

# GENERAL AGREEMENT ON

# TARIFFS AND TRADE

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## ACCESSION OF VENEZUELA

### Additional Questions and Replies Concerning the Foreign Trade Régime of Venezuela

The following replies to the additional questions submitted by contracting parties has been received from the Government of Venezuela with the request that they be circulated to contracting parties.

Working Party on the Accession of Venezuela

Questions from Canada

1. Paragraphs 7 and 38: In light of the Mid-89 Decision to move from a protectionist import substitution policy, how successfully is this policy change being implemented?

This policy is being implemented in accordance with the time-table set out in Decree 239 (Annex 3 to document L/6565). In view of the short time that has passed since these measures were adopted, it is hard to determine how successful they have been. Furthermore, their success largely depends on an improvement in the international economic environment, fundamentally as regards reduction of the external debt burden and achievement of better access to world markets for Venezuela's export products, as mentioned in paragraph 7 of document L/6565.

2. Paragraphs 24-28: These paragraphs describe a deteriorating balance-of-payment situation. What is the intention of Venezuelan authorities with respect to invoking Article XVIII?

Venezuela does not plan at the moment to invoke Article XVIII of the General Agreement to tackle balance-of-payments problems, but it does not rule out this possibility, in the exercise of all its rights under the General Agreement.

3. Paragraph 30: When will the special exchange rate applicable for certain transactions be lifted? If the State controls the oil industry, why are they necessary? What proportion of foreign trade directly involves the Central Bank?

Please refer to the replies to questions 13 and 14 in the list of questions submitted by the GATT secretariat. The Central Bank does not participate directly in foreign trade activities, except in the case of gold transactions (US\$300 million in 1988). In addition, the Central Bank acquires the foreign exchange earned by the national petroleum industry, which represents roughly 80 per cent of export earnings.

4. Paragraphs 37, 159: There is reference to a reform programme to rationalize the rôle of the State in economic activity but few details of this programme are given. The State has a monopoly on all aspects of oil exploration, processing and trade, as well as the iron sector. Will this monopoly be altered? What is the extent of this reform programme? Which publicly owned companies are in the process of being privatized?

Please refer to the replies to questions 22 to 24, both inclusive, in the list of questions submitted by the GATT secretariat (document L/6599). Article 5 of the Law reserving the hydrocarbon industry and trade to the State provides for the participation of local and foreign private capital in any stage of petroleum activity, subject to prior approval from the

National Congress. At present new arrangements are being drawn up to encourage the participation of private capital in oil activities. Such participation has advanced furthest in the petrochemical industry.

5. Paragraph 40: Please provide examples of how the legal import régime has in fact been simplified and made more transparent, and where tariffs have replaced non-tariff measures.

The new Customs Tariff that has been in force since 28 September 1989 greatly simplified the management of import policy by reducing the dispersion that existed in the previous Tariff, which included more than thirty tariff levels. There are at present eighteen tariff levels. The greater transparency of the new trade policy is reflected in the large reduction made in non-tariff restrictions. Previously, 50 per cent of manufacturing production was covered by prior licensing, permits, quotas and so forth; that percentage is now 15 per cent. In addition, the Government has eliminated the requirement of inspection of imports by specialized companies, as well as the system of multiple exchange rates that had been in force since February 1983. With regard to the replacement of non-tariff restrictions by tariffs, one example is the steel sector, where the existing import licences were replaced by tariffs.

6. Paragraph 42: We would appreciate receiving a list of the 285 items whose importation is reserved to national government. Please explain the nature of import prohibitions and restrictions and the GATT justification for them. How are import prohibitions on apples, fish and cheese to mainland Venezuela justified?

Please refer to the reply to question 65 (i) in document L/6599. With regard to the nature of import prohibitions and restrictions and their justification, please refer to the replies to questions 63, 64, 65, 66 and 67 in document L/6599. The products included in the list of prohibitions are considered luxuries. The prohibitions will gradually be eliminated.

7. Paragraph 43: Please provide more details regarding the planned additional reduction in tariffs related to the manufacturing sector. What are they specifically, and their timing? Will new rates be GATT bound? What quantitative restrictions will remain?

It is planned to carry out the reduction in tariffs in the manufacturing sector in accordance with the following timetable:

| Date       | Ceiling | No. of levels |
|------------|---------|---------------|
| March 1990 | 50%     | 5             |
| March 1991 | 40%     | 4             |
| March 1992 | 30%     | 3             |
| March 1993 | 20%     | 2             |

The binding of these tariffs in GATT has not been envisaged. As for the quantitative restrictions that would remain in force, the only guideline in this area is that contained in Article 12 of Decree 239, to the effect that in September 1990 the necessary tariff restrictions would be eliminated so that the protection such restrictions provide does not cover more than 5 per cent of manufacturing production, without prejudice to the application of other measures for reasons of public health, hygiene, security and national defence. The products to which the tariff restrictions that would remain in force will apply have not yet been determined.

8. Paragraph 44: What provisions are being designed to deal with unfair import competition? Will Venezuela join the Anti-Dumping and Countervail Codes?

Please refer to the reply to questions 99 and 100 in document L/6599.

