

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

L/6565

5 September 1989

Limited Distribution

Original: Spanish

ACCESSION OF VENEZUELA

Memorandum on Foreign Trade Régime

The following Memorandum on Foreign Trade Régime has been received from the Government of Venezuela. In order that the matter may be examined by the Working Party (L/6558/Rev.1), contracting parties are requested to communicate to the secretariat by 16 October 1989 any questions they may wish to put concerning the matters dealt with in the Memorandum, for transmission to the Government of Venezuela.

FOREWORD

The preparation of this Memorandum on the Foreign Trade Régime of Venezuela forms part of the activities relating to negotiations for GATT accession. The Memorandum will serve as a basis for discussion in the Working Party on the Accession of Venezuela, established by the GATT Council at its meeting of 22 June 1989.

The Memorandum includes a brief account of recent developments in the economy and in macroeconomic policy (Chapter I). The current import régime (Chapter II) and export policy (Chapter III) are given more detailed treatment, and reference is also made to the trade and economic agreements which have been signed by Venezuela (Chapter IV) and to other measures relating to trade (Chapter V). The final chapter (Chapter VI) describes the institutions responsible for the formulation and implementation of trade policy.

The Memorandum describes measures and legal provisions in force at the time of its preparation. It should be noted, however, that some of these measures are currently under revision, in order to adapt them to the objectives of the economic reform programme that the Government of Venezuela has initiated. Therefore, Venezuela will inform contracting parties, in a timely manner, through the GATT secretariat, of any new measures adopted in relation to the matters covered in the Memorandum.

CONTENTS

	<u>Page</u>
CHAPTER I: THE VENEZUELAN ECONOMY	7
A. Introduction	7
B. The Structure of the Venezuelan Economy	8
a. Gross Domestic Product	8
b. Basic Industries	8
C. The External Trade of Venezuela	9
D. Recent Economic Performance	10
E. The New Economic Policy	11
CHAPTER II: IMPORT POLICY	14
A. Introduction	14
B. Legal Provisions	15
C. Basic Characteristics of the Customs Tariff	16
a. Structure	16
b. Tariff Rates	16
c. Tariff Exemptions	17
d. Non-Tariff Measures	18
D. The New Trade Policy and Integration Agreements	19
E. Other Charges on Imports	20
F. Customs Rules and Procedures	20
a. Customs Valuation	20
b. Official Prices	21
c. Customs	21
G. Measures Against Unfair Trade Practices	22

	<u>Page</u>
CHAPTER III: EXPORT POLICIES	23
A. Introduction	23
B. Port Service Taxes and Charges	23
C. Export Restrictions	24
D. Export Incentive Systems	24
a. Fiscal Credits	24
b. Special Tariff Régimes	25
c. Exemptions from Income Taxes	26
E. Export Financing	26
F. Procedures Applicable to Exports	27
CHAPTER IV: ECONOMIC AND TRADE AGREEMENTS	29
A. Introduction	29
B. Regional and Sub-Regional Integration	29
a. The Latin American Integration Association	29
b. The Cartagena Agreement	30
C. Bilateral Trade Agreements	32
D. Multilateral Agreements	32
CHAPTER V: OTHER POLICIES RELATED TO TRADE	33
A. Introduction	33
B. Free Zones	33
a. General Regulations	33
b. Free Zone and Free Port of Margarita	34
c. Industrial Free Zone of Paraguaná	35
C. Countertrade	35
D. Technical Standards	36

	<u>Page</u>
E. Sanitary and Phytosanitary Standards	36
F. Government Procurement	37
G. State Monopolies Relating to Trade	38
CHAPTER VI: INSTITUTIONS RESPONSIBLE FOR FOREIGN TRADE	40
A. Introduction	40
B. The Economic Cabinet	40
C. The Competent Institutions	40
D. Other Matters	41
STATISTICAL TABLES	42

ANNEXES¹

- Anexo 1: Ley Orgánica de Aduanas. G.O. No. 2314 Ext. (26.9.78)
- Anexo 2: Reglamento de la Ley Orgánica de Aduanas. G.O. No. 4000 Ext. (1.9.87)
- Anexo 3: Decreto 239 sobre normas para la política comercial de Venezuela. G.O. No. 34230 (30.5.89)
- Anexo 4: Resolución conjunta de los Ministerios de Hacienda, Fomento y Agricultura y Cría sobre licencias de exportación para algunos productos. G.O. No. 34283 (15.8.89)
- Anexo 5: Arancel de Aduanas
- Anexo 6: Resolución del Ministerio de Transporte y Comunicaciones sobre el régimen tarifario del Instituto Nacional de Puertos
- Anexo 7: Reforma parcial de la Ley de Incentivo a la Exportación. G.O. No. 34287 (21.8.89)
- Anexo 8: Decreto 395 sobre la reforma parcial del Reglamento de la Ley de Incentivo a la Exportación
- Anexo 9: Resolución No. 177 del Ministerio de Relaciones Exteriores sobre normas para el autocalculo del valor agregado nacional. G.O. No. 34281 (11.8.89)
- Anexo 10: Ley que crea el Fondo de Financiamiento de las Exportaciones. G.O. No. 30217 (28.9.73)
- Anexo 11: Reglamento de la Ley que crea el Fondo de Financiamiento de las Exportaciones. G.O. No. 30608 (27.1.75)
- Anexo 12: Acuerdo de Cartagena. G.O. No. 1620 Ext. (1.11.73)
- Anexo 13: Protocolo de Quito. G.O. No. 33958 (4.5.88)
- Anexo 14: Decisión 249 del Acuerdo de Cartagena sobre aprobación de la NANDINA
- Anexo 15: Decisión 230 del Acuerdo de Cartagena sobre normas para prevenir o corregir la competencia desleal
- Anexo 16: Decisión 231 del Acuerdo de Cartagena sobre normas especiales para la calificación del origen de las mercaderías

¹ Available in the secretariat (Development Division Room 2010) for consultation.

- Anexo 17: Ley sobre normas técnicas y control de calidad. G.O. No. 2529
Ext. (31.12.79)
- Anexo 18: Ley sobre normas para la creación de zonas francas
- Anexo 19: Reglamento de la Ley sobre normas para la creación de zonas francas
- Anexo 20: Reglamento del Puerto Libre de la Isla de Margarita
- Anexo 21: Decreto 1307 sobre la creación de la zona franca industrial de Paraguaná
- Anexo 22: Decreto 580 sobre la nacionalización de la industria del hierro. G.O. No. 30577 (16.12.74)
- Anexo 23: Ley Orgánica que reserva al Estado la industria y el comercio de los hidrocarburos. G.O. No. 1769 Ext. (29.8.75)
- Anexo 24: Ley sobre defensas sanitarias vegetal y animal. G.O. No. 20566 (15.8.41)
- Anexo 25: Reglamento General de Alimentos. G.O. No. 25864 (16.1.59)
- Anexo 26: Decreto 1182 sobre normas para orientar la demanda de obras, bienes y servicios en los proyectos ejecutados y financiados por el Estado. G.O. No. 33546 (2.9.86)
- Anexo 27: Decretos 1336 y 2633 sobre exoneración de impuestos. G.O. No. 34119 (21.12.88) Decreto 1336 G.O. No. 33596 (12.11.86)

CHAPTER I: THE VENEZUELAN ECONOMY

A. Introduction

1. Over the last thirty years, Venezuela has had a democratic system of government, which has permitted the development of a pluralistic and participatory society. This society has gradually structured and organized itself, with its own unique characteristics, in accordance with prevailing economic and social realities.
2. The economic development of the nation during the greater part of this century has depended on the utilization of its considerable oil reserves. For many years, Venezuela was the largest exporter of hydrocarbons, until at the end of the 1960s this position was taken over by producing countries of the Middle East.
3. The availability of these resources gave rise to an economic model typical of oil economies, characterized by a major concentration of exports on a single product, a high propensity to import, a high level of participation by the State in total expenditure, and accelerated urban development. Oil gave the State a pre-eminent rôle not only in the formation of basic social capital, but also in the development of productive activities, infrastructure and services.
4. Since the end of the 1950s, the country's economic policy priorities have been directed towards the development of basic industries by the State and the generation of employment through the diversification of domestic production. These policy directions were reinforced by the deliberate adoption of an import substitution model, designed to promote the country's industrialization and to generate savings of foreign exchange. They were subsequently complemented by regional and sub-regional integration policies.
5. This import substitution policy was not particularly selective, giving rise to the development of a dispersed and poorly structured manufacturing sector that was oriented mainly towards the production of final goods and assembly. The implementation of this policy was supported by ad hoc protectionism, which, together with an over-valued domestic currency, also a feature of this period, tended to favour production for the internal market.
6. In more recent years, the relative decline of oil as an energy source worldwide has severely affected the economic outlook for the nation. This situation was made more critical as the country began to lose its access to international capital markets, and represented a fundamental change in the basic underpinning of its development model. The debt crisis and that of the Venezuelan economy's external sector highlighted the lack of viability of the traditional economic policy and the necessity of introducing fundamental changes in the structure of the domestic economy.

7. To this end, the Venezuelan Government recently undertook a far-reaching programme of economic reforms, whose possibilities of success depend in large measure upon improvements in the international economic environment. This is particularly true in relation to two critical aspects of the transformation process: the need to reduce the external debt burden, and the need for improved access to the world markets for Venezuela's exports.

B. The structure of the Venezuelan economy

a. Gross domestic product

8. The salient feature of the Venezuelan economy is the key rôle played by the oil sector in generating the gross domestic product (GDP). In the 1985-1988 period, this sector contributed approximately 20 per cent of the GDP in real terms.¹ Furthermore, the oil sector has traditionally accounted for between 80 per cent and 90 per cent of total foreign exchange earnings, and approximately two-thirds of ordinary public-sector income.

9. Non-oil activities represented 79.3 per cent of GDP in 1988. The main non-oil sectors account for the following shares of GDP: manufacturing (15.3 per cent); commerce, restaurants and hotels (14.9 per cent); general government (8.1 per cent); transportation, storage and communications (7.1 per cent); and agriculture (5.9 per cent).

