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U.S. Country Commercial Guides

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Venezuela

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Doing Business in Venezuela

Market Overview

For the last 18 years, Venezuela's anti-market orientation has complicated business opportunities in the country. U.S. exporters to, and investors in, Venezuela are well-advised to be mindful of the considerable challenges when assessing opportunities in the Venezuelan market.

The United States remains Venezuela's most important trading partner, claiming 39 percent of Venezuela's exports (primarily petroleum and petroleum products) and 36 percent of its imports. Venezuela was in 2016 the United States' eleventh-largest export market in Latin America.

Companies seeking to do business in Venezuela must navigate its complex and frequently revised foreign currency (FX) regime. Multiple FX mechanisms and exchange rates have been introduced, modified, and eliminated over the past several years. Venezuelan law presently authorizes two official FX mechanisms to sell dollars to private sector firms and individuals (Gazette No. 40.865, 2016). The first FX mechanism, called DIPRO, sells dollars at the official exchange rate of 10 bolivars (VEF)/dollar for priority imports, which include basic foods, medicines, medical supplies, and some hygiene products. A second FX mechanism, DICOM, sells dollars for all other types of products. The DICOM rate is a variable rate determined by a new BCV-managed auction system launched in May 2017, the Government of the Bolivarian Republic of Venezuela's (GBRV) FX regimes have not met market demand for dollars for several years. A robust parallel market has emerged as a result. Foreign exchange on the parallel market is illegal under Venezuelan law. However, rates for currency sales made outside of Venezuela are updated daily on internet sites.

Market Challenges

Annual consumer price inflation finished 2016 at 255 percent. The IMF forecasts inflation will finish 2017 at 720 percent.

In January 2014, the GBRV passed the Fair Prices Law that created the Superintendence for the Defense of Socio-Economic Rights (SUNDDE) to establish price controls and profit limits, inspect businesses, and enforce penalties that include up to 14 years in prison. Venezuela has inadequate intellectual property rights (IPR) protection.

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

Delayed payments can add significant time and costs to shipments through demurrage while vessels remain anchored outside of Venezuelan waters until payment is received. Inefficient port operations can further slow the process.

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

Declining oil exports and reduced GBRV dollar sales to the private sector slowed Venezuela's economy which had negative growth the IMF estimated at -18 percent in 2016. Analysts forecast the economy will continue to contract in 2017.

Labor laws make it very difficult to dismiss or fire employees, even for good cause, and challenging to utilize independent contractors in place of regular employees.

Frequent minimum wage increases, devaluations and lack of transparency in the bottlenecked FX regime system challenge budgeting processes.

Many businesses have difficulty obtaining primary materials or spare parts for all types of business activities.

Electricity rationing and water shortages are frequent concerns.

Businesses operating in Venezuela continue to lose talented professional and English-speaking employees to emigration.

Many companies have experienced significant difficulties repatriating bolivar (VEF) earnings as the GBRV has virtually stopped authorizing dollar sales for earnings repatriations and the value of un-repatriated earnings continue to erode through skyrocketing inflation.

High crime rates are a significant concern to many businesses.

Market Opportunities

The short term outlook appears bleak in most sectors. However, there may be opportunity for investors in certain niche sectors or for investors with long time horizons and significant tolerance of risk.

U.S. companies benefit from established commercial ties between the two countries including strong consumer preference for U.S. products, preference for U.S. technologies, and the long tradition of U.S. foreign direct investment in Venezuela. More than two-thirds of consumer products and intermediate goods consumed in Venezuela are imported.

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

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

Market Entry Strategy

Businesses consider various types of risk, including political risks; currency distortions and devaluations; payment issues; a slow and an unreliable justice system; and a past history of expropriation across sectors.

Laws and regulations governing trade, industry, labor, and commerce lack transparencyand can change with little notice.

Political Environment

U.S.-VENEZUELA RELATIONS

The United States established diplomatic relations with Venezuela in 1835. The U.S.-Venezuelan bilateral relationship has been tense in recent years.

Venezuela's recent presidents, the late Hugo Chavez (1999-2013) and Nicolas Maduro (2013-present), have defined themselves in part through their opposition to the United States, regularly criticizing the U.S. government, its policies, and its relations with Latin America. President Maduro has also continued his predecessor's policies, notably what the Venezuelan government refers to as "21st Century Socialism," which is characterized by an outsized role for the executive, extensive state intervention in the economy, and efforts to expand Venezuelan economic and political influence among nations in Latin America and the Caribbean. The United States and Venezuela maintain diplomatic relations, with embassies each headed by a chargé d'affaires.

U.S. Assistance to Venezuela

U.S. assistance to Venezuela supports the defense of human rights, the promotion of civil society, and the strengthening of democratic institutions. Venezuela is currently subject to certain restrictions on U.S. foreign assistance.

Since 2005, the President has determined annually that Venezuela has "failed demonstrably" to adhere to its obligations under international counter-narcotics agreements and to take certain counter-narcotics measures. The President has waived these restrictions with respect to programs that are vital to the national interests of the United States, such as human rights and civil society programs.

Pursuant to section 40A of the Arms Export Control Act, the Department of State since 2006 has annually determined that Venezuela was "not cooperating fully" with U.S. counterterrorism efforts. Under this provision, defense articles and services may not be sold or licensed for export to Venezuela during the relevant fiscal year.

Bilateral Economic Relations

The United States is Venezuela's largest trading partner. Bilateral trade in goods between both countries reached $23.9 billion in 2015. U.S. goods exports to Venezuela totaled $8.3 billion in 2015, down 25 percent from 2014. U.S. imports from Venezuela totaled $ 15.6 billion, down 48 percent from 2014, due principally to the fall in oil prices. U.S. exports to Venezuela include petroleum and refined petroleum products, machinery, organic chemicals, agricultural products, autos and auto parts. Crude oil dominates U.S. imports from Venezuela, which is one of the top five suppliers of foreign oil to the United States. About 500 U.S. companies are represented in Venezuela. U.S. foreign direct investment in Venezuela is concentrated largely in the petroleum and manufacturing sectors.

Political tensions, state intervention in the economy, including expropriations, macroeconomic distortions, physical insecurity, corruption, and a volatile regulatory framework make Venezuela a challenging climate for U.S. and multinational companies. A complex foreign exchange regime and restricted access to dollars have prevented firms from repatriating their earnings out of Venezuela and importing industrial inputs and finished goods into Venezuela. Extremely limited access to dollars, price controls, and rigid labor regulations have compelled many U.S. and multinational firms to reduce or shut down their Venezuelan operations.

In 2011, the Secretary of State imposed sanctions under the Iran Sanctions Act of 1996 (ISA) on Venezuela's state oil company (PDVSA) for delivering at least three cargoes of reformate, a blending component for gasoline, to Iran between December 2010 and March 2011. The sanctions prohibited PDVSA from competing for U.S. Government contracts, securing financing from the Export-Import Bank of the United States, and obtaining export licenses. The ISA sanctions on PDVSA were lifted as a part of the Joint Comprehensive Plan of Action (JCPOA) on January 16, 2016. We refer you to guidance and frequently asked questions on the Department of Treasury's website. On the site you will find many resources, including a link to "Frequently Asked Questions Relating to the Lifting of Certain U.S. Sanctions Under the Joint Comprehensive Plan of Action (JCPOA) on Implementation Day." As a reference, here is the updated federal register notice..

In 2013, the Department of State announced the re-imposition of nonproliferation sanctions on the Venezuelan Military Industry Company (CAVIM) and other foreign entities and individuals under the Iran, North Korea, and Syria Nonproliferation Act (INKNSA). On March 9, 2015, the President announced a new Executive Order (E.O.) "Blocking Property and Suspending Entry of Certain Persons Contributing to the Situation in Venezuela." The targeted sanctions in the E.O. implement and expand upon the requirements of the Venezuela Defense of Human Rights and Civil Society Act of 2014 signed into law by President Obama on December 18, 2014. This E.O. targets persons involved in or responsible for the erosion of human rights guarantees, persecution of political opponents, curtailment of press freedoms, use of violence and human rights violations/abuses in response to antigovernment protests, arbitrary arrest and detention of antigovernment protestors, and significant public corruption by senior government officials in Venezuela. The E.O. does not target the people or economy of Venezuela. This E.O. was renewed in March 2016.

Individuals and entities designated for the imposition of sanctions pursuant to the E.O. have their U.S. property and interests in U.S. property blocked, and U.S. persons wherever located are prohibited from engaging in any transactions or dealings with such individuals or entities, including their property and interests in property. Except as authorized by the Secretary of State, designated individuals will not be permitted to travel to the United States.