9. Paragraph 47: How is the right to fix prices for the purpose of calculating ad valorem tariff rates consistent with Article VII customs valuation procedures? How does this right coincide with statements in paragraph 73 that the Brussels Definition of Value is used? Will Venezuela join the Customs Valuation Agreement?

Please see the replies to questions 90, 93 and 94 in document L/6599.

10. Paragraph 50: Is the Venezuelan Government on schedule to convert to a tariff schedule based on the Harmonized System by March 1990? Does Venezuela have a concordance between the NABANDINA codes and the NANDINA codes? Will Venezuela be providing contracting parties with copies of the concordances and cross-references with relevant trade allocations by country for each tariff item?

Please see the reply to question 38 in document L/6599. For the time being there is no table of concordance between the NABANDINA and NANDINA Nomenclatures. Work is currently under way on matching the tariff with the Harmonized System. Once the tables of concordance have been completed they will be made available to contracting parties together with whatever additional information may be required.

11. Paragraphs 55 and 57: Will Venezuela bind rates for agricultural products and products in Chapter 27 at levels no greater than 80 per cent?

The Government of Venezuela is currently carrying out the necessary studies to determine the application of tariff reform in the agricultural sector, which it plans to begin in March 1991. Consequently, the policy guidelines that will be applied in the agricultural sector have not yet been established. The levels at which tariffs will be bound has likewise not been determined.

12. Paragraph 56: Will Venezuela agree to bind the maximum tariff on non-agricultural goods at 50 per cent by March 1990 and 20 per cent by 1993? Will the gradual annual decreases between March 1990 and March 1993 also be bound?

The question of the levels at which tariffs may be bound, to which the question refers, has not been settled.

13. Paragraph 57: Planned reforms vis-à-vis the agricultural sector are not described in any detail. When will more details be available?

Venezuela will provide further details on its tariff reform plans for agriculture as soon as the relevant studies have been completed. As mentioned, the reform is due to begin in March 1991.

14. Paragraph 58: Which imports of public enterprises are exempt from tariffs? Can the "basic basket" list be altered? If so, what are the procedures?

Please refer to the replies to questions 57 and 60 in document L/6599. The list of products in the "basic basket" can be altered by a presidential decree to that effect. This would be a decision of the National Executive, not involving any prior consultation.

15. Paragraph 61: This paragraph indicates a proposed reduction in non-tariff restrictions to a maximum of 5 per cent of manufactured products. Does this refer to 5 per cent of total manufactured output or to 5 per cent of a list of manufactured items? What GATT justification will be used for the restrictions? Will Venezuela join the Import Licensing Code?

This refers to 5 per cent of total manufactured output. Please refer to the replies to questions 63, 64, 65 and 66 in document L/6599.

16. Paragraph 68: How will establishment of a common external tariff and the current Minimum Common External Tariff affect the plan to simplify and reduce tariffs? Will it affect tariff negotiations associated with accession?

Please refer to the replies to questions 70, 73 and 74 in document L/6599.

17. Paragraph 69: Is the customs service charge on imports equivalent to the actual cost of service?

Please refer to the reply to question 80 in document L/6599.

18. Paragraph 70: Are storage charges equivalent to the normal costs associated with the same service in the normal course of business? What percentages of imports draw these charges?

Port storage charges are higher than those usually charged, but importers have the right to use private storage facilities, whose charges are governed by commercial criteria.

19. Paragraph 71: Does Venezuela have an independent body for customs adjudication questions consistent with Article X.37

Please refer to the reply to question 35 in document L/6599.

20. Paragraph 72: What is the basis for the moving scale for special customs services?

Please see the reply to question 85 in document L/6599.

21. Paragraph 77: On what basis/according to what set of rules and regulations does the Minister of Finance establish official prices?

Please refer to the replies to questions 91 and 92 in document L/6599.

22. Paragraph 78: How is the price for Venezuelan crude oil exports set? Is this an "official price"? If no official prices are enforced, why is it under legislation? Can examples of articles where the Ministry of Finance has or may set an official price be given?

The prices of Venezuelan oil exports are set by the behaviour of the world market. They are not fixed by the Government. At present there are no official prices in force. As mentioned in the reply to question 93 in document L/6599, official prices have been used as a means of dealing with under-invoicing of imports; they remove the discretionary powers of customs officials. The latest case of official price-setting concerned motor-vehicle imports.

23. Paragraphs 80, 143: These paragraphs indicate that Venezuela has not yet passed specific legislation or regulations regarding unfair trade practices. Does Venezuela have any intention of passing such legislation in the near future?

Yes, Venezuela intends shortly to enact legislation on unfair trade practices. For further details, see the replies to questions 99 and 100 in document L/6599.

24. Paragraph 85: Are the incentives referred to export subsidies?

For a better idea of the nature of the incentives mentioned in paragraph 85 of document L/6565, please see the replies to questions 111 to 116 and 124 and 125 in document L/6599.

25. Paragraph 86: As the economic rationale for infant industry protection is short-term, is there a time-frame over which Venezuela will phase out support to infant industries? Is the assistance to be provided in the form of subsidies or protection against imports?

