



**-Venezuela-**  
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## GENERAL FEATURES OF TRADE POLICY

With a Gross Domestic Product (GDP) of US\$ 124.9 billion and an import market of US\$ 17,3 billion for a population of 24.6 million in 2001, Venezuela ranks first among the 5 national economies of the **Comunidad Andina (CAN)** or Andean Community (AC), followed by Colombia (GDP US\$ 82.4 billion, US\$ 12.8 billion in imports), Peru (GDP US\$ 54.0 billion, US\$ 7.2 billion in imports), Ecuador (GDP US\$ 18.0 billion, US\$ 5.4 billion in imports ) and Bolivia (GDP US\$ 8.0 billion, US\$ 1.7 billion in imports). Although Venezuela's economy grew by 2.7% in 2001, since the early 1980's the GDP per capita has declined by about 1% a year on average.

The Venezuelan economy is highly dependent on its oil sector, which represents almost 30% of total GDP, more than 80% of its total exports and over 50% public budget revenue. Dependence on oil export revenue has made Venezuela the world's fifth-largest oil exporter, highly vulnerable to oil price fluctuations.

Venezuela joined the Andean Subregional Integration Agreement known as **Cartagena Agreement** in 1973 and the **Andean Free Trade Area** in 1992 as well as the **Andean Customs Union** in 1995, when the Common External Tariff adopted by CAN countries entered into force. It is also a party to the Group of Three (G3) trade agreement with Colombia and Mexico, to the Sistema Economico Latinoamericano (SELA, the Latin American Economic System), and to the Asociacion Latinoamericana de Integracion (ALADI, the Latin American Integration Association). While Venezuela has opposed plans for the establishment of the **Free Trade Area of the Americas (FTAA)** by 2005, it is seeking unilateral entry into the Mercado Comun del Sur (**Mercosur**, the Common Market of the Southern Cone that comprises Argentina, Brazil, Paraguay and Uruguay).

At international level within trade fora, Venezuela is a member of the World Trade Organization and enjoys unilateral concessions from several Generalized System of Preferences (GSP) schemes, specifically those of Japan, the United States of America and the European Union.

In 2001 Venezuelan goods exports totalled US\$ 26.7 billion, US \$ 21.6 billion (80.9%) of which were oil and US\$ 5.1 billion (19.1%) were non-traditional goods. Non-traditional exports fell by 3.9% to US\$ 4.9 billion in 2002, while imports also decreased by 29.3% to US\$ 12.3 billion.

Venezuela's main trade partner is the United States, with a 53.8% share of Venezuela's exports and 32.7% of imports in 2001. Other major trade partners are respectively the European Union, Colombia, Brazil and Mexico.

### EU trade with Venezuela

Apart from the EU regulation applying the GSP for the year 2002 to 2004, trade relations between Venezuela and the EU are managed through the WTO agreements, the 1993 framework agreement between the EU and the Andean Community, and the Joint Declaration and Action Plan of the Rio Summit between the Heads of State and Government of Latin America, the Caribbean and the European Union (EU-LAC), held in June 1999. As indicated in the EC's Country Strategy Paper 2001-2006 on Venezuela, EC trade policy towards Venezuela is primarily focused on its integration into the world trading system.

Three years after the Rio Summit, where the EU had agreed to launch negotiations for free trade agreements with Mercosur and with Chile, the Heads of State and Government of the EU-LAC met for the second time at the Madrid Summit. They underlined the importance of the WTO as the main forum for promotion of trade and welcomed the new initiatives to establish conditions under which, after the completion of the Doha Development Agenda by the end of 2004, feasible and mutually beneficial free trade agreements could be negotiated between the EU and Central America and between the EU and the Andean Community.

According to Eurostat, trade in goods between the EU and Venezuela grew by 11.1% to €6.62 billion in 2001, due notably to a substantial increase of Venezuelan imports from the EU: these grew by 14.4% to €3.68 billion, while Venezuela's exports to EU countries increased by 7.3% to €2.93 billion.