Venezuela's Membership in International Organizations

Venezuela and the United States belong to a number of the same international organizations, including the United Nations, Organization of American States, International Atomic Energy Agency, International Civil Aviation Organization, International Monetary Fund, Interpol, United Nations Human Rights Council, World Bank, World Health Organization, and World Trade Organization. On January 24, 2012, Venezuela withdrew from the Convention on the Settlement of Investment

Disputes between States and Nationals of Other States, which creates the International Center for Settlement of Investment Disputes (ICSID). On September 10, 2013, Venezuela formally withdrew from the American Convention on Human Rights. Venezuela started a two-year term in the United Nations Security Council on January 1, 2015.

Venezuela is a founding member of the Organization of the Petroleum Exporting Countries (OPEC), the Bolivarian Alliance for the Peoples of Our America (ALBA), the Community of Latin American and Caribbean States (CELAC), and PetroCaribe. Venezuela is also a member of the Non-Aligned Movement, the Southern Common Market (Mercosur), the Union of South American Nations (UNASUR), the G-15, the G-24, and the G-77.

Bilateral Representation

There currently is no U.S. Ambassador to Venezuela; the U.S. Chargé d'Affaires en pied is Lee McClenny.

Venezuela maintains an embassy in the United States at 1099 30th St. NW, Washington, DC 20007; tel. (202) 342-2214.(Embassy site:)

More information about Venezuela is available from the Department of State and other sources, some of which are listed here:

Department of State Venezuela Country Page
Department of State Key Officers List
CIA World Factbook Venezuela Page
U.S. Embassy
USAID Venezuela Page
History of U.S. Relations With Venezuela
Human Rights Reports
International Religious Freedom Reports
Trafficking in Persons Reports
Narcotics Control Reports
Investment Climate Statements
Office of the U.S. Trade Representative Countries Page
U.S. Census Bureau Foreign Trade Statistics
Library of Congress Country Studies
Travel Information
U.S. Energy Information Administration
Country Reports on Terrorism

Selling US Products & Services

Using an Agent to Sell US Products and Services

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

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

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

Placing a Venezuelan citizen on a company's payroll can be costly in case of separation, due to benefits stipulated by labor laws. Labor law requires that an employer contribute 60 days of an employee's wages into a severance account in the first year of employment. The company must make severance payments equal to 30 days of wages per year of employment retroactive to 1997; it must also make retroactive calculations of benefits (30 days of wages per year of employment). Venezuelan labor laws make it very difficult to layoff or fire employees, even for good cause, and challenging to utilize independent contractors in place of regular employees.

Employees are allowed a one-month, probationary work period, during which an employer can dismiss a worker without cause. If the employer fires the employee after the probationary period, the employee has the right to accept dismissal and receive a double severance payment or to challenge the dismissal in court. If a permanent employee challenges dismissal in court, the employer must prove it was a "just cause" dismissal – the employee voluntarily left the job, committed a "grave error" in work obligations, revealed confidential company information, or committed grave negligence in operating machinery. If the court finds an employee was fired without just cause, the employer must re-hire the employee and pay a fine. By May 7, 2015, third-party contracting must end for jobs that are of a permanent nature, occur inside the business's installations, and are directly related to the productive process.

Potential exporters should study Venezuelan price control laws, which limit the overall profit margin to 30 percent through the entire supply chain from importer to retailer and mandate that products may only be valued according to the highly overvalued FX regime. Potential exporters should also be counselled on risks of criminal liability for actions that may be considered reasonable supply chain management in many countries and should note the frequent difficulties of obtaining dollars through government FX mechanisms.

Establishing an Office

A business must first be registered, although no previous authorization is required, with the Venezuelan Municipal "Commercial Registry" to be legally established. Decree Law 1438 of

November 2014, abolished the former Superintendent of Foreign Investment (SIEX) and declared the Venezuelan currency commission, the National Center for Foreign Commerce (CENCOEX), to be the regulatory authority for foreign investment, under oversight of the Commerce Ministry. Regulations, under the 2014 law have not yet been issued, but should eventually be available on CENCOEX's website. Registration with the Venezuelan Institute of Social Security and the National Institute of National Cooperation is also compulsory. The opening and operating of a representative office is not considered foreign investment, so long as the office neither sells nor receives financing from the home office overseas. Businesses can be registered as corporations, limited liability companies, partnerships, sole proprietorships, or cooperatives.

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

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

Franchising

Franchising is allowed under foreign investment laws. Franchise payments, royalties, patents, or technical assistance agreements must be registered with SIEX/CENCOEX. Certain payments for the use of franchise rights may be subject to withholding taxes. Decree 2095 (Gazette No. 34.930) guarantees the ability to remit funds to overseas franchisors for franchising rights, but currency controls have delayed and limited such remittances.

In Venezuela, there are approximately 500 franchisors owning and operating 12,500 franchisee points throughout Venezuela, according to the Venezuelan Franchise Chamber.

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

Direct Marketing

Direct marketing is common in Venezuela. Marketing through TV commercials, newspaper inserts, home visits, or street vendors is widespread. Mail advertising has been almost nonexistent due to postal system difficulties, but the Sunday press is commonly used for advertisements. Online marketing has been limited due to the country's economic problems, as internet speeds remain some of the slowest in Latin America and consumers have limited opportunities to buy new technology, including smart phones, tablets, and computers.

Joint Ventures/Licensing

Joint ventures are common in Venezuela. The principal requirement is registration of the venture with SIEX/CENCOEX.

U.S. financial institutions will not convert Venezuelan bolivars (VEF) into U.S. dollars, so U.S. firms with operations in Venezuela must exchange their bolivar earnings for dollars in Venezuela to repatriate dividends to their home offices. The GBRV has virtually stopped authorizing dollar sales for earnings repatriation since 2008.

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

Decree 1438 of November 18, 2014 superseded Decree 2095 but generally maintains the established legal framework for foreign investment in Venezuela. Decree 1438 still guarantees foreign investors the same rights and imposes the same obligations applied to national investors "except as provided for in special laws and limitations contained in this Decree." Decree 1438 [and the subsequent Investment Promotion and Protection Law (Gazette No. 6152)] reserves three areas of economic activity to "national companies": (1) broadcast media, (2) Spanish-language newspapers, and (3) professional services regulated by national laws. A "national company" is a company in which Venezuelan nationals hold more than 80 percent of the equity. Venezuela's withdrawal from the Andean Community (CAN), has added to uncertainty regarding Venezuelan laws based on CAN decisions.

The Hydrocarbons Law reserves the rights of exploration, production, "gathering," and initial transportation and storage of petroleum and associated natural gas for the state. Primary activities must be carried out directly by the state, by a wholly state-owned enterprise such as Petroleos de Venezuela, S.A. (PDVSA), or by a joint-venture company with more than 50 percent state ownership. The law left refining ventures open to private investment and commercialization activities under a license and permit regime. In contrast, the 1999 Gaseous Hydrocarbons Law offered more open terms to investors in the unassociated natural gas sector. This law opened the natural gas sector to private domestic and foreign investment and created a licensing system for exploration and production regulated by the Ministry of Petroleum and Mining. The state retained ownership of all natural gas "in situ," but PDVSA involvement is not required for gas development projects (although the law allows PDVSA to back into 35 percent ownership of any natural gas project). The law prohibited complete vertical integration of the gas business from wellhead to the consumer. The state has also nationalized the electricity sector.

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

Selling to the Government

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to "*Project Financing"* Section in *"Trade and Project Financing"* for more information.

Public procurement is governed by the Public Procurement Act (PPA) (Gazette No. 39165 and 39503). The Decree-Law for the Promotion of Private Investment under Concessions Regime 1999 is the legislation that governs public-private partnerships for infrastructure and utilities projects. The National Contracting Service leads the enforcement of the PPA.

Although Venezuelan procurement law and regulations encourage a transparent and competitive process, most government procurements are made without public tenders and with little transparency. The GBRV is increasingly awarding contracts directly, thus avoiding the bidding process required by the government procurement law.

Firms wanting to sell to a GBRV agency are required to register with the National Register of Contractors, maintained by the Venezuela National Institute of Statistics (http://www.ine.gov.ve/). If tenders are opened only to foreign companies, bidders might be exempt from registration requirements initially, but could have to register once short-listed. Additionally, selling goods or services to PDVSA requires pre-registration with PDVSA's contractor registry. A labor solvency certificate, evidencing a firm's compliance with Venezuelan labor laws, is also required to do business with the government or state-run enterprise.

