embassy Caracas
Unit 4956
APO, AA 34037
Tel: (58 212) 907-8328
Fax: (58 212) 907-8033
Email: SteuartDC@state.gov
http://caracas.usembassy.gov/

U.S. Government Contacts in Washington, D.C.:
Matthew Gaisford
Venezuela/Ecuador/Bolivia Desk Officer
U.S. Department of Commerce
Market Access and Compliance
Tel: (202) 482-0057
Fax: (202) 482-1972
Email: Matthew.Gaisford@trade.gov

Venezuela Desk Officers at the Department of State
Office of Andean Affairs
Bureau of Western Hemisphere Affairs
U.S. Department of State
Tel: (202) 647-4984

Moises Behar
Tel: (202) 647-1720
beharm@state.gov

Margy Bond
(202) 647-4954
bondmh@state.gov

The Venezuelan American Chamber of Commerce and Industry (Venamcham), Caracas:
Mr. Carlos Tejera
General Manager
Tel: (58 212) 263-0833
Fax: (58 212) 263-1829
Email: ctejera@venamcham.org
http://www.venamcham.org/

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 click on Market Research Library, then click on Country and Industry Market Report Type.

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.

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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

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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: http://www.buyusa.gov/venezuela/en/service.html

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).**

We value your feedback on the format and contents of this report. Please send your comments and recommendations to: Market_Research_Feedback@trade.gov

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