10. The State accounts for a large share of the country's total exports. In 1988, exports by State enterprises amounted to 93.5 per cent of all exports, the majority of which originated in the oil sector. As regards non-oil exports, the share of the State is smaller, with the private sector accounting for 33 per cent of the total.

b. Basic industries

11. Through its function of promoting development, the Venezuelan State plays an important part in the allocation of the nation's productive resources, particularly in regard to basic industries. This rôle of the State is explained by the high income it receives from the oil industry, and the significant share of resources that is devoted to the socio-economic development of the nation.

12. The State's participation in the creation and promotion of basic industries is established in the Constitution of the Republic, which provides, in Article 97, that "the State may reserve to itself specific

¹See Table 1

industries, activities or services of public interest for reasons of State, and will tend to maintain the creation and development of basic industry under its control".

13. Inspired by this constitutional mandate, the State has reserved to itself the exploitation of iron, as well as the exploration, exploitation, manufacture or refining of oil, asphalt and other hydrocarbons.¹ In the case of petrochemicals, the legal dispositions permit the participation of the private sector, national as well as foreign, in the development of the industry. This participation is also possible in the oil industry, but in this case authorization from congress is required.

C. The external trade of Venezuela

14. Foreign trade plays a fundamental rôle in the Venezuelan economy. During the period 1983-1988, exports averaged approximately 25 per cent of nominal GDP, and basically consisted of oil and its derivatives. In the same period, imports, consisting mainly of raw materials, machinery, and transportation equipment, averaged approximately 14 per cent of GDP at current prices.

15. The composition of Venezuelan imports and exports between 1983 and 1988 is presented in Table 2. Exports fell from US\$14.8 billion in 1983 to US\$10.2 billion in 1988. Oil products represented 87.5 per cent of total exports between 1983 and 1988. On average, 39 per cent of total imports are accounted for by raw materials, and 24 per cent by machinery and equipment.

16. The United States is Venezuela's major trading partner. In 1988, trade with that country represented 41.7 per cent and 43.8 per cent of total imports and exports respectively. Other important trading partners are Federal Republic of Germany, Italy and Japan. The geographical distribution of imports and exports is presented in Tables 3, 4 and 5.

17. In Venezuela, non-traditional exports comprise all exportable goods except oil, iron, coffee and cocoa. From the 1970s until 1982, non-traditional exports have varied between 2 per cent and 4 per cent of total exports, and since 1983 they have amounted to an annual average of 11.5 per cent of total exports.

18. In 1988, approximately 70 per cent of non-traditional exports were absorbed by five countries: the United States (22.1 per cent of total non-traditional exports), Japan (20.6 per cent), Switzerland (11.9 per

¹ Annexes 23 and 24

cent), Colombia (8.1 per cent) and the Netherlands (7.5 per cent). The United States basically acquired agricultural and industrial products, whereas 95 per cent of the exports to Japan were of primary aluminium.

D. Recent economic performance¹

19. In the decade of the 1980s, Venezuela has attempted to adjust its economy in response to the dramatic fall in income from oil and to the external debt crisis. Oil income fell from over US\$19 billion in 1981, to US\$8.2 billion in 1988. During this period, Venezuela's terms of trade deteriorated by some 50 per cent, and the country saw its access to international capital markets reduced.

20. In 1982, there was a profound crisis in the balance of payments. As a result, the Government was faced with the necessity of introducing a set of policies designed to reduce internal demand, and to stimulate exports and the substitution of imports. The measures adopted included the reduction of public-sector expenditure, successive devaluations of the Bolivar through a régime of differential exchange rates, and stricter controls on imports and on prices.

21. These adjustment measures achieved a substantial improvement in the balance of payments, in the fiscal balance, and in the reallocation of productive resources towards the substitution of imports. The balance of payments registered a surplus in 1984 and 1985, which was reflected in the accumulation of US\$3.5 billion in international reserves. Moreover, the consolidated public accounts showed a surplus equivalent to 8.7 per cent of GDP in 1984, and 4.5 per cent in 1985.

22. Economic activity remained depressed in 1984 (real GDP fell by 1.4 per cent), although 1985 witnessed a slight recovery, when the GDP grew by 1.3 per cent. As a consequence, the rate of unemployment was reduced from 13.4 per cent in 1984 to 12.1 per cent by the end of 1985. At the same time, largely as a result of a devaluation of the Bolivar, prices rose by 18.2 per cent in 1984. However, the inflation rate fell to 9.1 per cent in 1985.

23. In 1986, in spite of a fall of over 50 per cent in oil prices, causing a 38 per cent decline in the value of Venezuelan hydrocarbon exports, the Venezuelan economy experienced a vigorous but short-lived recovery, driven by a combination of expansionary fiscal and monetary policies.

24. In the same year, non-oil GDP increased by 7.1 per cent in real terms, the unemployment rate fell to 10.3 per cent, and inflation as measured by the Consumer Price Index rose moderately (12.7 per cent). Nevertheless,

¹See table 6

because of the softer oil market, this recovery was accompanied by a deterioration in the fiscal situation and in the balance of payments. The consolidated public sector deficit, equivalent to 2.4 per cent of GDP, represented a significant setback in relation to the surpluses registered in 1984 and 1985. The balance-of-payments current account moved from a surplus of US\$3.7 billion in 1985 to a deficit of US\$1.5 billion in 1986.

25. The loss of almost US\$4 billion in international reserves, and increasing internal macroeconomic imbalances, led the authorities to adopt a new set of adjustment measures towards the end of 1986. The main element of these measures was a substantial devaluation of the Bolivar in the controlled market. As a result, inflation rose significantly in 1987, reaching the highest rates in the nation's history: 40.3 per cent for the Consumer Price Index and 48.1 per cent for the Wholesale Price Index.

26. Even so, in 1987 positive real growth continued in the non-oil sector of the economy, although at a much lower rate than in 1986 (4.2 per cent). Consistent with this growth, the unemployment rate fell even further, reaching 8.5 per cent by the end of 1987. The balance-of-payments current account registered another deficit, of US\$876 million, which was considerably below that of 1986. This smaller deficit is explained by the abundance of foreign short-term financing for the payment of imports, and by the recovery of oil exports.

27. In 1988, adherence to an expansionary fiscal policy contributed to a 5.7 per cent growth of GDP in real terms, a significantly higher rate than that registered in 1987, and the unemployment level was 6.9 per cent by the end of the year. Nevertheless, upward pressure on consumer prices continued, resulting in an inflation rate of 35.5 per cent during this period.

28. The growth of real economic activity in 1988 was matched by a worsening of the crisis in the external sector, where the balance-of-payments deficit reached US\$4.7 billion, slightly higher than that observed at the end of 1987. The trade account registered a deficit of US\$1.3 billion, basically attributable to a substantial increase in imports, which amounted to US\$11.6 billion in 1988, as compared to US\$8.8 billion in 1987. This increase in imports is explained partly by the growth in real economic activity, but also by expectations in relation to devaluation.

E. The new economic policy

29. In order to redress the internal and external imbalances described above, and to promote sustained non-inflationary economic growth, the Executive has introduced an extensive programme of economic reforms.

30. This programme includes the establishment of a single exchange rate instead of the régime of differential exchange rates that prevailed in the country from February 1983 onwards. Currently, the applicable rate for foreign currency transactions fluctuates freely. However, the Central Bank of Venezuela establishes a reference rate which is applied to certain transactions in which the Central Bank is directly involved.¹ There also exists a transitional régime for the payment of imports effected before November 1988, and for the payment of certain categories of private external debt. The Bolivar is freely convertible and there are no restrictions on the transfer of foreign exchange abroad.

31. In the field of trade policy, the economic programme seeks to encourage more extensive participation by Venezuela in international trade, by a strengthening of the competitiveness of industry, development of non-traditional exports, progressive reduction of tariff barriers and elimination of non-tariff barriers. To this end, a process of gradual liberalization in the domestic market has begun, together with a reform of the Customs Tariff to make it simpler and more transparent. Various mechanisms to support non-traditional exports are also in the process of being modified.

32. In addition, it is planned to reduce the fiscal deficit by raising charges for services, increasing tax receipts, reorienting public spending, and selectively privatizing public enterprises. These reforms are aimed at reducing excessive dependency on oil revenue and increasing the contribution of internal taxation and current revenue to the public-sector budget. Among recently adopted measures are increases in the domestic prices of fuels and of goods produced by the basic industries (steel, aluminium and petrochemicals), and a programme has been introduced for updating electricity, telephone and urban sanitation charges.

33. A reform of the tax régime is foreseen for 1990, including changes in the Income Tax Law and the introduction of a new system of indirect taxation, which will begin with a sales tax and may later evolve into a value-added tax.

34. At the same time, the freeing of prices of goods and services is under way, except those entering the "basic basket", which are high-consumption items especially important to the poorest sectors, and which have been classified as "primary necessity goods". This limited number of goods represents approximately 15 per cent of the expenditure of low-income consumers. Prices of the above items are subject to change, in order to avoid a gap between these prices and the general pace of inflation. The freeing of prices is accompanied by a programme of social subsidies, in which greater emphasis will be placed on direct assistance to the final beneficiary of the subsidy, instead of the emphasis traditionally given to indirect subsidies.

¹These transactions include the sale of foreign exchange to the Central Bank by the petroleum industry, and the sale of foreign exchange for the payment of public external debt.

35. In addition, adjustments have been made to bank interest-rate levels in order to eliminate the distortions caused by the maintenance of borrowing and lending rates at levels significantly lower than the inflation rate. The Central Bank of Venezuela stipulates minimum and maximum interest rates in line with its liquidity objectives and in accordance with developments observed in the market. With these measures, it is intended to reduce the substantial imbalance between saving and investment which has developed over the years, and also to ensure that in the future this relationship reflects the real potential of foreign financing and the development of external trade.