U.S. exporters should be cautious if a Venezuelan partner requests changes to a contract after it has been signed. Such requests must be in writing. Litigating against the government is difficult, as is enforcing any judgment in the firm's favor. Venezuelan regulations prohibit jurisdiction selection clauses in government contracts designating anywhere except Venezuela, and also proscribe international arbitration. PDVSA has signed sales contracts with U.S. firms through PDVSA procurement affiliate Bariven and PDVSA subsidiary Citgo in the United States, which allows for the pursuit of dispute resolution in the United States.

The GBRV promotes purchases from firms employing disadvantaged groups, called Social Production Companies (EPS). Consequently, some wholly or partially government-owned companies are encouraged to procure as much as possible from EPS.

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

Types of Tenders

Procurements are supposed to fall into one of three classifications:

- General Tender (Licitacion General)
- Selective Tender (Licitacion Selectiva)
- Direct Purchase (Adjudicacion Directa)

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

The Bidding Process

Bid proposals usually must be separated into two parts:

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

The tender publication usually contains a time schedule for pre-selection, final offer submission, and final selection date. The deadline frequently slips when several organizations are involved, and bidders are asked to provide a date up to which they will hold their prices. Government agencies usually require that a supplier of specific types of equipment be an authorized seller for the foreign manufacturer. Multiple bids by the same manufacturer may result in disqualification. Authorization to sell is important where after-sale support might be needed.

If a U.S. company feels that the bidding process of a foreign tender in which it is participating is flawed or discriminatory, it may wish to contact the U.S. Embassy Caracas Economic Section (CaracasEcon@State.gov).

Distribution & Sales Channels

Distribution and sales channels might include a manufacturer's representative or commissioned agent, wholesale importing distributor, importing retailer, or direct sale to end-user. Venezuelan companies commonly play several of these roles. No specific business license is required for a local company or individual to be an importer. Many retailers handle their own imports, sometimes placing orders through commissioned agents and sometimes purchasing directly from foreign suppliers.

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

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

Major distribution centers include the ports of La Guaira and Puerto Cabello, and the international airport of Maiquetia, in Caracas. Firms should note that operations in Puerto Cabello and Puerto La Guaira, Venezuela's two largest seaports, are handled by the national government. The GBRV's multiple import procedures can cause substantial delays and demurrage costs.

Express Delivery

DHL, FedEx and other couriers are present in Venezuela.

Selling Factors & Techniques

Despite the lack of inventory, retail sales have traditionally operated similar to sales in the United States and other western hemisphere countries. There are numerous malls, but few department stores. Price haggling in established stores is not common. Special offers are frequent but seasonal in nature. Promotions and sales are governed under a consumer protection law that is not yet supported by a complete regulatory framework, causing uneven application. In January 2014, the GBRV promulgated the Law of Fair Prices (Gazette No. 40.340), which aims to regulate the national economy through the fixing of prices and profit margins, threatening draconian punishments for offenders. Many retailers are subject to close government scrutiny, including inspections by the National Superintendence for the Defense of Socio-Economic Rights (SUNDDE).

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

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

eCommerce

Overview

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

Current Market Trends

The World Economic Forum's Global Competitiveness Index estimated 62 percent of Venezuelans (roughly 19.2 million people) were Internet users in 2016. CENCOEX reduced the limit on currency conversions for overseas online credit card purchases from $400 to $300 per year per individual, further restricting participation in e-Commerce by Venezuelans who do not have overseas bank accounts. Only GBRV-owned banks are authorized to disburse hard currency. However, most allocations have stalled due to the government's lack of hard currency.

Barriers for e-commerce growth include a significant number of Venezuelans without bank accounts, exchange controls, and an outdated Internet platform in need of upgrade. However, many Venezuelans increasingly rely on credit cards as a way of dealing with rapid inflation and the logistics of carrying large stacks of banknotes to make basic purchases.

Digital Marketing

Online marketing has been limited due to the country's economic problems, as internet speeds remain some of the slowest in Latin America and consumers have limited opportunities to buy new technology, including smart phones, tablets, and computers.

Social Media

Social media use is prevalent in Venezuela.

Trade Promotion & Advertising

While specialized publications exist, television and radio commercials are the most common form of advertising and are heavily used to promote durable and non-durable consumer goods. Billboards are common, as are leaflets, newspaper inserts, and in-store promotions. Print advertising continues to shrink due to the declining overall commercial activity, the import restriction on newsprint, from and competition from the GBRV, which requires outlets to publish its announcements for free. Advertising agencies, including subsidiaries from some very well-known U.S. companies, are also on the decline. Business gifts are common around Christmas for steady customers and can be expensive.

Venezuelan trade shows can be a good way to promote a new product or to find an agent or distributor in certain sectors, though some shows may not meet expectations of seasoned trade show users. However, the Venezuelan trade show industry has declined in the wake of economic difficulties. Check Export.gov's searchable list of trade events for more details.

Major Daily Newspapers

El Universal Edificio El Universal, Esquina de Animas, Avenida Urdaneta, Caracas Phone: +58 212 505-2111, 505-2290	El Nacional Edificio El Nacional, Av. Principal de Los Cortijos de Lourdes, Caracas Phone: +58 212 203-3194, 203-3226

Fax: +58 212 505-3710 diario@eluniversal.com	Fax: +58 212 203-0548 comunicaciones@el-nacional.com
Tal Cual (published only on Fridays) Av. Romulo Gallegos, entre 4ta. Av. de Los Palos Grandes y 1ra. Av. de Santa Eduviges, Torre Pascal B, Ofic.13 Piso1, Caracas Phone: +58 212 285-3548 / 6482 Fax: +58 212 286-7446 / 0212 acasanova@talcualdigital.com	El Mundo Edificio Ultimas Noticias, Final Avenida Rómulo Gallegos con Calle 4 de La Urbina Caracas Phone: +58 212 240-9911 Fax: +58 212 240-9433 elmundo@cadena-capriles.com
Ultimas Noticias Edificio Ultimas Noticia, Final Avenida Rómulo Gallegos con Calle 4 de la Urbina Phone: +58 212 240-9911 Fax: +58 212 240-9433 ultimasnoticias@cadena-capriles.com	Diario 2001 Edificio Bloque De Armas, Avenida San Martín c/c Avenida La Paz, Caracas Phone: +58 212 406-4111, 406 4177/4034 Fax: +58 212 443-4961 2001@dearmas.com

Pricing

The Venezuelan government first implemented price controls in 2003. In January 2014, the GBRV passed the Fair Prices Law that created the Superintendence for the Defense of Socio-Economic Rights (SUNDDE). SUNDDE establishes price controls and profit caps for goods and services up to 30 percent depending on sector and applicable along the supply and product chains, including direct and indirect costs of the product for normal business expenses, including human resources, administration, purchasing, sales, marketing, IT, legal costs, and security. (Official Gazettes 6.156 from 2014 and 6.202 from 2015). The GBRV may enforce price control laws against businesses for actions of their independent businesses associations. For example, manufacturers may be held responsible for actions of independent distributors for which they do not exercise ownership or control if such distributors are deemed to have violated price control laws. Administrative sanctions include fines, occupation or seizure of goods or establishment for up to 180 days, among others.

The GBRV has subjected an increasing number of food products and consumer goods to price controls. Staple products under price controls include: rice, oatmeal, corn flour, bread, pasta, sugar, coffee, salt, beef, pork meat, poultry, eggs, sardines, tuna, corn oil, sunflower oil, vegetable blended oil, powdered milk, milk infant formula, white cheese, margarine, lentils, peas, black beans, mayonnaise, tomato sauce, and bologna. The government has periodically adjusted the regulated prices for select items; however, according to producers' associations, the increases have not been sufficient to cover production costs. Mark-ups for products already on shelves or storage can be sanctioned by heavy fines, intervention, confiscation, store closure, or prison time. As a result of price controls many products have disappeared from the market, sometimes temporarily but in other cases for long durations, and consumer hoarding is common.

Price controls are arguably the major reason for a growing contraband industry. In addition to contraband, many individuals purchase quantities of scarce and price controlled products and then sell them for higher prices in open markets throughout the country or in neighboring countries.

Sales Service/Customer Support

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

Protecting Intellectual Property

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

In any foreign market companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on Protecting Intellectual Property and also Corruption.