The trade policy currently applied by Venezuela aims at promoting greater efficiency and competitiveness of domestic industry by gradually reducing tariffs and practically eliminating non-tariff restrictions. The

rationalization and progressive elimination of subsidies is also contemplated. This liberalization process is giving rise to an effort of industrial redeployment, which will receive technical and financial support under a programme that is currently being drawn up.

26. Paragraph 91: Export prohibitions are applied to the basic basket goods and those other goods identified for public interest. What GATT provision will be used to justify the export prohibitions?

The products included in the basic basket and other products of public interest are not covered by export prohibitions, but rather by a prior-licensing requirement.

27. Paragraphs 93-98: With reference to the measures to assist exporters (e.g. provisions in the export incentive law, the free port/free zone system, export financing), how will Venezuela bring these measures into line with the GATT? It is stated that the 30 per cent export incentive will be progressively reduced beginning in March 1990. What are the specifics of the plans for reduction in this programme? Is there GATT justification for the incentives?

Please refer to the replies to questions 111, 114 and 124 in document L/6599.

28. Paragraph 112: Venezuela is party to the Montevideo Treaty, a preferential trading arrangement that has been notified to the GATT with reference to the "Enabling Clause". Are the framework agreements referred to in paragraph 115 covered by the Enabling Clause?

Venezuela considers that the framework agreements with Argentina and Mexico are covered by the Enabling Clause.

29. Paragraph 115: We would be grateful to receive further details on specifics of agreements with Argentina and Mexico. Can Venezuela provide a list of those sectors or products to which these agreements refer?

The economic complementarity agreements with Argentina and Mexico are framework agreements designed, above all, to encourage investments in industrial sectors with a view to taking advantage of the markets of the countries concerned, as well as those of third countries. These agreements are very recent, and their texts have been made available to contracting parties through the GATT secretariat. The agreements do not refer to products, and the industries involved include the petrochemical, motor-vehicle and agro-industrial sectors, among other. So far, the sectoral protocols to govern the joint activities that will be undertaken have not yet been negotiated.

30. Paragraph 121: Will the minimum common tariff be affected or altered by agreement should general Venezuela tariff rates decline as proposed?

Please refer to the replies to questions 70, 72, 73 and 74 in document L/6599.

31. Paragraph 123: We would appreciate receiving a list of the 250 exceptions as well as details of the administered trade system. How are the quotas administered and by whom? What are the "contingency measures"?

The Institute of Foreign Trade (ICE) will have to reply. The list of exceptions can be transmitted as an annex.

32. Paragraph 144: Will Venezuela continue to practise counter-trade arrangements?

Venezuela has carried out very few operations of this kind, but does not plan to prohibit or discontinue them.

33. Paragraphs 145-149: Are Venezuelan standards consistent with international standard agreements? Will Venezuela join the Standards Code?

They are consistent with them. Please refer to the reply to question 148 in document L/6599 concerning food products. Venezuela is currently studying the possibility of joining the Standards Code.

34. Paragraphs 154-158: Will Venezuela join the government Procurement Code?

Please refer to the reply to question 166 in document L/6599.

35. Paragraph 160: Is there any prospect of Venezuela relaxing State monopolies regarding exports of hydrocarbons, coffee and cocoa?

The Venezuelan Government has announced the possibility of establishing joint companies for international oil marketing operations, in accordance with the Law reserving the hydrocarbon industry and trade to the State (Annex 23 of document L/6565).

Please refer to the reply to question 4 above (in this list of questions).

Working Party on the Accession of Venezuela  
Questions from the EEC<sup>1</sup>

1. Page 8: Could Venezuela give more information on its agricultural sector, in particular how prices are established, level of subsidies, market policies, etc.?

Venezuela will make more detailed information on this point available to delegations at a later stage.

2. Paragraphs 9 and 10: Is there still a list of the basic industries that the State may reserve to itself? To what extent is foreign participation allowed in various sectors other than petroleum? Can Venezuela provide some more detailed information on State-trading activities, if not before the conclusion on the accession negotiations then in the context of the 1990 general review of contracting parties State-trading operations?

Legally, there is no list of basic industries that the State may reserve to itself. Such a decision is taken by Congress by enacting the corresponding legislation. Foreign investment is allowed in all sectors, except in banking and in the sectors reserved to the State. Nevertheless, there are restrictions on foreign participation in some sectors which have been reserved to local enterprises or to joint companies, that is to say, firms in which foreign capital does not exceed 20 per cent or 49 per cent, respectively, provided local equity ownership is reflected in the technical, financial, administrative and commercial management of the firm.

For further information concerning State-trading activities, please refer to the replies to questions 6, 7, 65 and 152 to 161 in document L/6599. With regard to the second part of the question, Venezuela would have no difficulty whatsoever in providing information on State-trading activities at a later stage, and is currently preparing a detailed analysis of this subject.

3. Paragraph 30: How important are the transactions for which the Central Bank of Venezuela establishes a reference rate in the external payments of Venezuela?

Please refer to the replies to questions 13 and 14 in document L/6599.

4. Paragraph 33: Will the proposed reform of internal taxation set for 1990 be consistent with GATT Article III? If any discriminatory taxation is envisaged then this should be notified to the Working Party on Venezuela's accession for complete scrutiny.