The main category of EU imports from Venezuela is mineral fuels, accounting for more than 60% of the total, followed by iron and steel and agricultural products.

The main EU export products to Venezuela are power generating machinery (19% of total), chemical products (16%); agricultural products(13%)and transport material (10%).

Imports from Venezuela account for 0.3% of total EU imports, while exports to Venezuela account for 0.4% of total EU exports. In 2001, EU imports and exports of services from/to Venezuela were €0.679 and €1.056 billion respectively.

With regard to Foreign Direct Investment (FDI) flows, in 2001 0.03% of EU inflows came from Venezuela, while 0.86% of EU outflows went to Venezuela. At the end of 2001, 0.06% of foreign investment in the EU was from Venezuela, while 0.48% of EU FDI was in Venezuela.

*The following table is an overview of the tradeflow between the European Union and Venezuela*

Section	Year	Import(Euro)	Export(Euro)
<b>Animals &amp; animal products</b>	1996	33,196,260	69,707,970
	1997	44,087,970	55,130,270
	1998	29,939,860	96,296,300
	1999	33,406,300	60,266,730
	2000	45,335,870	101,079,240
	2001	55,562,310	95,461,840
	2002	52,975,290	45,094,070
	2003	39,390,380	48,214,890
<b>Vegetable products</b>	1996	29,341,710	61,948,060
	1997	46,959,540	63,956,170
	1998	44,579,030	73,180,870
	1999	53,191,280	49,796,210
	2000	29,888,710	72,861,670
	2001	19,807,490	92,921,150
	2002	23,801,260	89,971,350
	2003	23,323,440	64,381,780
	1996	598,510	3,440,020
	1997	522,640	7,146,730
	1998	291,730	6,803,060

<b>Animal or vegetable fats</b>	1999	124,300	4,140,960
	2000	0	10,319,260
	2001	23,050	11,705,550
	2002	0	9,024,920
	2003	12,430	5,345,340
<b>Prepared foodstuffs</b>	1996	26,892,260	32,589,150
	1997	23,472,540	46,873,080
	1998	31,085,950	66,592,710
	1999	42,664,160	65,721,440
	2000	45,652,130	89,419,830
	2001	51,300,230	124,230,480
	2002	82,950,900	81,114,870
	2003	88,360,260	41,271,120
<b>Mineral products</b>	1996	981,012,900	21,346,110
	1997	1,089,635,770	30,325,020
	1998	890,601,080	45,649,080
	1999	1,197,204,640	60,356,270
	2000	1,953,532,360	58,786,270
	2001	2,181,942,250	52,569,510
	2002	1,941,748,960	79,333,130
	2003	1,121,099,470	58,895,410
<b>Chemical products</b>	1996	98,301,640	227,357,230
	1997	121,283,150	249,644,360
	1998	93,127,230	287,840,180
	1999	59,395,570	260,662,380
	2000	127,094,840	341,912,500
	2001	114,744,720	449,737,510
	2002	88,153,870	361,529,390
	2003	75,282,480	255,816,590
<b>Plastics &amp; rubber</b>	1996	27,156,800	47,069,460
	1997	20,867,800	62,902,550
	1998	33,209,270	63,893,230
	1999	51,438,370	67,347,990
	2000	41,180,340	76,976,770
	2001	26,990,150	107,036,110
	2002	22,426,360	79,196,540
	2003	3,189,250	48,354,930
<b>Hides &amp; skins</b>	1996	8,907,390	9,492,100
	1997	22,944,380	16,429,480
	1998	23,720,560	18,572,360
	1999	20,538,040	10,729,890
	2000	55,760,650	11,902,500
	2001	52,396,540	17,987,380
	2002	53,349,470	7,417,060
	2003	38,799,300	2,427,560
<b>Wood &amp; wood products</b>	1996	2,702,930	1,595,170
	1997	1,510,040	3,125,430
	1998	204,770	4,878,760
	1999	332,420	3,907,840
	2000	260,350	4,298,860
	2001	119,810	6,263,650
	2002	415,630	3,608,690
	2003	950,590	1,206,500
<b>Wood pulp products</b>	1996	11,525,180	57,711,710
	1997	13,716,390	60,178,400
	1998	12,588,910	89,317,450
	1999	7,709,340	93,858,790
	2000	6,954,860	97,943,650
	2001	1,427,480	127,911,450
	2002	1,418,430	91,820,330
	2003	1,391,000	39,386,890