IP Attaché Contact [Venezuela]

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Due Diligence

In the event that you consider seeking legal counsel to assist with due diligence, the Economic Section provides the U.S. business community a reference list of local attorneys in Venezuela. Inclusion on the list is not an endorsement by the U.S. Department of State or the embassy. The names are listed alphabetically, with information on areas of expertise and language ability. The list is compiled from information provided by the lawyers themselves and from publicly available information.

Local Professional Services

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

Local attorneys can provide essential information on labor laws, tax regulations, real estate purchases, and the drafting of by-laws. A number of Venezuelan law firms have attorneys who have studied in the United States and are familiar with matching a U.S. company's requirements to local law. The U.S. Embassy maintains a reference list of local attorneys in Venezuela. Inclusion on the list is not an endorsement by the Embassy or the Department of State.

Principle Business Associations

FEDECAMARAS, CONSECOMERCIO, and COINDUSTRIA are examples of many business and industry associations in Venezuela.

Limitations on Selling US Products and Services

Venezuela maintains restrictions on a number of services sectors, including professional services, audiovisual, and telecommunications services. Foreign employees are restricted to 10 percent of the work force of any enterprise with more than 10 workers, and Venezuelan law limits foreign employee salaries to 20 percent of the payroll.

However, U.S. companies benefit from established commercial ties between the two countries including strong consumer preference for U.S. products, preference for U.S. technologies, and the long tradition of U.S. foreign direct investment in Venezuela. More than two-thirds of consumer products and intermediate goods consumed in Venezuela are imported.

Web Resources

Venezuela's Superintendence for the Defense of Socioeconomic Rights – SUNDDE

Venezuela's Superintendence of Foreign Investment – SIEX

Venezuela's Intellectual Property Rights Office – SAPI

Venezuela's Consumer Education and Protection Agency – Procompetencia

Venezuela's National Institute of Statistics – INE

U.S. Embassy Caracas Economic Section – List of Commercial Law Firms

Leading Sectors for US Exports & Investments

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

Oil and Gas Field Machinery

Overview

The oil and gas machinery sector (OGM) includes drills, derricks, well equipment, pumps, valves, heat exchangers, compressors, and parts suitable for this type of equipment. U.S. exporters enjoy the advantages of cutting-edge technology and geographic proximity and OGM is in constant demand both by PDVSA and local and international companies. Venezuela has traditionally ranked among the top 10 export destinations for U.S.-made OGM. U.S. suppliers face strong competition with manufacturers in China, Germany, Brazil, Argentina, Colombia, and Italy.

To comply with the November 2016 OPEC non-OPEC deal curtailing output, PDVSA has set a target of reducing its output in 2017 by 95,000 barrels per day. OPEC's latest monthly oil market report estimated that Venezuela's total crude oil production declined to 2.19 million barrels per day in April 2017. At the same time, PDVSA plans to increase production of natural gas to 11.9 trillion cubic meters per day and natural gas liquids to 255,000 bpd, but lacks the financial resources for the required capital expenditures to meet these targets. Official proven crude oil reserves were reported to be 297.7 billion barrels in 2016, 257.1 billion barrels of which is extra heavy crude oil in the Orinoco Oil Belt; however, analysts have started to question the current crude oil reserves given lower oil prices and increasing difficulties of extraction. Proven reserves of natural gas in 2015 were 197.1 trillion cubic feet. Gas reserves include associated gas onshore and non-associated gas fields offshore.

Leading Sub-Sectors

Venezuela has historically been a significant purchaser of drilling rigs, casing and piping, control systems, double screw and submersible pumps, flanges, heat exchangers, automation equipment, mechanical separators, cranes, pipe taps, valves, and compressors. Recently, PDVSA has taken steps to give majority-owned joint ventures with foreign oil company participation greater financial and procurement autonomy, significantly reducing the risk of non-payment to suppliers. Nevertheless, several oil field services companies have reported long delays in payments for services provided to PDVSA. The natural gas sector offers one of the best prospects for U.S. exports because the legal framework permits majority private sector participation.

Opportunities

PDVSA have said publicly in international conferences that they are interested in more partnerships with U.S. companies and welcome bids on upcoming concessions, tenders, and service contract opportunities.

Web Resources

Petroleos de Venezuela, S.A. – PDVSA

Electrical Power Generation Systems and Electrical Equipment

Overview

Venezuela's electrical power generating plants and transmission and distribution infrastructure suffer from lack of investment and inadequate maintenance. Efficiency losses are the norm at many power plants; Venezuela's natural gas deficit requires combined-cycle plants to operate on liquid combustibles, such as diesel fuel.

Generators, engines, turbines, and power transmission equipment comprise 90 percent of imports in the sector by value. The GBRV encourages private parties to purchase generators for industrial, commercial, and residential facilities, exempting them from the value-added tax (VAT). Private parties will be more likely to choose competitive U.S. products for smaller generating systems.

Web Resources

National Electric Corporation – Corpoelec

Ministry of Electrical Energy – Ministerio del Poder Popular para la Energía Eléctrica

Auto Parts and Service Equipment

Overview

The GBRV does not publish product types that are processed at the DICOM or the DIPRO exchange rate, but indications are that the auto industry is assigned to DICOM. DICOM is a managed floating rate and has steadily depreciated since its introduction in March 2016. As of mid-June, 2017, it was at 2,200 bolivars per dollar.

Historically, Venezuela was to be the fourth-largest auto producer in the Americas, after the United States, Canada, and Mexico. In recent times Venezuela slipped behind Brazil, Mexico, and Argentina in Latin America Local assemblers are General Motors, Toyota, Ford Motor Company, Chrysler, Mitsubishi, Hyundai, Mack, Chinese brand Chery, and Iranian Venirauto.. Assemblers use locally made or imported chassis and engines. Venezuela has a motor vehicle fleet of approximately five million cars, trucks, and buses, plus a significant motorcycle fleet.

Auto assembly has significantly declined, from 172,418 vehicles produced in 2007 to 2,849 vehicles in 2016, its lowest output since 1962. A lack of hard currency for imports of components is primarily responsible for the decline. Auto makers also struggle with challenging labor laws and price controls. The auto industry, like other sectors, relies on the Venezuelan government for foreign exchange. The government owes the seven major auto producers $1.7 trillion for unliquidated foreign exchange authorizations for imports and un-repatriated earnings. Currently, the industry is virtually paralyzed for lack of access to dollars to import parts and inability to repatriate profits. Carmakers receive limited allocations of dollars to import components, and the industry is operating at less than 10 percent of its installed capacity. The domestic auto parts producers alone owe $400 million to international providers.

Venezuelan automobile assemblers are required to produce 30 percent of their vehicles as dual fuel (gasoline and natural gas) vehicles and each assembler must produce at least two dual-fuel models. This dual-fuel requirement also applies to vehicles imported by assemblers. In November 2013, the Venezuelan government lowered the domestic content requirement for locally assembled vehicles from 50 percent to 35 percent.

In March 2017, the Venezuelan government and the auto sector signed a plan to "re-launch" the Automobile industry called "Venezuela in Motion" (Decree 2.787, Gazette 41.122) with the intended goal of strengthening the national auto sector, specifically vehicles and motorcycle assembly, auto parts manufacturing, and related metallurgical businesses.

Web Resources

Venezuela's Ministry of Foreign Trade and International Investment – Ministerio del Poder Popular para el Comercio Exterior e Inversión Internacional

Venezuelan Chamber of Autoparts Manufacturers – FAVENPA

Venezuelan Automotive Chamber – CAVENEZ

Safety and Security

Overview

Major dealers of security products estimated the size of the Venezuelan market for industrial safety equipment to exceed $130 million per year, although no official figures exist. The safety and security industry has grown in recent years as have crime rates. Rates of common crime, such as violent crime, assaults, home burglaries, short-term ("express") kidnapping, and car thefts, continue to increase. Many crimes go unreported, and only a small percentage of reported crimes are prosecuted.

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

Prospective U.S. exporters are encouraged to review carefully whether the official technical standards developed by the National Autonomous Service for Standardization, Quality, Metrology and Technical Regulations (SENCAMER) apply to their particular products. SENCAMER might require product compliance certification from an independent testing agency.