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<sup>1</sup>Annex available in the Development Division, GATT, for consultation by delegations.

The reform of the Venezuelan tax system that it is planned to begin in 1990 does not contain any discriminatory measures, and Venezuela considers it fully consistent with GATT Article III.

5. Paragraph 41: What is the current average tariff applied to the finished goods category and to the raw materials, intermediate and capital goods category? What are the possibilities for exemptions to go above the maximum tariff rates that have been established?

The relevant calculations are being made to determine the average tariff applied to the various categories of product. While there exists the legal possibility of setting higher tariffs than those indicated in Decree 239, at present no manufactured or agricultural product is subject to higher rates.

6. Paragraph 42: It would be useful to have some idea of the categories of imports to which import prohibitions still apply. What percentage of imports are still reserved to the National Government?

With regard to the categories of products to which import prohibitions apply, please refer to the replies to questions 27, 63 and 64 in document L/6599. Concerning the percentage of imports reserved to the National Government, please refer to the reply to question 65 in the same document.

7. Paragraph 43: Could more details be given of the additional measures relating to the manufacturing sector that are planned over the next four years, in particular as regards the elimination of quantitative restrictions. Does the planned reduction in tariffs refer to maximum rates or to applied rates?

Under which provisions of the General Agreement does Venezuela intend to justify continued use of remaining quantitative restrictions? Can they also provide a more detailed time-table for the removal of specific measures?

Please see the replies to questions 27, 66, 67 and 68 in document L/6599. The planned reduction in tariffs refers to maximum levels, as well as to tariff rates under that maximum rate.

Please refer to the reply to question 66, in particular (iv) and (v), of document L/6599, concerning the justification for the licensing régime under the General Agreement. The only time-table for elimination of quantitative restrictions is that contained in Decree 239 (Annex 3 to document L/6565).

8. Paragraph 44: It is indicated that provisions are being drawn up to deal with unfair competition. Are these measures directed at the domestic market or do they also relate to unfair competition by foreign suppliers? Could some indication be given of the measures that are envisaged?

The provisions currently being drawn up to deal with unfair competition are designed to regulate such practices when carried out by foreign suppliers. For further details on these planned measures, please refer to the replies to questions 99 and 100 in document L/6599.

9. Paragraph 45: Does the Customs Act and its Regulations provide procedures for economic operators to challenge or to contest decisions taken by the Ministry of Finance which is responsible for the management and supervision of customs?

Please refer to the replies to questions 95 and 98 in document L/6599.

10. Paragraph 55: How many products are covered by ceilings higher than 80 per cent?

No manufactured product has a tariff higher than 80 per cent.

11. Paragraph 56: The tariff reform process is welcome. Will Venezuela agree, like Bolivia, to formalize this process in the GATT context by agreeing to a time-table of bindings corresponding to the proposed reductions in duty levels?

Venezuela considers that its undertakings concerning tariffs should reflect its own specific situation and not that of other countries.

12. Paragraph 58: Do the products in the "basic basket" referred to in paragraph 58, page 17 of L/6565 enter duty free? Is this basket adjusted periodically? Could more details be given of tariff exemptions enjoyed by public enterprises. How important are these imports in Venezuela's total imports? What will be the tariff régime applied to articles dismantled for assembly after January 1991?

Products considered essentials and included in the basic basket are exempt from import duties. In the case of inputs for such products, a reduction is granted of up to the amount that will bring the price of the imported product to the same level as the regulated minimum price, where the price of the import is higher than the price of the local product when import duties are applied. The basic basket may be adjusted at any time by the National Executive, but no periodic adjustment of the basket is provided for. For further details concerning public enterprises which can make duty-free imports, please see the reply to question 60 in document L/6599. The tariff régime that will apply after 1991 for articles dismantled for assembly has not yet been determined.

13. Paragraph 61: What will be the criteria for designating manufactured products that can still be subject to non-tariff measures? What kind of non-tariff measures covering these manufactured goods will be maintained? How will these be justified under the General Agreement?

The modalities of the second stage of the trade policy are currently under study and will be communicated to the contracting parties in due course through the GATT secretariat.

14. Paragraph 69: What is the value basis of imports on which customs service charges are applied? The present 5 per cent ad valorem charge seems excessive. What alternatives can Venezuela suggest to the present scheme?

Customs service charges are applied on the c.i.f. value of imports. Venezuela is currently studying possible alternatives to the present system of customs service charges.

15. Paragraph 70: What is the level of storage charges applied to imports?

Please see the replies to questions 81 and 82 in document L/6599.

16. Paragraph 75: Is there an important procedure for settling disputes concerning the valuation of imports? Does Venezuela intend to adhere to the GATT Customs Valuation Code?

Please see the replies to questions 90, 95 and 98 in document L/6599.

17. Paragraph 77: What are the intentions of the Venezuelan authorities concerning official prices for imports? Do they intend to apply them eventually?

Please refer to the reply to question 93 in document L/6599. As mentioned there, at present no official prices are applied and, as the Venezuelan Customs are modernized and rules are established on unfair trade practices, official prices will become less and less necessary.