36. As regards renegotiation of external public debt, the objectives that have been set are to match servicing commitments to the country's real payment capacity, and to take advantage of the different mechanisms proposed in this regard. The Venezuelan external debt amounts at the present time to some US\$34 billion, making the country the fourth largest of the Latin American debtors. Despite the fact that in the last few years the country has made net amortization payments of some US\$8.8 billion, together with US\$16.7 billion in interest payments, total outstanding debt still represents about 61 per cent of GDP, and its servicing absorbs nearly 50 per cent of export revenues.¹ The severe drainage of resources resulting from debt servicing constitutes a serious limitation on capital formation and on the resumption of sustained economic growth in the country.

37. Finally, the reform programme envisages the rationalization of the rôle of the State in economic activity. In this regard, consideration has been given to redefining State participation in the economy and to improving efficiency in the production of goods and services by the public sector. A process of privatization of public companies has been initiated, where the participation of the State cannot be justified. It is also intended clearly to define those basic sectors of the economy where State involvement will be maintained.

¹Ministry of Finance, "Venezuela: Periodic Economic Report", 1988.

CHAPTER II: IMPORT POLICY

A. Introduction

38. Until mid-1989, Venezuelan imports were subject to a complicated legal régime. An import substitution strategy was dominant, oriented towards the protection and stimulation of domestic production, regardless of costs, prices and quality. To that end, a series of interconnected measures, involving a large discretionary element, was in place.

39. The tariff structure comprised more than 40 rates, and ad valorem tariffs varied between 0 per cent and 135 per cent, with an unweighted average of 37 per cent.¹ In addition, there were specific taxes on 840 tariff items, whose ad-valorem equivalents could reach as high as 940 per cent. Moreover, some 40 per cent of items were subject to prohibitions and prior licensing under the so-called "Notes".²

40. This situation has changed radically. The legislation governing imports has been simplified to make it more transparent and less discretionary. Protection based on tariffs has replaced the excessive emphasis on non-tariff measures.

41. In the first stage of the reform under way, specific tariffs have been eliminated in the manufacturing sector, and the number of rates has been reduced considerably. The maximum tariff has been fixed at 80 per cent for finished goods and at 50 per cent for raw materials, and intermediate and capital goods. Also, the possibilities of granting exemptions from tariffs have been reduced to a minimum.

42. In the field of non-tariff measures, 56 per cent of the prohibitions have been removed, as well as all the prior licensing requirements. Moreover, of the 1,645 items whose importation was reserved to the National Government, only 285 items remain - a reduction of 82 per cent. In total, 76.9 per cent of non-tariff measures have been removed.

¹However, fiscal revenues from import duties amounted to only 8 per cent, as a result of exemptions. These exemptions arose from administrative decisions which reduced the amount payable for a given import operation by between 5 per cent and 100 per cent.

²There are 9 categories of Notes. The most important of these are Note 1, which authorizes import prohibitions; Note 2, which reserves to the National Government the right to undertake certain imports; and Note 4, which deals with prior licensing. The rest of the Notes deal with import controls relating to agriculture, health, security and defence.

43. The changes introduced relate basically to the manufacturing sector, where additional measures are also planned over the next four years. These include a gradual reduction in tariffs and the elimination of virtually all quantitative restrictions. Reform in the agricultural sector is expected to begin in 1991.

44. At the same time, provisions are currently being drawn up to deal with unfair competition, and the process of modernizing and transforming the customs service at an institutional level has also begun.

B. Legal provisions

45. The Customs Act and its Regulations establish the basic provisions as far as imports are concerned.¹ This Act defines the obligations of the President of the Republic in the Council of Ministers and of the Minister of Finance, who are responsible for the organization, operation and regulation of the customs service. The Act also controls customs operations, establishes limits within which tariffs are set, determines the basis for exemptions and exonerations of payment of customs duties thus set, and establishes rules for the suspension and refund of customs duties. In addition, the Act identifies illicit customs practices and establishes the corresponding sanctions.

46. In accordance with the above-mentioned legislation, the President of the Republic in the Council of Ministers is responsible, among other things, for the promulgation of the customs tariff; the creation of free zones and free ports; the increase, reduction or elimination of import, export or transit taxes on all or any merchandise originating in, coming from or destined for a given country, countries or persons; the levying of surcharges or additional taxes to those provided for on imports, exports and transit goods, not in excess of 60 per cent of the amount of such established rates; the reduction or elimination of such surcharges or additional taxes as he sees fit in the best national interest; and the establishment of charges payable by users of the various customs services.

47. Under the Act, the Minister of Finance is responsible for the management and supervision of customs, as well as the establishment, modification or elimination of tariff lines, descriptions, notes, rates, restrictions, legal régimes and other provisions relating to the Customs Tariff. The Ministry of Finance also has the authority to suspend temporarily the import, export or transit of merchandise originating in, coming from, or destined for a given country, countries or persons; to establish customs-related export incentives; and to fix official prices for the purpose of calculating ad valorem tariff rates.

48. Without modifying this general framework, Decree 239 of 24 May 1989² established the provisions governing Venezuela's trade policy for the next

¹ Annexes 1 and 2

² Annex 3

few years. As far as imports are concerned, Decree 239 provides for a gradual reform of the Customs Tariff, to "secure its simplification and transparency, as well as to guarantee industry a reasonable time in which to carry out the necessary adjustments in order to adapt to the country's new economic conditions."¹

49. The reform provided for in Decree 239 relates basically to the manufacturing sector, and involves adjustments in tariff levels as well as the progressive elimination of non-tariff restrictions on imports.

C. Basic characteristics of the Customs Tariff²

a. Structure

50. The Customs Tariff is based on the Tariff Nomenclature of the member countries of the Cartagena Agreement (NABANDINA). This Nomenclature is based on the Nomenclature of the Brussels Customs Cooperation Council. It should be pointed out that by virtue of Decision No. 249³ of the Commission of the Cartagena Agreement, Venezuela will substitute the present NABANDINA for a new nomenclature common to the Andean Countries, NANDINA, which is based on the Harmonized System. This tariff reform will come into effect by March 1990 at the latest.

51. The Customs Tariff has 10 columns. Items are identified by a numerical code of eight digits, which in some cases is increased to a maximum of ten digits. These tariff lines are designated items or sub-items, respectively. Beside this tariff number (column 1), the exact description of articles is shown (column 2), together with, if necessary, an additional description of characteristics at the more disaggregated level (division and sub-division to which the item or sub-item corresponds).

52. Columns 3, 4 and 5 of the Tariff provide information concerning the general import régime. Columns 3 and 4 show ad valorem and specific rates, respectively, and column 5 refers to non-tariff measures applied to imported products. Columns 6 to 9 provide information regarding the régime applied to imports coming from the Andean Pact countries.⁴ Column 10 is reserved for general observations.

b. Tariff rates

53. According to the provisions of Article 82 of the Customs Act, the National Executive has the authority to impose tariff rates of between 0.01

¹Ibid., Article 1

²Annex 5

³Annex 14

⁴Annex 16

per cent and 500 per cent of the value of imported merchandise, and of between Bolivares 0.0005 and Bolivares 100 per unit in the decimal metric system (generally by gross weight).

54. Accordingly, until mid-1989 ad valorem duties on a substantial group of products exceeded rates of 80 per cent and 100 per cent. In addition, a substantial number of items were subject to combined rates (ad valorem plus specific taxes). This situation has changed recently, as the programmed changes established in Decree 239, cited above, have been put into practice.

55. In the manufacturing sector, the upper limit on ad valorem tariffs has been set at 80 per cent for consumer goods and at 50 per cent for intermediate and capital goods, and raw materials. There are some ceilings higher than 80 per cent and some specific tariffs on agricultural products and on products included in Chapter 27 of the Tariff, corresponding to mineral fuels, oils, mineral wax, distilled products and bituminous substances.

56. The tariff reform process is to continue over the next few years. In March 1990, it is proposed to reduce the maximum tariff to 50 per cent, and establish five tariff rates, depending on the degree of processing embodied in the products concerned. Between the months of March 1991 and March 1993, a gradual annual decrease is planned, with a view to reaching a maximum ad valorem level of 20 per cent and two tariff rates.

57. As regards the agricultural sector, studies have been initiated to determine the impact of the trade régime in that sector and to harmonize the planned reforms in this area with price, financial and trade policies.

c. Tariff exemptions

58. In accordance with Article 13 of Decree 239, it has been decided to eliminate tax exemptions on imports of manufactured goods. The products included in the "Basic Basket", made up of seventeen essential consumer goods¹ are excluded. Also excluded are articles imported entirely

¹Wheat flour for industrial and domestic use; edible industrial pasta made from wheat, as designated by resolution; table rice; precooked maize flour; canned sardines, as designated by resolution; mass-consumption powdered milk; refined or brown sugar; mixed vegetable oil; pasteurized semi-fatty white cheese; pulses, as designated by resolution; infant formulas; dehydrated soups, as designated by resolution; essential medicines, as designated by resolution; type C toilet paper; fertilizers; urban and intercity passenger transportation.

dismantled for assembly in the country (C.K.D. régime).¹ The latter will enjoy these tariff benefits until January 1991. Imports of public enterprises are also exempted, when their specific legal régimes so provide.

59. The Customs Act allows the National Executive to authorize the total or partial exemption from customs duties of articles imported for former presidents of the Republic; national, State and municipal administrations that require them for public services; diplomatic and consular officials or missions accredited to the National Government, on a basis of reciprocity; foreign service officers of the Republic; religious institutions in the exercise of their religious activities; public and social welfare activities; industrial, agricultural, stock-breeding, transportation, mining, fishing and the manufacture of essential goods, principally.

d. Non-Tariff measures

60. The new trade policy foresees the gradual elimination of non-tariff restrictions under the legal régimes established in Note 1 (prohibited imports, Note 2 (imports reserved to the National Executive), Note 4 (Ministry of Development License), and Note 8 (Permit from the Ministry of Finance).

¹Elevators; electrical motors; gasoline motors; compressors; valves; pumps; audio equipment; television sets; communication equipment (telephone exchanges, transmitters and governors); power equipment (command and distribution switchboards, transformers); scales; domestic sewing machines, electrical household appliances; computers; photocopying machines; electrical typewriters; electromechanical tools; videocassettes; extensor machines; loudspeakers; electrical antennas; wheeled tractors; automobiles; special automobiles; chassis with motors; motorcycles and bicycles.