Web Resources

National Autonomous Service for Standardization, Quality, Metrology and Technical Regulations – SENCAMER

Agricultural Sector

Overview

U.S. agricultural product exports dipped 7 percent to $617 million through November in calendar year 2016 compared with the same time period a year before. This is the second straight year the value of U.S. agricultural products exports will be $1 billion since 2007. Agricultural product importers have continued to face the challenges of an ailing Venezuelan economy and strict restrictions on access to foreign currency. Economic challenges notwithstanding, the GBRV maintains a stringent, prohibitively extensive bureaucracy to obtain permits to import agricultural products and for citizens to access foreign currency. Despite these challenges, there were U.S. agricultural products that experienced growth in 2016, notably corn, animal feed, sweeteners, snack foods, processed fruit, and pet food, among others.

In calendar year 2016, U.S. bulk commodity exports totaled $387 million through November with corn exports leading trade values at about $193 million. Total exports of U.S. intermediate agricultural products were $207 million (through November). Soybean meal represented about 60 percent of U.S. agricultural intermediate product trade at $123 million, albeit down 44 percent year-to-date. U.S. consumer-oriented products were a marginal $22 million.

Soybean Meal

Unit: 1,000 metric tons

	2014	2015	2016	2017 (Estimated)
Total Local Production	212	204	201	-
Total Exports	-	-	-	-
Total Imports	1,041	1,125	806	428
Imports from the US	685	717	362	205
Total Market Size	1,256	1,329	1,007	-
Exchange Rates	6.3	6.3	670.00+	2,200.00++

(Total market size = (total local production + imports) - exports)

*The lack of published figures and economic contraction make estimates unreliable at this time.

**Note: Data is based on a market year, i.e. Oct. 2012-Sept. 2013 for 2013.

+ and ++ denotes DICOM exchanges in December 2016 and June 2017, respectively

Corn

Unit: 1,000 metric tons

	2014	2015	2016	2017 (Estimated)
Total Local Production	1,360	1,150	990	950
Total Exports	-	-	-	-
Total Imports	2,626	1,141	2,200	2,050
Imports from the US	1,061	576	-	-
Total Market Size	3,986	2,291	3,190	3,000
Exchange Rates	6.3	6.3	670.00+	2,200.00++

(Total market size = (total local production + imports) - exports)

*The lack of published figures and economic contraction make estimates unreliable at this time.

**Note: Data is based on a market year, i.e. Oct. 2012-Sept. 2013 for 2013.

+, ++ Note: Denote DICOM exchanges in December 2016 and June 2017, respectively

Milled Rice

Unit: 1,000 metric tons

	2014	2015	2016	2017 (Estimated)
Total Local Production	385	380	305	310
Total Exports	200	0.024	60	50
Total Imports	500	9	400	390
Imports from the US	158	0.4	-	-
Total Market Size	885	389	705	700
Exchange Rates	6.3	6.3	670.00+	2,200.00++

(Total market size = (total local production + imports) - exports)

*The lack of published figures and economic contraction make estimates unreliable at this time.

**Note: Data is based on a market year, i.e. Oct. 2012-Sept. 2013 for 2013.

+, ++ Note: Denote DICOM exchanges in December 2016 and June 2017, respectively

Sugar

Unit: 1,000 metric tons

	2014	2015	2016	2017 (Estimated)
Total Local Production	490	450	430	300
Total Exports	-	80	80	-
Total Imports	-	80	80	-
Imports from the US	-	-	-	-
Total Market Size	1,340	1,300	1,280	1,330
Exchange Rates	6.3	6.3	670.00+	2,200.00++

(Total market size = (total local production + imports) - exports)

*The lack of published figures and economic contraction make estimates unreliable at this time.

**Note: Data is based on a market year, i.e. Oct. 2012-Sept. 2013 for 2013.

+, ++ Note: Denote DICOM exchanges in December 2016 and June 2017, respectively

State-Owned Enterprises

The Venezuelan Foods Corporation (CVAL) is a state entity that plays an active role in the commercialization, storage, and distribution of food supplies. CVAL groups supply both primary production and agro-industrial processing plants. It also has a support network for the distribution of inputs and provides mechanization and transport services through the companies created for that purpose.

The Government Food Distribution Network

Government food purchasing and distribution are handled by four GBRV entities: the Corporation for Food Supply and Agricultural Services (Corporacion de Abastecimiento y Servicios Agrícolas, CASA), the Market of Foods (Mercado de Alimentos, MERCAL), and the Producer and Distributor of Venezuelan Food (Productora y Distribuidora Venezolana de Alimentos, PDVAL), and Bicentenario.

CASA purchases domestic and imported food and agricultural products. CASA is the sole importer of poultry meat, coffee, raw sugar, and beef. It has also increased its imports of wheat and corn to be milled in both government and privately owned mills.

MERCAL sells staple food products at prices about 30 to 45 percent lower on average than the controlled-price products sold by supermarkets. MERCAL's food distribution network continues to expand, with 15,743 points of sale (mostly small stores, 35 supermarkets, and "home-cooking-houses," or soup kitchens). The stores remain significantly undersupplied and mismanaged, causing long lines and unsatisfied customers.

PDVAL, a PDVSA subsidiary, is ostensibly a food producer and distributor for the domestic market. PDVAL administers and supplies the Corporacion de Mercados Socialistas (COMERSO), which also manages commercial distribution programs.

The GBRV also has a network of 36 supermarkets called "Abastos Bicentenario," plus six "Gran Bicentenario" hypermarkets, eight distribution centers, and a transport

system.

Additionally, the Ministry of Food is responsible for the Local Committees for Supply and Production (CLAPS). Created in 2016 by President Nicolás Maduro, CLAPS is a form of food subsidy primarily for low income neighborhoods. Distributed through community councils they offer food staples at regulated prices. This is significant as private companies producing basic staples (such as food, personal hygiene, and household necessities) can be legally obligated to sell up to 50 percent of their products to the government at subsidized prices. This is based on the government granting the companies access to subsidized materials.

The Private Food Distribution Network

Major supermarkets include varying types of chains that offer a comparable standard to U.S. retailers, such as Central Madeirense, Excelsior Gama, Plazas, Sigo, Makro, Flor, Frontera Unicasa, Luvebras, El Patio and Garzon. Most of the major supermarket chains in Venezuela belong to the National Supermarket Association (Spanish acronym: ANSA).

There are approx. 6,363 privately owned supermarkets (both chain stores and independents) in Venezuela selling foods and beverages. There are an additional 136,906 corner stores, known as abastos or bodegas. Corner stores dominate retail sales in the predominantly middle and low-income neighborhoods throughout Venezuelan cities and towns.

Pharmacies that offer foods and beverages were growing rapidly in the last decade. The store layouts now include aisles dedicated to food and beverages. The four major pharmacies are SAAS (208 stores), Farmatodo (167 stores), Farmahorro (110 stores) and Locatel (66 stores). These pharmacies are members of ANSA.

Government Spending

Given the government's professed commitment to provide food subsidized through MERCAL and CLAP, expenditures (particularly for price-controlled foods) are expected to continue and demand is expected to rise; however, hard data on import dependence and projected increases are difficult to estimate. While imported food accounts for a growing percentage of domestic consumption, the overall quantity of imported food has steadily diminished and does not adequately provide for demand.

Customs, Regulations, & Standards

Import Tariff

Import duties are calculated on the Cost, Insurance and Freight (CIF) value of the shipment. Venezuela has been a WTO member since 1995 – its harmonized tariff schedule can be seen online.

Venezuela completed its withdrawal from the Andean Community (CAN) in April 2011 and completed the phase out period of CAN-related rights and obligations. CAN norms covering a wide range of disciplines, however, had been incorporated into local law, and it remains unclear how these laws apply following Venezuela's withdrawal.

On December 2, 2016 Venezuela was suspended from the Southern Common Market (MERCOSUR) after having become the fifth full member of the bloc in July 2012 summit in Rio de Janeiro.The decision was based on Venezuela's failure to fully comply the entry requirements, including the Asuncion Protocol on Human Rights, the 2002 Agreement on the Internal Immigration of Citizens of MERCOSUR, and the Economic Complementation Agreement. Venezuela had four years from its date of accession to adopt the MERCOSUR Common External Tariff (CET) and to provide duty-free treatment to its four partners on all goods, with sensitive products allowed a two-year extension. On April 1, 2014, Venezuela adopted phase-two of the CET for 21 percent of the goods in its tariff schedule and was supposed to adopt the CET for an additional 14 percent of products on April 1, 2015. Between April and September 2016, Venezuela adopted a series of MERCOSUR norms and resolutions, including on agricultural, petrochemical, manufacturing, and telecommunication industries. . On December 30, 2016 Venezuelan adopted a number (Official Gazette 6.281) of MERCOSUR CET and other customs tariffs. However, many of these regulations have been adopted by presidential decrees and have not yet been ratified by legislative authorities. Exceptions to the CET exist on a product-specific or sector-specific basis, mainly for goods not produced within the union or those that potentially affect the production capacity of the members. Due to the lack of official government information and access, there is no list of these exceptions. As of June 2017, Venezuela remains suspended from MERCOSUR.