18. Page 22: Does Venezuela intend to adopt legislation as regards unfair competition, dumping, subsidies, etc., that is in conformity with the GATT provisions? Does Venezuela intend to become a signatory to the relevant codes - Subsidies, Anti-Dumping - of the GATT?

Please see the replies to questions 99 and 100 in document L/6599.

19. Paragraph 81: If Venezuela adopts legislation against unfair trade practices, will this conform to regulations adopted by the Cartagena Agreement?

Yes, Venezuela will adopt legislation on unfair trade practices in conformity with the existing provisions of the Cartagena Agreement. For further details, please see the reply to question 100 in document L/6599.

20. Paragraph 85: Does the "system of fiscal incentives" amount to subsidies? If so, can Venezuela guarantee that all subsidies offered to domestic producers will be notified under Article XVI?

Please see the reply to question 102 in document L/6599. Venezuela will comply with all obligations stemming from the General Agreement.

21. Paragraph 88: The export of goods originating from non-renewable sources is subject to restriction. In accordance with Article XX(g) can Venezuela provide details of the measures in force to control the domestic consumption of such goods?

Please see the reply to question 106 in document L/6599. The measures adopted in the energy sector that affect domestic consumption include the gradual increases in fuel prices, the development of alternative renewable sources of energy (hydro-electricity) and controls relating to motor-car engine capacity.

22. Paragraph 91: What products are subject to an export ban?

At present no products are subject to an export ban. Products in the basic basket and a few others are subject to a prior-licensing requirement.

23. Paragraph 92: What are the criteria for issuing export licences for goods subject to an export ban?

At present there are no products subject to an export ban, only to licensing. For further information, please see the reply to question 105 in document L/6599. In the case of the products included in the basic basket, the main criterion followed for granting an export licence is that of local supply conditions for the product in question.

24. Paragraph 99(i): How important is the temporary admission of goods for processing? What level of processing is required for products to obtain customs duty relief?

This is an arrangement that has been little used so far. It is considered that with the changes recently made in the system (see Official Gazette of 1 December 1989) greater use will be made of it. The level of processing required for products to obtain customs duty relief is not specified; it is determined case by case, according to the sector and the product.

25. Paragraph 103: Is it the intention of Venezuela to continue with the present range of export promotion policies? Can these incentives apply to foreign-owned entities that export from Venezuela?

Venezuela intends to continue with the export promotion policies mentioned in paragraph 103 of document L/6565. The mechanisms described in that paragraph apply equally to foreign-owned entities which export from Venezuela. For further details, please see the replies to questions 111 to 116, both inclusive, in document L/6599.

26. Paragraph 113: Could Venezuela give more detail of the scope of the tariff preferences it grants to ALADI member countries in partial-scope agreements?

Please see the reply to question 128 in document L/6599.

27. Paragraph 114: Could Venezuela give more details on the multilateral sectorial trade agreements?

Please see the reply to question 129 in document L/6599.

28. Page 29: What percentage of imports from Latin American countries enter under preferential conditions?

Please see the reply to question 169 in document L/6599.

29. Paragraph 116: Could Venezuela also give more information on the extent of the preferences negotiated with Latin American and Caribbean developing countries which are not members of ALADI? How extensive are these preferences?

More detailed information will be provided on this subject at a later stage. For the time being, please see the reply to question 132 in document L/6599.

30. Paragraph 121: What is the level of the Common Minimum External Tariff under the Cartagena Agreement? How does this impinge on the Venezuelan trade reforms and in particular tariff levels?

The overall average of the Common Minimum External Tariff (CMET) is 28.5 per cent of the c.i.f. value of goods, and levels range from zero to 110 points. Ninety-seven per cent of the items of the CMET have levels of 60 per cent or less. With regard to the effect of the CMET on Venezuelan trade reforms and in particular on tariff levels, please see the replies to questions 70, 72, 73 and 74 in document L/6599.

31. Paragraph 122: Under what conditions can the safeguard clause be applied in the Cartagena Agreement? How long can one apply these safeguard measures? Is trade with third countries in the same products automatically affected or is the safeguard mechanism selective?

The safeguard clauses are applied: (a) for balance-of-payments reasons; (b) because of injury stemming from the liberalization programme; (c) because of specific production disturbances; and (d) because of changes in normal competitive conditions as a result of currency devaluation. The safeguard clause is temporary and non-discriminatory with regard to countries of the sub-region; it is subject to the authorization of the Board of the Cartagena Agreement. It must not be applied for more than one year; and it does not affect trade with countries outside the sub-region.

32. Paragraph 134: What are the preferences that Venezuela has granted to developing countries within the Global System of Trade Preferences?

Venezuela has granted tariff preferences to thirty-five products under this agreement.

33. Paragraph 138: Could Venezuela indicate whether consular fees are applicable to imports entering outside the free zones? What is the nature of these consular fees?

Consular fees are not applied in Venezuela.

34. Page 34, (iii): In order for manufacturers using foreign raw materials and produced in a free zone to enter national territory free of tax, it is necessary that substantial value has been added in the free zone. What is meant by substantial, is there a standard percentage applied to all such products?

Please see the reply to question 141 in document L/6599.