61. In recently introduced changes to the Customs Tariff, restrictions of this kind were eliminated on 1899 items. This is equivalent to 76.9 per cent of all items subject to such non-tariff restrictions. Between March and September 1990, the National Executive proposes to reduce the coverage of non-tariff restrictions to a maximum of 5 per cent of manufactured products. The designation of products remaining protected under these restrictions will be established during the above-mentioned period.

62. Other restrictions are applied to imports for reasons of public health, plant and animal health, national security and defence, and are identified in the Tariff under the following codes: Note 3, Sanitary and Social Welfare Permits; Note 5, Certificate of Health from the Country of Origin; Note 6, Health Permit from the Ministry of Agriculture and Livestock; Note 7, Permit from the Ministry of Defence; and Note 9, Permit from the Ministry of Foreign Relations.

63. These permits are granted by the competent institution, depending on the article in question. They basically relate to agricultural and agro-industrial products, alkaloids, narcotic and psychotropic substances, explosives and basic materials for their manufacture, weapons and military equipment.

D. The new trade policy and integration agreements

64. In the international context, and in view of the new trade policy, Venezuela has begun a process of reviewing and harmonizing commitments contracted with its trading partners, both in the framework of the Cartagena Agreement and ALADI, as well as with third countries.

65. Venezuela has granted preferential tariffs on different products, in accordance with the mechanisms established in the Partial-Scope Agreements established under ALADI. These agreements have been defined as "... those in whose implementation the totality of member countries do not participate...", and with respect to which established rights and obligations apply exclusively to the countries that subscribe or adhere to them.¹

66. As a consequence, imports of products originating from the member countries included in each Partial-Scope Agreement enjoy a percentage reduction with respect to the tariffs applied on imports originating from other countries.²

¹Montevideo Treaty of 1980, Article 7

²The nature and scope of the agreements subscribed to by Venezuela in the context of ALADI are known to GATT by virtue of the periodic notifications duly made by the contracting parties which belong to the Latin American Integration Association.

67. In the framework of the Cartagena Agreement, or Andean Pact, Venezuela has liberalized tariffs on intra-sub-regional trade, except on those products reserved for industrial development programmes (identified by the abbreviation R in the Liberalization Programme); and the products comprising the lists of exceptions. The products covered by the industrial programmes (abbreviated PMM, PPQ and PSA) have their own liberalization programme).

68. The Cartagena Agreement also foresees the establishment of a common external tariff, applicable to imports of extra-regional origin. In order to facilitate the adoption of this common external tariff, whose levels have not yet been set (except in respect of the industrial development sector programmes approved by the Commission of the Cartagena Agreement for certain sectors of economic activity), a Common Minimum External Tariff (AEMC) has been adopted, which establishes the lower limit of the tariff. The AEMC is currently under review.

E. Other charges on imports

69. In addition to tariffs, customs-service charges must also be paid. The charges are 5 per cent ad valorem for articles imported by sea, air and land, and of 2 per cent ad valorem for articles imported in the form of postal packages. This charge applies to all imports.

70. Also, imports are subject to storage charges if they remain stored for more than twelve days in customs warehouses, yards or other premises.

71. Applications to the Ministry of Finance concerning tariff classification relating to any merchandise must also be paid for. These consultations are effected on behalf of interested parties, and cost between Bs 10 and Bs 1,000 for each case. Currently, for consultations that do not require laboratory analysis, the price is set at Bs 500, and for those that do it is set at Bs 1,000.

72. Finally, it should be mentioned that there is a special charge for customs services provided outside ordinary working hours and on non-working days. This ranges from Bs 1 to Bs 500 per hour or part thereof. At present, the charge is set on the basis of a moving scale between Bs 100 and Bs 400 per hour or part thereof.

F. Customs rules and procedures

a. Customs valuation

73. For the purpose of paying ad valorem duties on imports, the customs value of merchandise is determined according to the Brussels Definition of

Value. Accordingly, the normal value of an article is its normal price, meaning that at the moment when import duties are payable, it is the value of the sale of an imported article under conditions of free competition, between a buyer and seller who are independent of each other.¹

74. If the declared price is less than the normal competitive price, a rectification or adjustment will be made in order to determine the normal price. The normal competitive price is the price usually applying in commercial transactions under competitive conditions involving foreign merchandise which is identical or similar to that being valued.

75. If it is not possible to determine the normal price based on the price paid or to be paid, or on the price under competitive conditions, the valuation will be based on the probable or actual price of the sale or resale of the imported article in Venezuela, or on the amount of expected rent, whichever the case may be. For these purposes, the probable price is understood to be the price obtained, on a date previous or near to that of the valuation, for identical merchandise to that being valued; the actual price is the actual amount obtained upon sale of the imported merchandise for the first time in Venezuela.

76. There are also special rules for determining the normal price of used, damaged or depreciated articles, and those imported or re-imported under special régimes.

b. Official prices

77. Article 4, paragraph 18, of the Customs Act authorizes the Minister of Finance to establish, by resolution, official prices for imports, exports or articles in transit, in order to calculate the taxable base for the application ad valorem duties.

78. Similarly, Article 278 of the Regulations of the Customs Act establishes that in cases where the price of an article does not correspond to that prevailing under reasonable conditions of international competition, the Ministry of Finance may set an official price for the article, to ensure that it conforms to the usual competitive price under normal conditions of trade. At present, no official prices are enforced.

c. Customs

79. It is worth noting that in Decree 239, the institutional and operational modernization and transformation of the customs service is foreseen, for the purpose of guaranteeing that the service fully exercises effective control over imports.

¹For more details, see Annex 2, Articles 235 to 281

G. Measures against unfair trade practices

80. Venezuelan legislation relating to the regulation of unfair trade practices is not very developed, and there are currently no domestic rules on this subject. Nevertheless, in the trade policy provisions of Decree 239, the establishment of mechanisms for dealing with unfair competition is foreseen.

81. The Commission of the Cartagena Agreement approved Decision 230,¹ which refers to practices that distort competition. Among the practices mentioned are dumping, the unjustified manipulation of prices, operations designed to disturb the normal supply of raw materials, and other activities having equivalent effects.

82. It is worth noting that Decision 230 of the Cartagena Agreement establishes that countries may request authorization from the Board of the Cartagena Agreement to apply measures to prevent or correct distortions in the sub-regional market, in cases where practices originating either within a member country of the sub-region, or from a third country, cause or threaten serious injury to national production or exports destined to another member country.

¹See Annex 15

CHAPTER III: EXPORT POLICIES

A. Introduction

83. One of the main purposes of the economic reform programme adopted by the National Executive is to promote the growth and diversification of non-traditional exports. The medium-term objective is to shape an economic structure that is less dependent on oil, and a productive apparatus which is more competitive and efficient, and which will permit qualitative and quantitative improvements in Venezuela's participation in world economy.

84. The establishment of a single floating exchange rate constitutes an important aspect of these efforts. With this policy, it is hoped to guarantee the maintenance of a real and competitive parity that will stimulate the production of internationally-tradeable goods.

85. In addition, a system of fiscal incentives and financial mechanisms will be maintained in order to stimulate the growth of non-traditional exports and to redress the anti-export bias. These incentives are also based on the need to compensate local producers for the exogenous inefficiencies in the productive process that are characteristic of developing countries, and will be maintained until existing physical and administrative infrastructure, which is more adapted to the country's import needs rather than to the demands of exporting, is transformed.

86. In addition, the process of industrial redeployment, which is being undertaken in parallel with a greater degree of openness in the national economy, makes it necessary to support new industries until sufficient time has elapsed to permit them to internalize initial learning costs. Also required are specific technical and financial assistance measures to enable existing industries to raise their productivity, modernize their technology and improve the quality of their output, in order to expand production and stimulate competitiveness in relation to imports.

87. Likewise, administrative procedures for exporting will be made more flexible, through the elimination of existing permits, licences and prohibitions on exportable goods, with the exception of some goods to which reference will be made below.

88. The exportation of goods originating from non-renewable natural resources will remain subject to the legislation in force concerning conservation and rational management of non-renewable natural resources.

B. Port service taxes and charges

89. The authority of the Executive in relation to customs matters also extends to exports. However, at the present time, Venezuela does not apply any taxes on exports.

90. As regards charges for port services (stowage charges), a charge of Bs 37 per tonne or part thereof is payable if the merchandise is in containers, and of Bs 53 per tonne or part thereof, if the merchandise is in bulk.¹

C. Export restrictions

91. Decree 239 provides for the elimination of existing permits, licenses and prohibitions on the export of goods, except in regard to those products presently included in the "basic basket", and goods identified by the Venezuelan State for reasons of public interest.

92. The Joint Resolution of the Ministries of Finance, Development, Agriculture and Livestock, dated 15 August 1989, established a list of articles that are subject to export licences. Included in this list are some agricultural products (milk, green peas, lentils, dry beans, rice and maize), prepared and canned sardines, saccharose, sugar,² uranium and thorium minerals, metallurgic minerals and fertilizers.

D. Export incentive systems

a. Fiscal credits

93. Following the guidelines laid down by Decree No. 239, the National Executive, through Decree No. 395, amended the Regulations of the Export Incentive Law and established two categories for the classification of export products according to domestic value-added, which must be at least 30 per cent. The first group comprises goods having a domestic value-added of between 30 and 90 per cent, for which a credit of 30 per cent is granted, calculated on the net f.o.b. value of the exports. For the second category, comprising products with a domestic value-added of between 91 and 100 per cent, the credit is 35 per cent, again of the net f.o.b. value of the exports. This incentive will be progressively reduced as from March 1990, in line with progress in the tariff reform and as the various special customs régimes provided for in the Customs Act enter fully into operation.³

94. Up to now, fiscal credits for non-traditional exports have been the instrument of support most widely used by exporters, given that other incentives have not been operational. The basic provisions governing current fiscal incentives are contained in the Export Incentive Law and its Regulations.⁴

¹Annex 6, Articles 9 and 10

²Annex 4

³See Annex 8

⁴Annexes 7 and 8

95. According to these provisions, any natural or legal person who exports goods containing domestic value-added greater than or equal to 30 per cent will be entitled to a fiscal credit in the form of bonds issued by the Ministry of Finance, which may be negotiated in the stock market, or outside it, or used for the payment of taxes.