<b>Textiles &amp; textile articles</b>	1996	5,689,500	32,846,340
	1997	5,247,590	47,079,340
	1998	1,519,480	60,457,780
	1999	2,755,750	74,909,200
	2000	3,551,680	86,828,480
	2001	3,943,930	97,916,690
	2002	1,295,040	71,495,680
	2003	4,422,200	29,987,420
<b>Footwear, headgear</b>	1996	898,860	3,603,660
	1997	718,650	8,028,700
	1998	586,760	12,678,830
	1999	415,480	8,710,160
	2000	1,044,650	12,616,470
	2001	537,190	17,876,470
	2002	429,830	10,047,060
	2003	389,260	3,765,890
<b>Articles of stone, plaster, cement, asbestos</b>	1996	2,227,740	33,992,580
	1997	2,627,810	48,616,550
	1998	2,211,690	59,529,960
	1999	2,128,790	54,183,130
	2000	2,369,420	66,881,300
	2001	1,294,260	85,079,290
	2002	1,068,970	57,383,990
	2003	1,048,950	26,508,850
<b>Pearls, (semi-)precious stones, metals</b>	1996	11,282,910	6,092,020
	1997	7,560,050	10,860,480
	1998	3,564,520	13,965,470
	1999	3,354,680	11,247,820
	2000	1,122,230	14,091,030
	2001	5,088,350	17,420,320
	2002	15,397,200	9,117,330
	2003	427,830	2,567,650
<b>Base metals &amp; articles thereof</b>	1996	205,862,090	139,857,730
	1997	234,779,020	197,024,880
	1998	172,967,840	181,883,440
	1999	191,023,280	182,093,720
	2000	252,308,190	206,429,670
	2001	267,538,650	224,599,410
	2002	287,217,060	182,934,430
	2003	299,077,890	74,476,580
<b>Machinery &amp; mechanical appliances</b>	1996	7,307,080	612,412,070
	1997	6,585,890	832,824,470
	1998	7,814,240	1,098,358,410
	1999	9,499,560	1,038,288,920
	2000	16,444,380	1,177,777,070
	2001	14,164,680	1,043,025,770
	2002	18,622,410	920,660,250
	2003	15,162,940	417,514,340
<b>Transportation equipment</b>	1996	1,301,020	64,343,930
	1997	2,919,020	154,630,710
	1998	2,698,950	218,671,800
	1999	2,783,430	79,486,950
	2000	2,989,580	111,434,650
	2001	3,148,660	174,525,560
	2002	2,303,390	225,966,720
	2003	2,939,980	216,401,790
<b>Instruments - measuring, musical</b>	1996	804,740	47,834,190
	1997	1,509,750	69,832,860
	1998	3,549,870	72,210,750
	1999	3,656,110	72,765,300
	2000	6,408,350	108,645,640

	2001	5,928,430	151,449,360
	2002	4,555,080	166,770,770
	2003	3,134,930	51,109,840
<b>Arms &amp; ammunition</b>	1996	5,390	1,949,340
	1997	220	5,579,470
	1998	0	4,238,520
	1999	30,490	3,438,390
	2000	0	7,118,100
	2001	66,330	7,708,550
	2002	1,400	12,758,460
	2003	3,490	6,024,680
<b>Miscellaneous</b>	1996	394,160	18,468,510
	1997	728,620	31,796,530
	1998	704,050	49,671,680
	1999	349,010	42,477,290
	2000	591,160	59,937,920
	2001	662,300	91,239,690
	2002	331,620	73,175,560
	2003	1,874,870	24,014,240
<b>Works of art</b>	1996	112,350	928,460
	1997	108,600	1,084,600
	1998	131,190	1,648,480
	1999	7,650,760	702,830
	2000	246,670	348,290
	2001	260,650	341,370
	2002	170,190	180,620
	2003	553,590	127,900
<b>Other</b>	1996	4,415,950	9,867,370
	1997	10,262,730	6,590,520
	1998	3,367,580	12,747,660
	1999	5,989,250	9,383,740
	2000	6,101,840	13,187,770
	2001	16,257,550	16,127,750
	2002	5,261,170	23,996,470
	2003	6,119,450	12,903,820