35. Page 34: Are there enterprises other than those in the free zone of Paraguaná which have been granted an exemption from paying income tax?

The Venezuelan Government has established the exemptions from paying income tax which are listed in Annex I.

36. Page 36: Is it the intention of Venezuela to adhere to the "Standards Code" of GATT?

Venezuela is currently studying the various GATT codes in order to decide on the advisability of acceding to them.

37. Paragraph 149: What are the procedures for issuing certificates of conformity with respect to the standards issued by foreign institutions? Are there regulations setting out the conditions when imported goods require such certificates of conformity or does the Ministry of Development have discretionary powers?

At present there are no specific procedures for the issuing of certificates of conformity with standards issued by foreign institutions, but they are currently being studied. The Ministry of Development may require such certificates on the basis of relevant legislation.

38. Paragraph 156: In public procurement contracts the purchase or the finance of foreign goods or the conclusion of contracts for public works is not permitted if the domestic offer is adequate in terms of quality, timing and price. Could details be given as to what is regarded as adequate?

There is no legal definition of what might be considered an adequate offer in terms of quality, timing and price. This is an evaluation that must be carried out in each case by the purchasing State body.

39. What is the intention of the Venezuelan authorities concerning State monopolies engaged in trade? Could more information be given on the operation of State monopolies outside the petroleum sector?

The State monopolies in international trade in coffee and cocoa are exercised by the National Coffee Fund and the National Cocoa Fund, respectively. These are independent bodies attached to the Ministry of Agriculture, and the entire output is entrusted to them. Each of the Funds establishes the export quota on the basis of output, domestic requirements and international quality requirements. So far the Venezuelan Government has not taken any decision with regard to the elimination of these monopolies.

Working Party on the Accession of Venezuela

Questions from New Zealand

1. Paragraph 9 and Table 1: These indicate that over 20 per cent of GDP occurs in unspecified areas of the economy. Are further details available on sectors covered by this category?

The sectors included in "other" in Table No. 1 are the following: financial establishments, insurance, real estate and business services (11.9 per cent); collective, social and personal services (7.8 per cent) and non-profit-making private services (1.1 per cent).

2. Paragraph 23: Venezuela has experienced a current account deficit since 1986, after a period of surplus. What is the balance-of-payments situation forecast to be in the short to medium term?

Please see Annex I.

3. Paragraph 30: When is it envisaged that the single exchange rate will be established and the reference rates terminated?

The single exchange rate has already been established. Please refer to question 13 in the list of questions submitted by the GATT secretariat (document L/6599).

4. Paragraph 33: A reform of the tax régime is to be undertaken in 1990. Can Venezuela offer an assurance that any new service charges or sales/value-added taxes imposed as part of the reform will be fully consistent with the General Agreement, in particular, Article III?

Please refer to questions 16 and 17 in the list of questions submitted by the GATT secretariat (document L/6599) for further details concerning the tax régimes which it is intended to introduce in 1990, which will be fully consistent with Article III of the General Agreement.

5. Paragraph 39: What percentage of imported items will be subject to prohibitions and prior licensing under the "Notes" system, when the current reform of import policy has been completed, and what products will be principally affected?

The only guideline in this respect is that contained in Article 12 of Decree 239, according to which in September 1990 the government will eliminate the necessary non-tariff restrictions so that the protection they provide does not cover more than 5 per cent of manufacturing production, without prejudice to the application of other measures for reasons of public health, hygiene, security and national defence. The products to which the non-tariff restrictions that will remain in force would be applied have not yet been determined.

6. Paragraph 41: What is the maximum tariff currently applied to imports of unprocessed and processed primary products? What agricultural products are principally affected by specific tariffs (paragraph 55)?

The maximum tariff applied to primary and intermediate products is 50 per cent. Specific tariffs have been eliminated for all agricultural products.

7. Paragraph 42: Seventy-seven per cent of non-tariff barriers have been removed, and by September 1991 (paragraph 61) it is intended that non-tariff measures will apply to only 5 per cent of manufactured imports. What percentage of imports of primary products are expected to be still covered by NTMs at that date (i.e. prior to the proposed reform of the agricultural sector)?

It is not planned to introduce any significant changes in the agricultural sector before the start of the reform of the sector, planned for March 1991. It is therefore difficult to establish percentages at this moment.

8. Paragraph 43: Reform of the agricultural sector is to commence in 1991. What is the intended scope of this reform, and what time-frame is envisaged for its completion? Does Venezuela currently maintain any quantitative restrictions on imports of any agricultural or fisheries product?

The studies undertaken for the purpose of determining the scope and time-frame for trade reform in the agricultural sector have not yet been completed. Venezuela currently maintains quantitative restrictions on certain imports of agriculture and fisheries products.

9. Paragraph 50: A new tariff nomenclature (NANDINA) based on the Harmonized System will come into effect by March 1990. Does Venezuela intend to conduct bilateral tariff negotiations with contracting parties on the basis of the old or the new Tariff? Has the transposition from the NABANDINA Tariff to the NANDINA Tariff resulted in effective increases in tariff protection on any items? If so, what items have been principally affected?