96. In the Export Incentive Law, domestic value-added is defined as the difference between the f.o.b. price of each exported good and the cost of the physical and non-physical imported components utilized directly or indirectly in the manufacturing process.

97. The formula for calculating the percentage share of domestic value-added, as set out in Resolution No. 177 of the Ministry of External Relations, dated 11 August 1989, is the following¹:

$$\% \text{ VAN} = \frac{\text{PFU} - \text{CUI}}{\text{PFU}} \times 100$$

VAN = Domestic value added

PFU = Unit f.o.b. price of the export product

CUI = Unit cost of imported components

98. This tax credit may be cumulated with the fiscal incentives mentioned in section b. below or with the other export incentives with which such cumulation is authorized by resolution² of the Ministries of External Relations, Finance and Development.

b. Special tariff régimes

99. The following arrangements give rise to tax exemptions or refunds:

- i) Temporary admission of goods for processing. According to Article No. 342 of the Regulations of the Customs Act, temporary admission of goods for processing is defined as "the act of introducing into the national territory, articles conditionally exempted from the payment of import taxes, with the object of re-exportation within the time limit stipulated in these Regulations, after having been transformed, combined, mixed, recovered, or subjected to any other kind of processing".
- ii) Replacement of stocks. As provided for in Article 252 of the Regulations of the Customs Act, this customs régime "permits the duty-free importation of raw materials, parts, components, and semi-manufactures, that are identical in description, quality and

¹ Annex 9

² See Annex 8, Article 7

technical characteristics with those which, having paid import taxes, have been used in the production of goods which have previously been exported".

iii) Import tax refunds (drawback). Article 361 of the Regulations of the Customs Act provides that "when goods are exported, the import taxes paid on those goods or on the materials used in their production may be totally or partially refunded".

c. Exemptions from income taxes

100. Decree 1336 of 12 November 1986¹ provided exemption from income taxes for a five-year period, beginning with the tax period following the one in which the investment was made, in respect of new investments by industrial enterprises for the production of goods for export, provided that at least 50 per cent of the goods produced as a consequence of the new investment were effectively exported and involved goods whose domestic value-added was not less than 50 per cent.

101. Although this Decree was abolished by Decree 2633 of 21 December 1988, tax payers who had been benefiting from this exemption continue to do so for the period originally stipulated.¹

102. The free zones and the Free Port of Margarita Island enjoy a special customs régime that includes tariff exemptions.²

E. Export financing

103. On 28 September 1973, an Export Finance Fund (FINEXPO) was created as an autonomous entity, without independent legal status, attached to the Central Bank of Venezuela.³ The Fund constitutes the financial basis for a system of credit support for non-traditional exports. The aim of FINEXPO is to provide credits on preferential terms to natural and legal persons engaged in exporting non-traditional exports of goods with a domestic value-added component of 30 per cent or more.

104. The financing that the Fund makes available to exporters is for activities such as feasibility studies, market studies, promotional expenses, fixed investment in agricultural enterprises, working capital, and the financing of securities and services provided abroad. The Fund also finances foreign importers of products of Venezuelan origin. FINEXPO

¹Annex 27

²See Chapter V of this Memorandum

³Annexes 10 and 11

maintains credit lines with national banks for financing pre- and post-shipping operations, and with foreign financial institutions for post-shipping operations. The total value of credits granted in all areas of activity was Bs 2.4 billion in 1988, approximately equivalent to US\$ 156 million.

105. The interest rate applied to export credits is currently set at 6 per cent below the discount, rediscount and borrowing rates of the Central Bank of Venezuela. All operations financed under this system are denominated in local currency. For the month of August 1989, the Central Bank set the discount rate at 39 per cent. However, it should be noted that the credit arrangements covered by this Fund require bank guarantees or sureties from credit institutions.

F. Procedures applicable to exports

106. In accordance with Venezuelan law, there are two different procedures for exporting. First, there are the procedures applicable to any export, according to which exporters must present the following documents for customs purposes¹: a customs declaration; the final commercial invoice; an invoice establishing purchase in the domestic market in cases where the exporter is a trader; a copy of the bill of lading, air way-bill or way-bill, as appropriate; other legal requirements according to the exports involved (export licence, phytosanitary certificates, certificate of origin, etc.); and customs registration.

107. Secondly, in cases where the export is covered by the incentive system implemented by the National Executive, the following requirements must be met by exporters: registration in the Register of Exporters maintained by the Institute of Foreign Trade (ICE); the tariff classification issued by the Ministry of Finance; and the certification of domestic value-added issued by ICE, or published in the Official Gazette.

108. Additionally, to receive the incentive the following requirements are necessary: a provisional or final certificate of foreign currency receipts issued by an authorized commercial bank; calculation of the fiscal credit; and authorization of the withdrawal of export bonds issued by a local commercial bank or the Central Bank of Venezuela.

¹For private companies, all procedures related to customs operations must be carried out through a duly qualified customs agent, in accordance with Article 28 of the Customs Act (see Annex 1).

109. In accordance with Decree No. 423, of 20 December 1984, the National Executive established a set of rules to simplify the procedures associated with export activities. In this context, an office was created, called the "Single Office for Exports", which is responsible for centralizing the greater part of the above-mentioned procedures.

CHAPTER IV: ECONOMIC AND TRADE AGREEMENTS

A. Introduction

110. Venezuela has been an active participant in the efforts made in the Latin American context to encourage economic integration among the countries of the region. It also has subscribed to many bilateral agreements and is part of various international organizations with responsibilities in the trade area.

B. Regional and sub-regional integration

111. Venezuela is a party to two economic integration agreements: the Latin American Integration Association (ALADI), which is made up of eleven (11) member countries, and the Cartagena Agreement, or Andean Pact, formed by five (5) countries in the Andean sub-region, which are in turn members of ALADI.

a. The Latin American Integration Association

112. The Latin American Integration Association (ALADI) was created by the Montevideo Treaty of 1980, which replaced the Montevideo Treaty of 1960 creating the Latin American Free Trade Association (LAFTA). Venezuela joined LAFTA in 1966 and ALADI in 1980.

113. Tariff concessions exchanged during the period 1962-1980 in the framework of LAFTA were recognized in the Partial-Scope Agreements negotiated bilaterally under ALADI. In this way, Venezuela has subscribed to six Partial-Scope Agreements with ALADI member countries (Argentina, Brazil, Chile, Mexico, Paraguay and Uruguay). These agreements have so far only included tariff preferences for certain items.

114. In addition, Venezuela is signatory to five (5) multilateral Sectoral Trade Agreements (in the chemical, phonographic, petrochemical, photographic and glass industries), which also include tariff preferences on certain items within each sector. Furthermore, Venezuela, together with the other ALADI member countries, signed the Partial-Scope Agreement on Cultural Goods, which is designed to facilitate regional trade in such goods.

115. In conformity with Article 11 of the 1980 Montevideo Treaty, Venezuela has subscribed to two (2) Framework Agreements on Economic Complementarity, one with Argentina and the other with Mexico. The basic objective of these agreements is to increase and extend bilateral exchanges of goods and services through actions designed to facilitate the inter-sectoral integration of both economies. Because of their general character, these agreements provide for the possibility of concluding sectoral protocols to regulate trade and joint initiatives in the economic sectors of sub-sectors concerned.

116. Based on Article 25 of the Montevideo Treaty of 1980, Venezuela has subscribed to seven (7) Partial-Scope Agreements with Latin American and Caribbean developing countries which are not members of ALADI. These countries are Costa Rica, El Salvador, Honduras, Nicaragua, Guatemala, Cuba and Trinidad and Tobago. At the present time, a similar agreement is being negotiated with Guyana. As with the ALADI member countries, these agreements include tariff preferences or a list of bilaterally negotiated products.

b. The Cartagena Agreement

117. The Cartagena Agreement¹, which was signed on 26 May 1969 and entered into force in October of that year, establishes a sub-regional economic integration scheme for the countries of the Andean area. Among its fundamental objectives are the encouragement of balanced economic development in its member countries - currently Bolivia, Colombia, Ecuador, Peru and Venezuela-; the acceleration of economic growth through integration, and the promotion of a Latin American common market. Venezuela joined the Cartagena Agreement on 13 February 1973.

118. Among the mechanisms established by the Cartagena Agreement to promote economic integration are the harmonization of economic and social policies, joint industrial development, the liberalization programme, and the establishment of a Common External Tariff. The Cartagena Agreement also provides for preferential treatment for Bolivia and Ecuador, which are considered relatively less-developed countries.

119. Since 1981, problems arising from the application of the Liberalization Programme, which was affecting domestic producers in sensitive areas, as well as the economic crisis, which became widespread throughout the region, have posed a series of difficulties. In order to confront these difficulties, the Andean Pact countries undertook a series of negotiations that led to the Quito Protocol of 12 May 1987.²

120. The main modifications introduced by the Quito Protocol may be grouped under the different substantive areas of Andean integration arrangements. In relation to institutional issues, the Quito Protocol improved on existing arrangements by adding the Andean Parliament and the Court of Justice, besides the Commission, as principal organs under the Agreement.

¹ Annex 12

² Annex 13

121. Three thousand three hundred and twenty-seven tariff items have been included in the liberalization programme. This means that the affected products may enter the markets of Colombia, Peru and Venezuela free of tariffs and restrictions. (For Bolivia and Ecuador, the reduction of tariffs is more gradual). Moreover, these products benefit from protection against third parties by virtue of the Common Minimum External Tariff (AEMC), which is under review with a view to diminishing protection levels.

122. Mechanisms of protection also exist for dealing with problems that may arise in products subject to automatic duty reduction. Included in these mechanisms is a safeguard clause that permits the temporary suspension of the liberalization programme.