Customs authorities will accept the value of the shipment that is indicated on shipping documents such as the bill of lading, but GBRV regulations allow customs to reference a base price for some products, such as textiles, to determine customs value. Under-invoicing can result in heavy fines to the importer as well as forfeiture of the goods in question. In Venezuela, over-invoicing is more common due to the multiple exchange rate system and excessive delays in obtaining foreign exchange for imports. Exporters should be aware that over-invoicing is illegal under Venezuelan law and exporters should not cooperate with such attempts by importers since detection could jeopardize the company's receivable and endanger future exports to Venezuela.

Trade Barriers

Non-Agricultural Goods and Services

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

Although not intended as a trade barrier to U.S. exporters, currency exchange requirements can place U.S. exporters at a disadvantage, especially to regional competitors that benefit from the Unitary Unit of Regional Compensation (or SUCRE), a virtual currency used among members of the trade bloc Bolivarian Alliance for the Americas (ALBA) and the transaction preferences of the ALADI Trade Treaty (Latin America Integration Association). The SUCRE is virtual currency pegged to the U.S. dollar and allows businesses in ALBA countries to process offsetting commercial transactions, without a physical transmission of a payment, through Banco del ALBA, a Caracas-based bank founded by member countries. Use of the SUCRE as a currency has sharply declined in recent years. Alternative currency exchange mechanisms also suffer lengthy processing delays and bureaucratic red tape.

Agricultural Goods and Services

Agricultural and food product imports are administered through an import license regime. While not currently enforced in the private sector, they have historically required certificates of non-production (to show that products are not available domestically) in order to justify importation. Additionally, the GBRV uses two government entities to import: CASA (for raw materials, commodities, and consumer food products) and Agropatria (for fertilizer, seeds, and agricultural machinery).

Venezuela requires that importers also obtain Sanitary and Phytosanitary (SPS) certificates from the Ministries of Food and Agriculture for most agricultural imports. The government has used these requirements to restrict agricultural and food imports without providing evidence of a scientific basis for the restrictions, which raises concerns about the consistency of these practices with WTO requirements. The discretionary use of import licensing and permitting procedures to curtail agricultural imports remains an issue.

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

Import Requirements & Documentation

Import Licenses

The GBRV is responsible for issuing import permits, import licenses, and product registrations. The Ministry of Agriculture and Lands issues SPS health import permits for imported products of plant or animal origin; the Ministry of Food issues import permits and licenses for food products; and the health ministry (MINSALUD) grants registration for all domestic and imported processed food products. Foods not registered in the country of origin cannot be registered in Venezuela.

As the government has become more involved in directly importing food products, import licensing requirements have been relaxed to simplify and expedite the process. There are "one-stop" service points at the Ministry of Agriculture and Lands and sanitary permits are supposed to be issued within seven days. However, in reality these permits can take longer. The validity of import licenses for a certain group of food products considered essential, as defined by the government, are valid for six-month to one-year periods. Import licenses are valid for three to four months for non-essential products. Examples include milk, cheese, sorghum, soybean oil, medicine, and vaccines.

Certificates of Non-Production and Certificates of Insufficient Production

A certificate of non-production and a certificate of insufficient production are normally required for almost all -agricultural and non-agricultural goods. In the case of wheat, the Certificate of No-Production (CNP) is simply a bureaucratic process since Venezuela does not produce wheat. Arms and explosives require an import permit from the Ministry of Defense (see the Prohibited or Restricted Imports section). Import certificates might be required for certain products subject to special supervision. Exporters should note that foreign exchange approval procedures effectively impose import permits for those wishing to avail themselves of foreign exchange at the official rates, a considerable price advantage compared to accessing foreign exchange through the parallel market (see the Foreign Exchange section of the document).

Import/Export Documentation

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

The following documents are required: commercial invoice; bill of lading or airway bill; packing list; certificate of origin; and special certificates or permits when required (e.g., phytosanitary or quality standards certificates). Exporters should consult with the Venezuelan importer regarding what documentation is required in addition to the invoice.

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

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

Labeling/Marking Requirements

Product labeling or marking is regulated through resolutions issued by the responsible ministry and not by a standards-making body. Labeling regulations vary by product, but the basic rule is that all labels and instructions must be in Spanish, and all measurements must be metric.

For products that require registration and authorization for sale to the public, the labeling requirements typically include a list of contents; the name of the manufacturer, importer, or distributor; the name of a sponsoring and responsible pharmacist in the case of drugs; a list of all ingredients and contents of the package in metric units; and any warnings or other data required as part of the product's registration requirements (e.g., the registration number of MINSALUD or the Ministry of Industry and Commerce in the case of animal feed or veterinary medicines).

Almost all agricultural imports must have a certificate of origin issued by the exporting country. Stickers are no longer permitted in the case of imported products. The original label must comply with Venezuelan labeling requirements and must identify the importer. For more information on food and agriculture import regulations and standards, please consult with the Foreign Agricultural Service at AgCaracas@fas.usda.gov and refer to the Global Agricultural Information Network (GAIN) report No. VE1312 on the U.S. Foreign Agricultural Service web page.

The labeling of footwear and textiles must be registered with Venezuela's National Autonomous Service for Standardization, Quality, Metrology and Technical Regulations (SENCAMER) and meet the following criteria (in Spanish, in a font not smaller than two millimeters in height):

- Name of manufacturer
- Country of origin
- Legal name of importer
- Taxpayer number of the Venezuelan importer
- Brand name
- Size of the garment
- Care instructions (in international symbols)

Garment fiber composition must be specified, including the generic name of the fibers and percentages of content.

U.S. Export Controls

The United States does not authorize the export of defense articles and defense services to Venezuela (see Federal Register, Vol. 71, No.159, 2006). All dual-use U.S. technology is potentially subject to export licensing by the U.S. government, and exporters should look into this issue at a very early stage of negotiation.

Visit the U.S. Embassy Caracas website for detailed information on U.S. export controls.

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screenings of potential parties to regulated transactions is available online.

Temporary Entry

Venezuelan customs laws and regulations allow the import of merchandise on a temporary basis for exhibitions, cultural purposes, demonstrations, scientific purposes, or specific contracts. The importer must request permission for temporary entry, providing an exact description of the merchandise, its number or volume, its value, and its expected date of re-export. Temporary entry forms may be requested from the Customs Manager at the Venezuelan tax agency (SENIAT) at phone +58 212 274-4913 and fax number +58 212 709-4488. A bond covering the full value of the duty payable in case the products stay in the country must be obtained, but will be returned once the products have left the country.

Normally, temporary entry permits are granted for a maximum stay of up to six months and have to be approved by SENIAT. A non-reimbursable one percent customs handling payment is required.. In some cases, reimbursable collateral is requested for temporary imports.

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

Prohibited & Restricted Imports

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

The last update about eligibility for exports to Venezuela was in March 24, 2015. Pork from most countries is unofficially banned, but in 2016 significant volumes of pork products (25,039 T) were imported from Portugal and Brazil to meet heightened holiday demand. Officially pork is eligible for import from the United States. Select bovine products from the U.S., such as beef and beef products, are officially banned due to antiquated concerns about Bovine Spongiform Encephalopathy (BSE); however, a U.S. live cattle trade protocol was signed and some imports have been made in 2017. Raw poultry from U.S. also remains banned due to outbreaks of avian influenza, but cooked poultry products are permitted. No phytosanitary import protocol exists for potato seeds coming from the United States, even though importer interest exists. Contact AgCaracas@fas.usda.gov for more details.

Military and law enforcement, as well as sports and agricultural organizations, are allowed to purchase firearms and ammunition through channels approved by the () by the National Directorate of Firearms and Explosives (DAEX)(https://cpa.daex.mil.ve/). Since March 1, 2012, all other sale, purchase, or importation of firearms, ammunition, and firearms-related accessories has been prohibited.

Customs Regulations

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

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

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

Standards for Trade

Overview

Venezuela's standards regime historically consisted of the non-profit foundation Fondonorma and SENCAMER. The relationship between the two bodies has deteriorated in the past few years, which has led to confusion and a lack of a normative standards regime.