It is not planned to increase tariff protection as a result of the transposition from the NABANDINA to the NANDINA. Venezuela considers that the tariff negotiations held in the framework of its accession to GATT should be based on the current customs tariff (NABANDINA). For further details, please see the replies to questions 38 and 40 in the list of questions submitted by the GATT secretariat (document L/6599).

10. Paragraph 59: Are any agricultural or stock-breeding animals currently exempt customs duties or importation?

The only agricultural products entitled to exemptions are those included in the basic basket. Live animals for scientific or technological use are duty-free.

11. Paragraph 39 (Note 2) and paragraphs 62/63: Can Venezuela provide further details of the agricultural and agro-industrial products currently subject to restriction under any of the Notes authorized by the Venezuelan Government? What are the reasons for the restrictions?

In column 4 of the Customs Tariff, corresponding to the legal régime applied to imports, all the agricultural and agro-industrial products currently subject to some type of non-tariff restriction are indicated. The numbers given there correspond to the Notes; for a description of the Notes please see paragraph 39 (and footnote) of the Memorandum (document L/6565). There is a multiplicity of reasons for the restrictions in this sector. Of these many are linked with the distortions that exist in world agricultural markets. Others respond to the need to protect a large sector of the population; while still others are intended to ensure specific price levels for agricultural products.

12. Paragraph 73: Does Venezuela plan to adhere to the Customs Valuation Code? What other Tokyo Round Codes would Venezuela plan to join?

Venezuela is currently studying the various GATT Codes in order to decide whether it is advisable to accede to them. Please see the reply to question 166 in document L/6599.

13. Paragraphs 85/93: Venezuela plans to maintain a system of fiscal incentives to stimulate growth of (non-traditional) exports. Can the Venezuelan authorities offer an assurance that this system will operate in conformity with the provisions of the General Agreement, including Article XVI?

Venezuela considers that its system of fiscal incentives for exports is consistent with Article XVI of the General Agreement. Please see the reply to questions 102 and 166 in the list of questions submitted by the GATT secretariat (document L/6599).

ANNEX IBalance-of-Payments Projections

(US\$ '000,000)

|                                      | Current        |                | Projections    |                |                |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                      | 1988           | 1989           | 1990           | 1991           | 1992           |
| <b>CURRENT ACCOUNT</b>               | <b>(4,692)</b> | <b>(1,276)</b> | <b>(1,012)</b> | <b>(1,129)</b> | <b>(1,096)</b> |
| Trade balance                        | (1,347)        | 2,607          | 2,875          | 2,908          | 3,127          |
| Oil exports f.o.b.                   | 8,158          | 8,678          | 9,504          | 10,017         | 10,727         |
| Non-oil exports f.o.b.               | 2,076          | 2,132          | 2,380          | 2,734          | 3,148          |
| Imports f.o.b.                       | (11,581)       | (8,203)        | (9,009)        | (9,843)        | (10,748)       |
| Transport and insurance              | (792)          | (779)          | (836)          | (901)          | (970)          |
| Travel                               | (94)           | (141)          | (127)          | (108)          | (81)           |
| Investment income                    | (1,580)        | (2,655)        | (2,612)        | (2,711)        | (2,853)        |
| Receipts                             | 1,642          | 1,489          | 1,469          | 1,560          | 1,695          |
| Public sector interest               | 559            | 310            | 382            | 522            | 647            |
| Private sector interest              | 1,083          | 1,179          | 1,087          | 1,038          | 1,048          |
| Payments                             | (3,222)        | (4,144)        | (4,081)        | (4,271)        | (4,548)        |
| Public debt interest                 | (2,215)        | (2,720)        | (2,401)        | (2,202)        | (2,132)        |
| Additional financing interest        |                | (314)          | (540)          | (790)          | (922)          |
| Private debt interest                | (495)          | (385)          | (310)          | (247)          | (190)          |
| Other                                | (512)          | (725)          | (830)          | (1,032)        | (1,304)        |
| Other services                       | (725)          | (179)          | (178)          | (177)          | (172)          |
| Transfers                            | 154            | 129            | 134            | 140            | 147            |
| <b>CAPITAL ACCOUNT</b>               | <b>(369)</b>   | <b>1,836</b>   | <b>2,562</b>   | <b>3,379</b>   | <b>1,861</b>   |
| Inflows                              | 3,501          | 5,754          | 6,669          | 7,100          | 5,499          |
| Public debt (disbursed)              | 653            | 766            | 1,100          | 1,150          | 1,200          |
| Private debt                         | 3              | 0              | 0              | 0              | 0              |
| Direct investment                    | 89             | 215            | 270            | 320            | 370            |
| Import financing                     | 2,470          | (854)          | 211            | 603            | 668            |
| Fresh financing <sup>1</sup>         | 0              | 4,627          | 4,188          | 4,127          | 2,361          |
| Other                                | 286            | 1,000          | 900            | 900            | 900            |
| Outflows                             | (3,870)        | (3,918)        | (4,107)        | (3,721)        | (3,638)        |
| Public debt (amortization)           | (1,366)        | (2,234)        | (2,409)        | (2,111)        | (1,873)        |
| Rescheduled                          | (483)          | (687)          | (1,031)        | (1,227)        | (1,400)        |
| Not rescheduled                      | (883)          | (1,547)        | (1,378)        | (884)          | (473)          |
| Private debt                         | (726)          | (468)          | (510)          | (510)          | (632)          |
| Other                                | (1,778)        | (1,216)        | (1,188)        | (1,100)        | (1,133)        |
| <b>NET ERRORS AND OMISSIONS</b>      | <b>389</b>     |                |                |                |                |
| <b>TOTAL BALANCE OF PAYMENTS</b>     | <b>(4,672)</b> | <b>560</b>     | <b>1,550</b>   | <b>2,250</b>   | <b>765</b>     |
| <b>OFFICIAL CREATION OF RESERVES</b> | <b>(113)</b>   | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>0</b>       |
| Monetary movement                    | 3,923          | (382)          | 109            | 791            | 887            |
| Central Bank of Venezuela            | 2,705          | (472)          | 109            | 791            | 887            |
| Investment Fund of Venezuela         | 1,218          | 90             | 0              | 0              | 0              |
| Reserve liabilities                  | 862            | 1,644          | 1,531          | 1,549          | (122)          |
| Amortization reserve liabilities     |                | (702)          | (90)           | (90)           |                |