123. There are two other mechanisms which exist to protect domestic production: the list of exceptions, which is a temporary protection system which, in the cases of Venezuela, Colombia and Peru, includes a maximum of 250 items per country, and the List of Administered Trade (NCA), which is a trade regulation system operated through the application of quotas or contingency measures.

124. In addition, efforts are being made to harmonize exchange-rate policies, export incentives and régimes of tariff exceptions. There are other more complex projects as well, for harmonizing legislation dealing with exchange rates and monetary matters.

125. There also exists a set of mechanisms whose purpose is to strengthen sub-regional relations. In the financial and payments field, there are the Andean Development Corporation and the Andean Reserve Fund, which have enabled countries to obtain investment resources and balance-of-payments support, in a situation of increasing international financial stringency.

126. As far as the industrial field is concerned, there are three Sectoral Industrial Development Programmes, in the petrochemical, metalmechanic and automotive industries. Venezuela participated only in the Petrochemicals Programme. By virtue of the reforms introduced by the Quito Protocol, however, the whole industrial programme is being reviewed. Sectoral industrial development programmes are being replaced by industrial integration programmes, incorporating complementarity agreements and projects for industrial integration as new modalities for integration in this area.

127. Finally, a new chapter has been introduced by the Quito Protocol, dealing with activities relating to economic and social cooperation. It provides for cooperation activities in sectors considered as having high priority for development, such as technology, natural resources, tourism, services, social development, border integration and social communication.

C. Bilateral trade agreements

128. Since 1984, Venezuela has established a number of bilateral trade agreements with countries outside the Latin American and Caribbean region. All of these agreements establish reciprocal most-favoured-nation treatment under a clause that provides for three exceptions: border trade, trade carried out within free-trade associations or economic integration schemes, and special treatment deriving from economic cooperation agreements between developing countries. These agreements do not include any tariff or para-tariff preferences.

129. In addition, these bilateral trade agreements provide for inter-governmental cooperation mechanisms to promote trade between the two signatories, by means of the exchange of information, collaboration in the organization of trade missions and fairs, and the development of indicative lists of products of interest to both parties.

130. Up to the present time, Venezuela has concluded agreements of this nature with the following countries: USSR (1985), the Romanian Democratic Republic (1985), the Democratic People's Republic of Algeria (1985), the People's Republic of China (1985), Czechoslovakia (1986), the Democratic Republic of Germany (1986), the People's Republic of Poland (1988), the People's Republic of Hungary (1988), the People's Republic of Bulgaria (1988) and the Socialist Republic of Yugoslavia (1988).

131. Trade relations with the United States are governed by Diplomatic Notes exchanged on 26 June 1972 following the denunciation by Venezuela of the Trade Reciprocity Treaty of 1939 (revised in 1952). These Notes provide for reciprocal most-favoured-nation treatment, except in the case of frontier trade and trade under the framework of free-trade agreements and economic integration schemes.

132. Trade with the European Economic Community is also governed by the most-favoured-nation principle, by virtue of Article 1 of the Framework Agreement for Economic Cooperation, signed by the Community and member States of the Cartagena Agreement on 12 December 1984.

D. Multilateral agreements

133. Venezuela is a member of the Organization of Petroleum Exporting Countries (OPEC), the International Cocoa Organization and the International Coffee Organization.

134. In addition, on 13 April 1989 Venezuela signed the Framework Agreement of the Global System of Trade Preferences, which was negotiated within UNCTAD to promote trade among developing countries. At the present time procedures are moving forward for its legislative ratification.

CHAPTER V: OTHER POLICIES RELATED TO TRADE

A. Introduction

135. For some years, free zones and free ports have existed in Venezuela, subject to a special legal régime. There is also a set of dispositions in Venezuelan legislation dealing with quality control and sanitary and phytosanitary questions. These provisions, together with those concerning government procurement and State monopolies relating to trade, will be discussed in detail in this chapter.

B. Free zones

a. General regulations

136. The National Executive has the authority to create free zones within the national territory for the purpose of promoting the economic development of specific regions. This authority was granted to the President of the Republic in the Council of Ministers, under Article 3, paragraph 3, of the Customs Act.¹ Previously, this authority fell within the competence of Congress. In accordance with this authority, Congress enacted the "Law establishing the provisions under which the National Executive shall create a free zone in the State of Nueva Esparta and in other regions of the country", of 19 August 1966.²

137. The Regulations of this law define free zones as "... the area separated from the national customs territory where a preferential régime is in operation to favour trade, to promote industrial development and to stimulate the economic progress of a certain region and of the country in general, its essential characteristics being as follows: the entry of articles exempt from customs duties and other charges, the possibility of substantially transforming these articles, facilities for carrying out import, export, transit, coastal sailing or trading, forwarding, re-exporting and re-shipping operations; and the reduction of import taxes through preferential rates for certain articles that, coming from the free zone, enter into the national customs territory".³

138. As regards the treatment of these articles, the main characteristics of the free zones that may be created under this régime are the following:

- (i) The articles sent from abroad to the free zones are exempt from import duties and from consular fees, and are not subject to quantitative restrictions, and may be exported or re-shipped without the payment of

¹Annex 1

²Annex 18

³Annex 19

taxes or other limitations. The Executive has the authority, nevertheless, to establish restrictions on these goods.¹

- (ii) Foreign goods coming from the free zones and introduced into the national customs territory are subject to the normal régime applicable on all imports of goods, with the exceptions that are established in the same regulation.²
- (iii) Articles coming from free zones, in whose manufacture foreign raw materials have been used, may be considered domestic and therefore enter national territory free of tax, provided the processing undertaken in³ the free zone has added substantial value, as determined in each case.
- (iv) Articles whose importation into the national customs territory is prohibited may not be introduced into the free zones, except with the express authorization of the National Executive.⁴
- (v) Product processing of all kinds may be carried out in the zones, including packing, unpacking, bottling, unbottling, manufacture, assembly, refinement, purification, mixing, etc., incorporating in these processes imported as well as domestic articles. The products manufactured through these operations may be destined for the domestic market or for export, and are in principle tax free, according to the regulations established under the present régime. These operations must be authorized by the competent authorities.
- (vi) The executive may temporarily exempt enterprises established in free zones from paying income tax. This provision applies to enterprises located in the free zone of Paraguaná, which devote at least 55 per cent of the value of their production to exports, and the production and sale of ethyl alcohol, types of alcohol, cigarettes destined for export or for consumption in free zones, free ports, or other customs territories subject to special régimes.

b. Free zone and free Port of Margarita

139. In the State of Nueva Esparta (Island of Margarita), there are both an industrial free zone as well as a free port. The first was created on the

¹Annex 19, Article 3, single paragraph

²Ibid., Articles 4, 5, 6 and 10

³Ibid., Article 7

⁴Ibid., Article 9, single paragraph

basis of the Law and Regulations cited previously. The second was established by Decree 511 of November 1974, and modified by Decree 691 of January 1975.¹

140. The two have in common the fact that they are special customs régimes that permit the free entry of tax exempt articles, in accordance with the arrangements mentioned above. The basic difference between them is that the free zone caters to the establishment of industries involved in the manufacture or transformation of imported articles, whether or not combined with local inputs, but does not permit the establishment of businesses or retailers that offer these articles for sale to the general public within the same territory.

141. On the other hand, articles imported under the free port régime are mainly destined for sale to the public, and the establishment of businesses that sell these articles is permitted within the same territory. In short, the free zone is a territory with a special customs régime designed for industrial purposes and the free port is a free area established for commercial and tourism purposes.

c. Industrial free zone of Paraguaná

142. A free zone designated the "Industrial Free Zone of Paraguaná" was created by Presidential Decree No. 1307 of 6 June 1973 and regulated by Decree No. 2166 of 25 May 1988.² The free zone is fully consistent with the general régime previously described, and is currently in operation.

C. Countertrade

143. At the present time specific legislation does not exist in Venezuela to regulate countertrade. The only references to this type of operation are found in the Law on Export Incentives and in its Regulations.³ These refer to the manner of calculating the value of exports via barter for the purposes of establishing the corresponding incentive.

144. Nevertheless, in Venezuela, some countertrade operations have been carried out, among which may be mentioned those undertaken in 1988 by the company CVG-Ferrominera del Orinoco, involving the exchange of iron ore for machinery and equipment coming from certain socialist countries of Eastern Europe. At the present time, no operations of this sort are being carried out.

¹Annex 20

²Annex 21

³Annex 7, Article 9; and Annex 8, Article 17

D. Technical standards

145. Under the Law on Technical Standards and Quality Control¹, the Ministry of Development regulates standards in relation to the introduction, distribution and retailing of imported goods, and the exportation of domestic goods. According to the Law, all imports must comply with the technical² standards and quality control requirements that apply to domestic goods.

146. As far as exports are concerned, the Ministry of Development is responsible for determining technical standards for the certification of the quality of exports when there are no existing agreements between the manufacturer, the supplier of services or the exporter, and the foreign buyer or user. Nevertheless, the Ministry of Development may object to such agreements if it considers that they are prejudicial to the prestige of the country as an exporter.

147. The technical standards set by the Venezuelan Commission of Industrial Standards (COVENIN) are approved by the Ministry of Development, which also authorizes the utilization of the trademark NORVEN (Venezuelan Standard), whose use or printing on a product signifies that the latter has been manufactured under quality control systems approved by the Ministry of Development, and that the product carries the guarantee of the manufacturer that it has been produced in conformity with the COVENIN Venezuelan Standards. Public administration institutions, including State enterprises, when carrying out their bidding and buying, are obliged to demand that products and services comply with the established requirements of the Venezuelan Standards COVENIN and to prefer products that carry the trade mark NORVEN.

148. The COVENIN Venezuelan Standards are in the nature of recommendations, except where the Ministry of Development declares them obligatory because they deal with products or services whose use or consumption has a direct connection with human health or life, or when it judges that the national interest so requires.

149. As far as imports are concerned, the Ministry of Development may request certificates of conformity with the standards issued by foreign institutions in order to permit the entry or sale of imported goods. If obligatory (COVENIN) Venezuelan standards apply, the imported product in question must conform to them.