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## TARIFFS AND DUTIES

### Applied Tariff Levels

Venezuela has adapted its Tariff Schedule to the **Common Customs Classification of the Andean Community (NANDINA)**, based on the Harmonized Commodity Description and Coding System (HS) of the World Customs Organization (WCO). Venezuela applies the **Common External Tariff (CET)** of the CAN since January 1995.

A new CET discussed by Andean Community Ministers in October 2002 resulted in agreement on 62% of the items. The new CET has a five-tier structure with basic levels of 0%, 5%, 10%, 15% and 20% and a series of tariff deferral arrangements that allow the CAN countries to move away from the basic structure.

Current duty rates may be searched by either an HS Product Code (4 or 6 digits) or by Keywords describing the product in the **Applied Tariffs section** of this Database.

Under the Andean Community Common Automotive Policy (CAP), assembled passenger vehicles are subject to a 35% import duty, this being an exception from the maximum 20% tariff.

### Internal Taxation and Tax Discrimination

Besides a 16% value-added tax (VAT) on sales and imports, a new tax of 1% on bank debits (Impuesto al Debito Bancario) is applicable to all debits on accounts with financial institutions, including letters of credit or any other similar instruments. The application of this provision has been extended until 13 March 2004 although the rate applicable will be systematically reduced over the period. In addition, imports are subject to customs service tax at a rate of 1% on merchandise value.

## Automotive **Internal Taxation**

### 030010-VAT tax discrimination on vehicles [2005-02-02]

Under the Family Vehicle Programme 2000 (Carro Popular) , qualifying low-value new cars, as well as components intended for the production of such vehicles, either imported by authorised importers from Andean Pact countries or locally produced, are not subject to VAT of 16%. However, cars which are imported from Europe are subject to the 16% VAT on importation and re-sale.

This benefits primarily automotive producers in Colombia, in particular as regards the production of the Mazda 232 and the Renault Twingo.

As announced by Venezuela's Minister of Production and Commerce Willmar Castro, the "family car program" ("Carro familiar") will be extended for three more years until October of 2007. The program exempts of VAT payment the production of some car models. The first program had a 5 year duration from October 2000 to October 2004. On 15th October 2004, the government created the program "Vehiculo Familiar 2004" published in the OJ 38.044, valid until 18th October 2007.

## Other Industries **Internal Taxation**

### 050007-VAT tax discrimination on home appliance/furniture sector [2005-02-24]

Following the same pattern as the "Family vehicle program" (Carro Familiar), on July 2003 the government, created the program "Family Basket" ("Canasta Familiar"), with the decree 2,470. The program is aimed at the reactivation of national production in the home appliance and furniture sector.

The program includes the following operations:

- Production and sale of kitchen furniture, closets, bathroom's cabinets, living room, dinning room and bedroom furniture.
- Sale of kitchen, refrigerators, washing and drying machines and air conditioners.
- Sale of raw material, parts and components for the above mentioned goods.
- Imports of raw material, parts and components for the production of the above mentioned goods.

According to the decree, the program will operate through agreements between the Ministry of Production and Commerce and the manufacturing companies. These agreements will specify the conditions for the manufacturing and marketing of the products, quality specifications and the range of prices.

The program will be in force for five years beginning on July 14th 2004, date in which the decree was published in the official gazette.

Although the program per se did not stipulate the benefits granted to these sectors in order to foster production, on August 4th 2004, a new decree, N° 3.039, was published, exonerating the payment of added value tax for the operations made in the framework of the Canasta Familiar program.