<sup>1</sup> As from 1989, corresponds to the funding gap

Source: Central Bank of Venezuela

Working Party on the Accession of Venezuela

Questions from Switzerland

1. Paragraph 48: Decree 239 of 24 May 1989 establishes the provisions governing Venezuela's trade policy, including regulations on imports, and provides for a gradual reform of the Customs Tariff, to "secure its simplification and transparency". What specific measures will this reform comprise, and what is the timetable for their implementation?

The customs tariff reform provided for in Decree 239 comprises the following specific measures: (a) elimination of all specific or mixed tariffs. Consequently, all tariffs on manufactured products are ad valorem; (b) progressive reduction, in accordance with the time-table set out in the Decree, of tariff levels according to the degree of processing of products and also of the upper limits on ad valorem tariffs for imports of manufactures; (c) elimination of tariff exemptions for imports of manufactured goods, with the exception of those included in the "basic basket", completely knocked down goods for assembly in the country (CKD régime) and the imports of certain public entities whose constituent statutes so provide; and (d) study of the future modalities of the reform of the agricultural sector. The measures indicated under (a) and (b) were taken when the customs tariff was modified, the current text of which is that set out in the Joint Resolution of the Ministries of Finance and Development, dated 28 September 1989, which has already been transmitted to the GATT secretariat as mentioned in the reply to question No. 50 in the list of questions submitted by the secretariat. The reduction in tariff levels and ceilings will take place in accordance with the time-table set out in Decree 239. Tariff exemptions have already been eliminated, and the studies mentioned in (d) above have been launched.

2. Paragraph 78: In cases where the price of an article does not correspond to that prevailing under reasonable conditions of international competition, the Ministry of Finance provisionally sets an official price for the article. What specific method and criteria are used in this calculation?

The only guideline established by law for determining official prices is that it is necessary to ensure that such prices correspond to the usual competitive prices obtained in normal commercial circumstances. The Ministry of Finance has discretionary powers in this respect, although in ensuring that official prices correspond to usual competitive ones it must comply with the rules governing the latter, as set forth in Articles 259 and 260 of the Regulations of the Customs Act (Annex 2 to the Memorandum on the Foreign Trade Régime of Venezuela, document L/6565). Please also see the replies to questions 91 and 92 of the list of questions submitted by the GATT secretariat (document L/6599).

3. Paragraph 56: It is proposed to reduce the maximum tariff for manufactured goods to 50 per cent in March 1990 and apply five tariff rates, and to 20 per cent, with two rates, between March 1991 and March 1993. What will these tariff rates be, and what is the degressivity envisaged for carrying out this reduction?

In accordance with Decree 239 it is planned to reduce the ceiling on tariffs and the various tariff levels as follows:

| Date       | Ceiling | Number of levels |
|------------|---------|------------------|
| March 1990 | 50%     | 5                |
| March 1991 | 40%     | 4                |
| March 1992 | 30%     | 3                |
| March 1993 | 20%     | 2                |

The rates for each tariff level have not yet been set.

4. Paragraph 58: Public-sector enterprises are exempted from import duties when their specific legal régimes so provide. Since the public sector accounts for a significant part of imports, what percentage of imports will be able to benefit from this exemption?

Please refer to the reply to question 60 of the list of questions submitted by the GATT secretariat (L/6599).

5. Paragraph 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. What method is applied to calculate the costs?

The domestic value added of exports is determined by the exporter himself, subject to subsequent checking by the tax and foreign-trade authorities. For the calculation of the cost of imported components utilized directly or indirectly in the manufacturing process, the exporter must indicate in the relevant form ("form for the calculation by exporters of domestic value added") the production and sales costs mentioned in the income-tax declaration of the manufacturer of the product to be exported, on a pro rata basis to show the direct incidence of the good to be exported on the enterprise's total production. Production and sales costs must be calculated using generally accepted accounting principles and the financial statements reflecting them must be audited by registered public accountants. In the case of imported goods, the c.i.f. value of goods must be considered.