E. Sanitary and phytosanitary standards

150. As regards sanitary standards applicable to the import of animals and plants, the Ministry of Agriculture and Livestock may formulate prohibitive or restrictive measures, and regulate the import, export and transport of

¹Annex 17

²Ibid., Articles 24 and 25

plants, animals and their respective products, determine the ports and the customs entry points where their import or export is permitted, and regulate the import, retail sale and use of zootherapeutic and related products, and their derivatives, destined for veterinarian therapeutic uses.¹

151. The Ministry of Agriculture and Livestock may order the confiscation and destruction of plants or animals and related products, byproducts and their remains, with the object of preventing or combatting diseases, plagues or other agents of ill-health. Animals, plants and their products or byproducts originating in foreign countries and to be transported across national territory, must be accompanied by a clearance certificate or a certificate of immunity, issued by the health authorities in the place of their dispatch.

152. As far as foods are concerned, the General Regulations on Foods², contained in Decree-Law No. 525 of 16 January 1959, grant the Ministry of Health and Social Welfare the right to authorize or prohibit, as well as to determine the necessary sanitary conditions for, the manufacture, importation, exportation, storage, sale and consumption of foods; to confiscate foodstuffs suspected of not complying with established sanitary requirements, and to destroy or denature, without compensation, all food considered unfit for human consumption.

153. In line with the above Regulations, the importation, storage and sale of spoiled or adulterated foods is prohibited. All foodstuffs, domestic or foreign, are subject to registration before their importation or manufacture is permitted, except in exceptional cases approved by the Ministry of Health and Social Welfare, and where samples are imported for the purpose of requesting registration. The General Regulations on Foods prohibit the importation and sale within the national territory of foods whose consumption is not permitted in the country of origin. They also require that each consignment of fresh foods, such as meats, fish, shell-food, crustaceans, eggs, milk and other imports, are accompanied by a certificate of sanitary guarantee issued by the appropriate authorities of the country of origin, and authenticated by the Venezuelan Consulate. The Regulations also prohibit the importation of pork that has not been previously subjected to a treatment capable of destroying trichina.

F. Government procurement

154. Decree No. 1182 of 16 July 1986, published in the Official Gazette No. 33546 of 2 September of the same year, lays down the rules guiding demand for works, goods and services in projects carried out or financed by the State³, whose objectives are to promote the industrial and technological development of the country.

¹Annex 24

²Annex 25

³Annex 26

155. These rules establish procedures for the purchase of capital, intermediate and consumption goods, as well as for the drawing up of contracts for public works and industrial construction to be undertaken by the Public Administration, both centralized and decentralized, and State Governments. They also cover purchases and contracts which are to be financed by the State.

156. In accordance with this Decree, neither the purchase nor finance of goods of foreign origin, nor the conclusion of contracts for public works and industrial construction with foreign concerns, is permitted where there is a domestic offer of adequate quality, timing and price. When a national offer of construction services or goods is inadequate, arrangements must be made to ensure domestic participation through association with the foreign contractor, and where national offers have not been made, or where a formula for a joint venture cannot be applied, the authorization of the responsible Ministry is required in order to draw up contracts or purchase goods of foreign provenance.

157. In the comparison of prices between goods of domestic and foreign origin, a preference margin will be granted to domestic products, the level depending on the domestic value-added of the goods produced locally. In the case of capital goods, if the domestic value-added of the goods produced locally is equal or superior to 40 per cent, then to the c.i.f. price of the goods at the Venezuelan port of entry will be added either the import duty on the goods in question, or the product of the percentage of domestic value-added and the landed import price, whichever is the greater. In the case of intermediate and final consumer goods, the same rule will apply, except that the percentage of the national value-added of the locally-produced goods must exceed 50 per cent.

158. In cases of particular necessity, the President of the Republic may exempt the purchase of goods of foreign origin from compliance with these rules, as well as in cases where secrecy relating to national security or defence considerations is involved, and where international commitments, agreements and treaties entered into by the Republic so require.

G. State monopolies relating to trade

159. In Venezuela, State monopolies are basically concerned with the export of traditional goods. This is the case of hydrocarbons, where exploration, exploitation, manufacture or refining, transportation by special routes, storage, foreign and domestic trade, and all associated activities have been reserved to the State.

160. The relevant legislation¹ stipulates that foreign trade in hydrocarbons shall be exclusively under the management and control of the State, which will directly exercise this responsibility through the National Executive or through State entities created or to be created in order to give effect to the Law. For these purposes, among others, a State company, Petr6leos de Venezuela S.A. (PVDSA), was established.

¹Annex 23

161. In addition, the State company Ferrominera de Orinoco manages the exploitation and marketing of iron ore.¹ As far as coffee and cocoa are concerned, the National Funds for Coffee and Cocoa, which are autonomous institutions attached to the Ministry of Agriculture and Livestock, have a monopoly in external trade in these products. Finally, arms and ammunition may only be brought into the country by the National Government.

¹Annex 22

CHAPTER VI: INSTITUTIONS RESPONSIBLE FOR FOREIGN TRADE

A. Introduction

162. Various public bodies are involved in the drawing up and implementation of foreign trade policy. These bodies are normally coordinated through inter-ministerial commissions. In addition, measures affecting external trade are the subject of broad consultations with institutions representing the private sector.

B. The Economic Cabinet

163. The Sectoral Cabinet for Economic and Social Policy is an auxiliary body of the Council of Ministers which, among other things, attends to economic matters. It is chaired by the President of the Republic, or in his absence, by the Minister of the Secretariat of the Presidency, and includes the Ministers of External Relations, Finance, Development, Agriculture and Livestock, Energy and Mines, CORDIPLAN, and others.

164. The President of the Institute of Foreign Trade attends meetings of the Economic Cabinet as a permanent invitee. Regular meetings are held once a month, but extraordinary meetings may be held when the urgency or complexity of a matter at hand so requires.

C. Competent institutions

165. In accordance with current regulations, the principal public institutions involved in the formulation and implementation of foreign trade policy are the following:

- (i) The Ministry of External Relations, which is responsible for the planning and execution of activities relating to the country's foreign policy. These matters include the direction, coordination and centralization of external trade and economic integration policy.
- (ii) The Institute of Foreign Trade (ICE), is an autonomous institution, attached to the Ministry of External Relations, whose functions are the formulation, co-ordination, evaluation, planning and programming of foreign trade.
- (iii) The Central Office for Co-ordination and Planning of the Presidency of the Republic (CORDIPLAN) participates in the planning of trade policy, as part of the country's overall economic and social development strategy.
- (iv) The Ministry of Development is in charge of defining development policies in the industrial sector. In the foreign trade field, its activities include the granting of import tariff exemptions and import licences, and the setting of quotas and other restrictions, in coordination with the other entities responsible for trade policies.

- (v) The Ministry of Finance is responsible for the formulation of the country's economic and financial policy. It is in charge of implementing customs policy, including its application to trade treaties, in co-ordination with the institutions responsible for international relations. Also included in its responsibilities, are the customs service and the collection of customs duties and charges.
- (vi) The Ministry of Agriculture and Livestock defines the country's agricultural policy, and is responsible for the formulation and execution of the marketing policy for agricultural products and inputs, both of national and foreign origin, in co-ordination with the Ministries of Development and Finance. The Ministry also establishes, when necessary, measures relating to the export of agricultural products from Venezuela, in the light of the domestic supply situation.
- (vii) The Fund for Export Financing (FINEXPO) is the institution responsible for financial support instruments for Venezuela's non-traditional exports (credit lines, import credits, etc.). The President of the ICE chairs the Board of Directors of FINEXPO, which is administrated by a Vice-President of the Central Bank of Venezuela.

166. To deal with specific issues, ad hoc groups may be formed, or responsibility may be given to a high ranking official to conduct or co-ordinate action with respect to particular matters. The latter is the case in regard to officials designated by the President of the Republic to conduct negotiations for Venezuela's accession to GATT, and to deal with matters relating to economic integration.

D. Other matters

167. All of Venezuela's international commitments are subscribed to by the Minister of External Relations, or by other Ministers or officials specifically so accredited. Commitments or agreements may or may not require legislative ratification, and enter into effect starting from the date of publication in the Official Gazette, or from the date indicated in the text of the relevant agreement.

168. The Official Gazette of the Republic of Venezuela is the organ in which all measures of a general nature relating to the external trade of Venezuela, emanating from the above-mentioned institutions, are published.

STATISTICAL TABLES

TABLE 1
COMPOSITION OF GROSS DOMESTIC PRODUCT¹
(Millions of Bolivares at 1984 Prices)

	1985		1986		1987		1988	
	VALUE	% SHARE	VALUE	% SHARE	VALUE	% SHARE	VALUE	% SHARE
GRASS DOMESTIC PRODUCT	414,750		443,099		456,544		482,748	
I. Oil-related activity	84,786	21.3	89,502	21.0	90,274	20.5	96,100	20.7
- Crude oil and natural gas	62,553	15.7	67,110	15.8	68,558	15.6	72,311	15.6
- Refining	22,233	5.6	22,392	5.2	21,716	4.9	23,789	5.1
II. Non-oil activity	313,742	78.7	336,014	79.0	350,047	79.5	367,705	79.3
- Agriculture, hunting, forestry and fishing	23,299	5.8	25,224	5.9	26,259	6.0	27,472	5.9
- Minerals	2,096	0.5	2,485	0.6	2,688	0.6	3,208	0.7
- Manufacturing industry	59,986	15.1	65,577	15.4	68,491	15.6	71,087	15.3
- Electricity and water	6,596	1.7	6,860	1.6	6,746	1.5	6,979	1.5
- Constructions	18,532	4.7	20,346	4.8	21,228	4.8	22,639	4.9
- Commerce, restaurants and hotels	58,771	14.7	64,051	15.1	65,875	15.0	69,289	14.9
- Transport, storage and communications	26,558	6.7	29,046	6.8	31,659	7.2	33,131	7.2
- General government	35,450	8.9	35,301	8.3	35,726	8.1	37,386	8.1
- Other	82,454	20.7	87,124	20.5	91,375	20.7	96,514	20.8
III. Import duties	4,418		4,428		4,578		5,587	
IV. Adjustment for exchange rate unification	11,804		13,149		11,645		13,356	

¹The percentage share of each sector is calculated in relation to GDP excluding import duties and adjustments relating to exchange rate unification (III + IV).