Standards

The Ministry of Economy and Finance is the governing body for quality control. The Ministry exercises supervision and control of the rules of the Venezuelan Commission of Industrial Standards (COVENIN) through SENCAMER. SENCAMER is responsible for the accreditation, inspection and testing of laboratories. SENCAMER also owns and operates Venezuela's metrology laboratory, which is charged with certifying the equipment and activities used for the measuring of masses, weights, dimensions, temperatures, pressure, torsion forces, electricity, and physical-chemical apparatuses. Fondonorma, Bureau Veritas, the American Quality Standards Registrar and the Integral Technology Security Foundation are organizations accredited by SENCAMER in Venezuela to certify products and quality systems.

Trade and industry associations, large private companies, businesses, and a few governmental organizations, mainly ministries, are among the board members running Fondonorma. Fondonorma is Venezuela's member body to the International Organization for Standardization

(ISO) and is accredited to ISO to certify local companies to specific ISO standards and award ISO certificates. It is also a member of the Pan-American Standards Commission and of the International Certification Network (IQNet).

Fondonorma, through individual industry committees, develops new standards as needs are perceived. Its primary objective is quality assurance of both locally made and imported products. In addition to its role in certification to ISO standards and the development of COVENIN standards, Fondonorma also issues a NORVEN quality seal to local manufacturers for specific products and for services. Fondonorma does not have an annual plan for developing and issuing new standards and instead responds to specific needs or pressures from the Government of the Bolivarian Republic of Venezuela (GBRV).

NIST Notify U.S. Service

Venezuela, as a member of the World Trade Organization (WTO) is required under the WTO Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO all proposed technical regulations that could affect trade with other Member countries. To track Venezuela's notifications, you can sign up for **Notify U.S., which** is a free, web-based e-mail subscription service managed by Commerc'e National Institute for Standards and Technology that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at NotifyUS.

Testing, inspection and certification

Conformity Assessment

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

In other instances, SENCAMER issues the conformity statement, often after testing in its own metrology lab or in other private and government testing laboratories, such as the National Hygiene Institute the Ministry of Health (MINSALUD).

Product Certification

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

Accreditation

Testing laboratories for official product testing must be accredited by

FONDONORMA or SENCAMER.

Publication of technical regulations

Venezuela's new laws, resolutions, decrees, government appointments, and other official data are published in the Official Gazette. The Gazette does not publish anything similar to notices of proposed rulemaking, so there is no regular official mechanism for inviting comment on proposed changes to technical regulations . The Gazette also does not publish new technical regulations. The full contents of a new technical regulation must be obtained directly from the government agency that created it. The same holds true for new standards themselves, available only by request from either the FONDONORMAor SENCAMER.

Contact Information

Ministry of Popular Power for Foreign Trade and International Investment

Minister: Miguel Perez Abad (As of June 2017)

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Ph: +58 212-596-9008, +58 212 596-9009

Ministry of Popular Power for Health

Minister: Dr. Luis Salerfi Lopez Chejade (As of May 2017)

Address: Centro Simon, Edif. Sur, Piso 9, El Centro, Caracas.

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Trade Agreements

On December, 2016 Venezuela was suspended as a full member by MERCOSUR for failure to fulfill all entry requirements by the 2016 dateline. Venezuela is still in process of adopting the CET and requirements. Venezuela is a member of the World Trade Orgnaization. See Chapter 6 for a listing of Venezuela's Bilateral Investment Agreements

Licensing Requirements for Professional Services

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

Local attorneys can provide essential information on labor laws, tax regulations, real estate purchases, and the drafting of by-laws. A number of Venezuelan law firms have attorneys who have studied in the United States and are familiar with matching a U.S. company's requirements to local law. The U.S. Embassy maintains a reference list of local attorneys in Venezuela. Inclusion on the list is not an endorsement by the Department of State.

Web Resources

Foundation for Quality Normalization and Certification – Fondonorma

National Autonomous Service for Standardization, Quality, Metrology and Technical

Regulations – SENCAMER

Venezuela's Harmonized Tariff Schedule at the WTO

Official Gazette – Gaceta Oficial

Venezuela's Ministry of Popular Power for Foreign Trade and International Investment – Ministerio del Poder Popular para el Comercio Exterior e Inversión Internacional

Venezuela's Ministry of Popular Power for Agriculture and Lands – Ministerio del Poder Popular para la Agricultura y Tierras

Venezuela's Ministry of Popular for Food - Ministerio del Poder Popular para la Alimentación

Venezuela's Ministry of Health – Ministerio del Poder Popular para la Salud

Venezuela's National Hygiene Institute – Instituto Nacional de Higiene

Investment Climate Statement

Executive Summary

Venezuela is located on the northern coast of South America. Political tensions, state interventions in the economy, macroeconomic distortions, physical insecurity, corruption, interruptions in the supply of electricity, a challenging labor environment, and a volatile and non-transparent regulatory framework make Venezuela a difficult climate for foreign investors. Conditions for foreign investment are unlikely to improve in the near term. Low global oil prices have aggravated Venezuela's economic crisis. According to Central Bank of Venezuela (BCV), the country finished 2015 with an estimated 5.7 percent economic contraction and 180.9 percent inflation, and widespread shortages of consumer goods. In the absence of official GDP or inflation figures for 2016, the International Monetary Fund (IMF) projected that the economy would shrink another 10 percent, with inflation reaching 475 percent. The IMF estimates 2017 inflation will reach 1,660 percent and the economy will contract a further 4.5 percent. Financial analysts have raised concerns that strains on Venezuela's USD resources could exacerbate shortages of consumer goods and potentially force a default on its external debt.

The energy sector dominates Venezuela's import-dependent economy; the petroleum industry provides roughly 94 percent of export earnings, 40 percent of government revenues, and 11 percent of GDP. Falling petroleum export revenues and a corruption-plagued, mismanaged foreign exchange regime have deprived multinational firms of hard currency to repatriate earnings and import inputs and finished goods. Insufficient access to hard currency, price controls, and rigid labor regulations have compelled U.S. and multinational firms to reduce or shut down their Venezuelan operations, while high costs for oil production and state oil company Petroleos de Venezuela's (PDVSA) poor cash flow have slowed investment in the petroleum sector. Venezuela has traditionally been a destination for U.S. direct investment, especially in energy and manufacturing, and for exports of U.S. machinery, medical supplies, chemicals, agricultural products, and vehicles. Such investment and trade links have been weakened in recent years by the Venezuelan government's (GBRV's) efforts to build commercial relationships with ideological allies, strained U.S.-Venezuelan relations, and the deteriorating investment climate.

Under President Nicolas Maduro, the GBRV's policy response to Venezuela's economic crisis has centered on increasing state control over the economy. President Maduro has used decree powers to pass laws that erode foreign investors' rights; deepen the state's role as the primary buyer and marketer of imports; tighten the currency control regime; and empower the GBRV to cap business profits and regulate prices throughout the economy. In early 2016, the GBRV opened a new alternative foreign exchange mechanism for the private sector to buy and sell dollars, but the new system lacks transparency and has attracted limited hard currency. The president announced slight adjustments to the foreign exchange system in March 2017, but analysts doubt it will result in improved access to U.S. dollars. The GBRV has implemented new laws and regulations to varying degrees, and their staying power remains unproven, increasing uncertainty in the investment climate.

U.S. and multinational firms contemplating business in Venezuela should weigh carefully the risks posed by an ongoing economic crisis, a non-transparent and heavily if unevenly regulated operating environment, and a foreign exchange regime that strictly limits access to hard currency.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2016	166 of 176	TI Corruption Perceptions Index
World Bank's Doing Business Report "Ease of Doing Business"	2016	187 of 190	Ease of Doing Business Report
Global Innovation Index	2016	120 of 128	Global Innovation Index
U.S. FDI in partner country ($M USD, stock positions)	2015	$9,068	BEA Factsheet

World Bank GNI per capita	2013	$11,780	World Bank Data (Atlas Method)

Openness to and Restrictions upon Foreign Investment

Policies Towards Foreign Direct Investment

Despite government rhetoric welcoming foreign investment, the GBRV has thus far remained unwilling to adopt systemic changes to protect and promote foreign investment. The 1999 constitution generally provides for equal treatment of foreign and domestic investment. Article 301 provides for equal treatment of national and foreign investment. Article 302 reserves the petroleum industry and other strategic sectors of public interest for the state. A 2014 foreign investment law reduced statutory rights of foreign investors (see below for details). The industry association CONINDUSTRIA (*Confederacion Venezolana de Industriales*) estimates that there were 700 state interventions (nationalizations or other seizures of private property) during the period 2002 to 2016. Venezuela does not have an active investment promotion agency.