The exonerated operations are:

- Sale of Venezuelan made home furnishing: living room, dining room and bedroom sets; bathroom's cabinets; closets and adaptable sets for build in kitchens; upon the signature of an agreement with the Ministry of Production and Commerce by the manufacturer.
- Sale of refrigerators, washing machines, kitchens, drying machines and air conditioners, under the same conditions.
- Sale of the above mentioned goods by the authorized distribution companies.
- Imports of raw material, parts and components, needed for the production of the above mentioned goods, made by the manufacturing companies that have signed an agreement.
- Sales of raw material, parts and components needed for the production of the above mentioned goods.

Article 4° of 3,039 decree states: "Imports and sales of parts, and home appliances that are not related with the Canasta familiar program will not benefit from the VAT exoneration".

# TRADE DEFENCE INSTRUMENTS

The Venezuelan anti-dumping measures against EU commodities in force in May 2003 concern syringes, with or without needles, from Italy. Also, countervailing duties on EU blue-veined, semi-hard and gruyere-type cheese have been in force since May 1994.

Since 1992 the Comisión Antidumping y Sobre Subsidios (CAAS) is responsible for conducting all administrative investigations involving the possible imposition of anti-dumping duties, countervailing duties or safeguard measures.

CAAS's measures must comply with Venezuela's Law on disloyal practices of international trade (1992) as well as with the WTO Agreement on subsidies and countervailing measures and with Andean Community's provisions (Decisions 456, 283 and 457) for preventing or counteracting distortions in competition produced by dumping and subsidies.

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## NON TARIFF BARRIERS

### Registration, Documentation, Customs Procedures

Import licences are required for most agricultural products, some of which are reserved to the national Government. For health or other reasons some products are prohibited e.g. used tyres, blue asbestos, worn clothing and rags, phosphorus (matches), second hand cars, as well as poultry, beef, pork and grapes (Decreto No. 989, Gaceta Oficial No. 5,039 Extraordinaria - 9 February 1996).

### Quantitative Restrictions and Related Measures

Since February 1995, Venezuela has been applying the Price Band Andean System (PBAS) for sub-regional and extra-regional imports of certain agricultural products to protect local producers by stabilising domestic prices. Under the PBAS, the general ad-valorem tariff rates are adjusted according to the relationship between market commodity reference prices and established floor and ceiling prices: the CET is increased when the international price falls below the floor level, and is reduced up to zero when the price increases over the ceiling.

### Standards, Sanitary and Other Technical Requirements

It is the responsibility of the Ministry of the Production and Trade, through the Comisión Venezolana de Normas Industriales (COVENIN), to fulfil obligations and exercise rights in the field of technical standardisation and metrology, according to international standards in compliance with the WTO Agreement on Technical Obstacles to Trade and the Andean System of Standardisation, Accreditation, Testing, Certification, Technical Regulations and Metrology.

The Venezuelan standards CONVENIN are developed by **FONDONORMA**, which is the official Venezuelan representative to the International Organisation for Standardisation (ISO) and is also a member of COPANT, the Pan American Standards Commission, whose basic objectives are to promote the development of technical standardisation and related activities in its member countries.

Products subject to COVENIN standards, which have become compulsory, must be registered in the National Service of Standardisation, Quality, Metrology and Technical Regulations (SENCAMER) of the Ministry of Production and Trade, the former Direction of Standardisation and Certification of Quality of the Ministry of Industry and Trade (SENORCA).

As a member of the World Trade Organisation (WTO), Venezuela has made commitments to subscribe to the Sanitary and Phytosanitary (SPS) Agreement. Venezuela has also committed to the Office of International Epizootic (OIE) principles and to the underlying Codex Alimentarius (CODEX) standards. Venezuela's provisions concerning SPS import measures are to be found in several Resolutions issued by the ministries of health and

social assistance, agriculture, defence, and justice, depending on the product to be imported. A health or "sanitary" certificate is required for imports of pesticides, drinks, medical material and equipment, pharmaceutical products, cosmetics, dentifrice, toilet preparations, foods, veterinary products and equipment, and products of vegetable origin. Drinks, foods, medicines and cosmetics must be registered in the ministry of health and social assistance, while veterinary products and equipment must be listed in the farming health register of the agriculture ministry.