TABLE 2
VALUE AND COMPOSITION OF EXPORTS AND IMPORTS
(US\$ Million)

	1983		1984		1985		1986		1987		1988	
	VALUE	%	VALUE	%	VALUE	%	VALUE	%	VALUE	%	VALUE	%
EXPORTS (FOB)												
Oil	13,667	92.6	14,794	92.7	13,144	89.7	7,592	83.2	9,054	85.7	8,158	79.7
Iron and steel	229	1.6	215	1.3	300	2.0	287	3.1	314	3.0	112	1.1
Aluminium	439	3.0	370	2.3	411	2.8	349	3.8	523	4.9	680	6.6
Other products	424	2.8	588	3.7	805	5.5	894	9.9	676	6.4	1,284	12.6
TOTAL	14,759	100	15,967	100	14,650	100	9,122	100	10,567	100	10,234	100
IMPORTS (FOB)												
Raw materials	2,352	36.7	3,057	42.1	2,733	36.3	2,815	35.8	3,721	42.1	4,796	41.4
Machinery and equipment	1,397	21.8	1,532	21.1	1,927	25.6	1,877	23.9	2,089	23.7	3,119	26.9
Transport material	961	15.0	980	13.5	973	12.9	1,586	20.2	1,431	16.2	1,690	14.6
Construction material	276	4.3	175	2.4	163	2.2	220	2.8	267	3.0	349	3.0
Foodstuffs and beverages	615	9.6	676	9.3	534	7.1	116	1.5	173	2.0	163	1.4
Other consumer products	808	12.6	842	11.6	1,200	15.9	1,248	15.8	1,151	13.0	1,464	12.7
TOTAL	6,409	100	7,262	100	7,530	100	7,862	100	8,832	100	11,581	100
TRADE BALANCE	8,350		8,705		7,130		1,260		1,735		-1,347	

Source: Central Bank of Venezuela and Central Office of Statistics and Data-Processing

TABLE 3
GEOGRAPHICAL DISTRIBUTION OF IMPORTS: RETAIL SUPPLIERS
(Percentage of Total)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
United States	47.64	47.10	45.61	43.90	41.71
EEC	21.29	22.33	26.24	26.42	26.89
Germany, Federal Republic of	(5.33)	(5.69)	(7.28)	(8.60)	(0.07)
Italy	(4.28)	(4.27)	(4.73)	(4.99)	(6.09)
France	(3.40)	(3.51)	(4.41)	(3.55)	(3.34)
United Kingdom	(2.45)	(3.02)	(4.08)	(3.39)	(2.85)
Spain	(2.17)	(2.51)	(2.49)	(2.62)	(2.58)
Netherlands	(2.36)	(2.12)	(1.74)	(1.65)	(1.56)
Belgium/Luxembourg	(1.30)	(1.21)	(1.51)	(1.62)	(1.40)
Japan	4.81	5.70	6.85	6.08	5.35
Brazil	5.23	4.24	4.33	4.27	4.85
Canada	3.80	3.84	2.55	2.66	3.22
Switzerland	1.04	1.02	1.29	1.56	1.73
Colombia	1.62	1.52	1.07	1.23	1.37
Mexico	0.82	0.75	0.79	1.13	1.21
Panama	1.21	1.45	1.18	1.12	1.16
Taiwan	0.39	1.02	0.90	0.96	1.06
Argentina	1.79	1.15	0.56	0.83	0.98
Chile	0.59	0.46	0.52	0.86	0.82
Sweden	0.63	0.54	0.53	0.80	0.82
Peru	0.65	0.65	0.72	0.74	0.72
Others	8.49	8.23	6.86	7.44	8.11
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	100.00	100.00	100.00	100.00	100.00

Source: Central Office of Statistics and Data Processing - Institute of Foreign Trade

TABLE 4

GEOGRAPHICAL DISTRIBUTION OF TOTAL EXPORTS: PRINCIPLE MARKETS
(Percentage of Total)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
United States	40.01	44.56	45.51	48.79	43.81
EEC	15.46	19.71	14.48	12.32	10.79
Germany, Federal Republic of	(3.56)	(4.27)	(5.49)	(4.76)	(4.28)
Netherlands	(2.75)	(5.07)	(2.64)	(2.31)	(2.67)
Italy	(4.16)	(5.23)	(1.78)	(1.83)	(0.93)
United Kingdom	(1.96)	(1.70)	(1.89)	(1.11)	(0.92)
Belgium/Luxembourg	(0.73)	(0.69)	(0.50)	(0.79)	(0.90)
France	(1.13)	(1.17)	(1.62)	(1.03)	(0.76)
Spain	(1.17)	(1.58)	(0.56)	(0.49)	(0.33)
Japan	2.33	2.92	3.36	2.93	4.26
Canada	4.53	5.05	3.33	2.74	2.72
Switzerland	0.00	0.00	0.01	0.47	2.14
Colombia	1.99	1.58	1.50	1.30	1.63
Brazil	3.17	1.77	0.93	1.30	1.43
Chile	1.40	1.69	1.43	1.21	1.34
Sweden	0.71	1.09	0.63	1.02	0.85
Peru	0.19	0.19	0.51	0.52	0.52
Panama	0.74	0.83	0.57	0.46	0.20
Argentina	0.02	0.01	0.07	0.15	0.19
Taiwan	0.03	0.10	0.03	0.02	0.09
Mexico	0.01	0.09	0.06	0.07	0.05
Others	29.40	20.39	27.58	26.69	29.99
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	100.00	100.00	100.00	100.00	100.00

Source: Central Office of Statistics and Data Processing - Institute of Foreign Trade

TABLE 5

GEOGRAPHICAL DISTRIBUTION OF NON-OIL EXPORTS: PRINCIPLE MARKETS
(Percentage of Total)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
United States	37.01	26.24	33.74	27.91	22.92
Japan	16.73	17.54	13.57	16.94	18.81
EEC	17.40	16.92	14.66	14.91	16.81
Netherlands	(3.28)	(6.75)	(3.43)	(5.82)	(6.93)
Belgium-Luxembourg	(3.95)	(3.38)	(1.37)	(2.26)	(3.02)
Italy	(3.12)	(1.83)	(2.50)	(1.85)	(1.59)
United Kingdom	(1.77)	(0.32)	(1.91)	(1.40)	(1.54)
Germany, Federal Republic of	(1.05)	(1.43)	(2.48)	(1.12)	(1.32)
France	(2.35)	(1.32)	(1.55)	(1.08)	(1.28)
Spain	(1.88)	(1.89)	(1.42)	(1.38)	(1.13)
Switzerland	0.01	0.01	0.06	3.14	10.67
Colombia	5.30	4.43	7.01	8.26	7.22
Peru	1.74	1.03	1.97	2.75	1.57
Chile	0.60	0.95	1.09	0.86	0.80
Brazil	0.01	0.02	1.13	0.85	0.75
Canada	0.56	0.93	0.86	0.52	0.72
Taiwan	0.36	0.94	0.19	0.12	0.43
Sweden	0.00	0.55	0.75	0.65	0.37
Argentina	0.27	0.07	0.38	0.61	0.28
Mexico	0.17	0.83	0.33	0.23	0.25
Panama	0.33	0.49	0.77	0.57	0.17
Others	19.51	29.05	23.49	21.68	18.23
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	100.00	100.00	100.00	100.00	100.00

Source: Central Office of Statistics and Data Processing - Institute of Foreign Trade

TABLE 6
PRINCIPLE ECONOMIC INDICATORS

	(Percentages)					
	1983	1984	1985	1986	1987	1988
ECONOMIC ACTIVITY AND UNEMPLOYMENT						
Total GDP (Millions of Bs at 1984 prices) ¹	-5.6	-1.4	1.3	6.8	3.0	5.7
- Oil-related activity	-4.7	0.3	-2.4	5.6	0.9	6.5
- Non-oil activity	-3.7	-1.2	3.2	7.1	4.2	5.0
Rate of unemployment	10.2	13.4	12.1	10.3	8.5	6.9
PRICES²						
A1 Consumer prices						
Year on year	6.6	18.2	9.1	12.7	40.3	35.5
Average	6.3	12.2	11.4	11.6	28.1	29.5
A1 Wholesale						
Year on year	10.8	18.4	14.4	20.0	48.1	17.0
Average	7.0	14.8	15.2	16.9	45.7	19.3
MONETARY AGGREGATES						
(Millions of Bs)³						
Monetary liquidity (M2)	26.4	8.8	8.6	16.6	23.6	17.3
Monetary base	39.5	-3.7	21.6	10.1	19.8	21.8
CONSOLIDATED PUBLIC SECTOR						
(Millions of Bs)						
Total revenues	84.0	145.1	145.5	143.0	205.0	212.6
Total expenditure	98.5	115.0	128.9	155.0	208.5	253.7
Overall surplus or deficit	-14.5	30.1	16.6	-12.0	-3.5	-41.1
(% of GDP)	5.0	8.7	4.5	2.4	0.5	4.6
BALANCE OF PAYMENTS (Millions of US\$)						
Exports f.o.b.	14,759	15,967	14,660	9,122	10,567	10,234
Imports (f.o.b.)	-6,409	-7,262	-7,530	-7,862	-8,832	-11,581
Trade balance	8,350	8,705	7,130	1,260	1,735	-1,347
Current account balance	4,427	5,413	3,668	-1,471	-1,125	-4,692
Overall balance	747	1,878	1,727	-3,885	-876	-4,672
Variations in international reserves (CBV)	1,110	1,320	1,281	-3,892	-482	-2,705

¹ Figures for 1983 and 1984, 1968-100. Includes import duties and adjustments for exchange rate unification for the period 1985-1988

² Base for 1983, 1968-100. Base for 1984 and the following years 1984-100. The wholesale price index is a weighted average of domestic and imported goods.

³ Balances at the end of the year

Source: Central Bank of Venezuela, Ministry of Finance, and OCEPRE