### Labelling requirements

Labels of consumer goods at least must show the name, net weight, principal components of the product, expiry date, country of origin, importer's name and address. Product information must be in Spanish language and of easy understanding for the consumer. **Specific labelling regulations** concern the following products: food items and drinks, refrigerators and deep freezes, natural products for therapeutic purposes, homeopathic products, biological products, medicines, foodstuffs and cosmetics for animals, packaged products, and packages containing foodstuffs for the sale to the public.

### Agriculture and Fisheries

## Quantitative Restrictions and Related Measures

### 🟡 050001-Discriminatory import licences on dairy products [2005-02-02]

Since 1999 Venezuela established an import licence requirement for the administration of quotas applied to dairy products. This system has been extended to a wide range of agricultural products: sugar, cereals, oil seeds, oleaginous fruits and animal and vegetable fats are also part of this regime.

As from 1st January 2005, import licences applications will have to be submitted to the newly created Ministry of Food.

Notified to WTO as tariff quotas in 2003, it appears as a quota regime in the current Venezuelan TARIC code.

Moreover, for CAN (Andean Community) dairy products this requirement does not apply.

At the same time, Venezuela has implemented the system of the "certificado de no produccion nacional" issued by the MAT (Ministry of Agriculture and Lands) as a voluntary application to obtain three different types of benefits:

- 1.The first is required for the VAT exemption, has a validity of 30 days and must be presented at the customs when the merchandise introduced in the market.
- 2.The second is required for the import tax exemption, has a validity of 1 year and it must be issued for each shipment. Must be presented to the SENIAT.
- 3.The third is required for CADIVI to make the import at the official exchange rate.

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## RESTRICTIVE EXPORT MEASURES

Export permits are required for petroleum products, gold, coffee and cocoa. For coffee, cocoa, some fruits and certain seafood products, exporters receive a tax credit of 10% of the export value.

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## INVESTMENT RELATED BARRIERS

Venezuela's **legal framework for foreign investments** is provided for in **Decree 2.095 of 1992**, which also regulates the importation of technology as well as the use of trademarks and patents in compliance with **Decision 291 of the Andean Community** regarding the Regime for the Common Treatment of Foreign Capital and Trademarks, Patents, Licensing Agreements and Royalties. The Venezuelan foreign investment regime has been complemented by the **Investment Promotion and Protection Act (Decree Law N°356 of 1999)**, which establishes rules, guarantees and incentives for domestic and foreign private investments in public services.

Investments in oil and iron sectors are reserved to the State; although private companies may engage in hydrocarbons-related activities by operating contracts or by equity joint ventures with the state company - PDVSA. Television and radio broadcasting, Spanish language newspapers, and licensed professions are



business activities reserved to companies in which more than 80% of the equity should be held by Venezuelan investors.

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## IPR

Venezuela is a party of the TRIPS Agreement (Trade-Related Aspects of Intellectual Property Rights) at WTO as well as of the Convention establishing the World Intellectual Property Organisation (WIPO), and therefore has committed to provide an adequate and effective protection system of intellectual property rights (IPR) consistent with its international obligations.

Venezuela's IPR regulations are based on its outdated 1955 Industrial Property Law and the following Decisions of the Andean Community:

- 344: Common Regime on Industrial Property (of December 1993),
- 345: Common Provisions on the Protection of the Rights of Breeders of New Plant Varieties (December 1993),
- 351: Common Provisions on Copyright and Neighbouring Rights (December 1993), and
- 486: Common Intellectual Property Regime (in force since December 2000).

The Venezuelan regulations on IPR including patents, trademarks and copyrights are enforced by the Autonomous Intellectual Property Rights Service (SAPI) that was created within the Ministry of Production and Commerce in 1991.

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