Limits on Foreign Control and Right to Private Ownership and Establishment

A 2014 foreign investment law reduced foreign investors' statutory rights compared to the prior regime. The law designated the Venezuelan currency commission, the National Center for Foreign Commerce (CENCOEX) as the regulatory authority for foreign investment, under oversight of the Commerce Ministry. The Petroleum and Mining Ministry and the Economy, Finance, and Public Banking Ministry have concurrent authority with CENCOEX for regulating their respective sectors. See Section 3 – Laws and Regulations on Foreign Direct Investment for more details on specifics.

Express limits on foreign ownership of investments are generally found in the energy and mining sector.

Energy and Mining

The GBRV retains state control of the hydrocarbons sector. The 2001 hydrocarbons law reserved for the state the rights of exploration, production, transportation and storage of petroleum and associated natural gas. Under these regulations, hydrocarbon activities must be carried out by state-owned enterprises such as PDVSA, or by a public-private partnership with at least 50 percent state ownership.

In 2005, the GBRV informed companies operating under service contracts that they needed to convert their existing contracts into joint ventures to conform to the 2001 Hydrocarbons Law. That same year, the Venezuelan government threatened to seize 33 services contracts if these foreign investors did not migrate their existing contracts to the new format. Sixteen of those oil companies signed memoranda of understanding, converting their contracts to joint ventures. Minority partners seeking to exit joint venture investments in the petroleum sector have faced difficulties securing requisite GBRV approval to do so.

In contrast to the framework for petroleum, the 1999 Gaseous Hydrocarbons Law offers more favorable terms to investors within the unassociated natural gas sector, which is mostly offshore. This law opened the sector to private investment, both domestic and foreign, and created a licensing system for exploration and production regulated by the former Ministry of Energy and Mines (now the Ministry of Petroleum). Venezuela retained ownership of all natural gas in situ, but PDVSA involvement was not required for gas development projects (although the law allows PDVSA to back into 35 percent ownership of any natural gas project once the private partners have declared commerciality). The law prohibited vertical integration of the gas business from the wellhead to the consumer.

In 2008, the Organic Law on the Restructuring of the Internal Liquid Fuels Market came into effect. The law mandates government control of domestic transportation and wholesale of liquid fuels and set a 60-day period for negotiations with the affected companies. The law does not define liquid fuels, which created uncertainty as to whether it applies to products other than gasoline and diesel fuel. This law affected companies that had investments in the downstream sector.

In 2009, Venezuela enacted the Organic Law that Reserve to the State the Assets and Services related to Hydrocarbon Primary Activities. The law affected petroleum service companies involved in the injection of water, steam, or gas as secondary recovery methods, as well as services rendered for the performance of primary activities on Lake Maracaibo. It provided for the rendering of contracts previously executed between PDVSA and private companies. All contracts and activities governed by this law are subject to domestic law and are the exclusive jurisdiction of Venezuelan courts. The GBRV nationalized more than 75 companies, including three U.S. firms. In 2014, the GBRV announced it had reached an agreement to compensate the Venezuelan owners of a small number of the expropriated firms.

Despite Venezuela's expropriations in the petroleum sector and the costly and difficult operating environment, since 2009, several international companies have agreed to create joint venture companies with PDVSA to extract crude oil. A number of these joint ventures are in the Faja del Orinoco (the Orinoco Heavy Oil Belt), where most of Venezuela's reserves are located. Venezuela's oil production and reserves also account for the continued presence of major foreign oilfield service companies. Nevertheless, some service companies operating in Venezuela have left and others have shrunk due to the problem of late payments from PDVSA that began in late 2008, nationalizations, and the threat of nationalizations.

In 2009, Venezuela's Organic Law for the Development of Petrochemical Activities entered into force. The law reserves basic and intermediate petrochemical activities to the state. It allows the state, through the Ministry of Petroleum, to create mixed companies in which the GBRV will control at least 50 percent of the shareholder equity and exercise effective control over company decisions. Such mixed companies can only exist for a maximum of 25 years, extendable for periods of 15 years by mutual agreement of the parties and with national assembly approval.

The GBRV has modified laws and regulations, and adjusted loan terms with foreign oil companies, to encourage investment in the energy sector. The GBRV revised in February 2013 the Law of Special Contributions for Extraordinary and Exorbitant Prices, commonly called the windfall profit tax. The revision reduced the measure's tax burden by raising the price per barrel at which a graduated scale of tax rates would apply. The rates are: 20 percent for USD 60-80/barrel; 80 percent for USD 81-100/barrel; 90 percent for USD 101-110/barrel; and 95 percent for more than

USD 110/barrel. Foreign companies involved in joint ventures to develop the Orinoco Heavy Oil Belt have sought GBRV clarification regarding whether the new windfall profit tax rates would apply to the joint ventures' production of extra-heavy crude.

Since the December 2015 opposition coalition victory in the National Assembly, there have been public discussions about the executive branch's ability to enter into contracts of national interest, including joint ventures in the extractive sector, without legislative approval. In February 2016, President Maduro declared through decree powers that the Mining Arc of Orinoco, a 111,843 square kilometer zone in Bolivar State, was certified for exploitation and presented favorable investment terms to certain international mining companies. The opposition-controlled National Assembly has repeatedly warned that contracts signed between the executive branch and foreign companies without the legislature's approval would not be honored by future governments. See Section 3 on the transparency of the regulatory system for more information.

Other Investment Policy Reviews

The World Trade Organization (WTO) last conducted a Trade Policy Review of Venezuela in 2002.

Business Facilitation

Starting and owning a business in Venezuela remains a challenging endeavor. Utilizing the services of a lawyer is necessary to navigate the time-consuming process. Venezuela is ranked 187 of 190 overall in the World Bank's 2017 *Doing Business* report and is ranked 189 in the ease of starting a business. On average starting a business takes 20 procedures and 230 days. The first step involves reserving a company name through the Commercial Registry (Registro Mercantil) which has some information online, but remains a largely manual process.

Outward Investment

No formal outward investment is promoted or incentivized in Venezuela. Domestic investors are not restricted from investing abroad, but the tight restrictions on obtaining foreign currency hinder such efforts.

Bilateral Investment Agreements and Taxation Treaties

Venezuela has bilateral investment treaties with Argentina, Barbados, Belarus, Belgium and Luxembourg, Brazil, Canada, Chile, Costa Rica, Cuba, Czech Republic, Denmark, Ecuador, France, Germany, Iran, Islamic Republic, Italy, Lithuania, the Netherlands, Paraguay, Peru, Portugal, Russian Federation, Spain, Sweden, Switzerland, United Kingdom, Uruguay, and Vietnam.

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

Bilateral Taxation Treaties

The United States and Venezuela have a bilateral tax treaty for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, signed in 1999. The provisions of the treaty apply to the following taxes in existence at the time of the entry into force: a) in Venezuela: the tax on income and the business assets tax; b) in the United States: the

Federal income taxes imposed by the Internal Revenue Code (but excluding social security contributions), and to any identical or substantially similar taxes that imposed after the date of signature.

Legal Regime

Transparency of the Regulatory System

Venezuela's regulatory and legal system lacks transparency, is unpredictable, and suffers from corruption. The GBRV's ruling United Socialist Party of Venezuela (PSUV) and its allies control the executive branch, including all regulatory agencies, the judiciary, the electoral authority, and a theoretically independent branch composed of the Attorney General, the Comptroller General, and the Public Defender (or ombudsman). International observers believe the executive branch exercises undue influence over the judicial, regulatory, and electoral authorities. In December 2015 a coalition of opposition parties won control of the National Assembly. Proposed laws are generally presented for two rounds of discussion in the National Assembly, but the PSUV-dominated Supreme Court has struck down all laws that the opposition-controlled National Assembly has passed, to date. The Supreme Court has ruled that the president has the ability to issue new laws by decree, circumventing the normal legislative process. Executive agencies generally develop and promulgate implementing regulations without consulting private sector representatives of the affected sectors. Regulations are inconsistently enforced.

International Regulatory Considerations

Venezuela is a member of the Southern Common Market (*Mercosur*), a full customs union and a trading bloc. After joining in July 2012, Venezuela had four years to fully adopt the trade bloc regulations. Venezuela's membership was suspended in December 2016 due to its failure to implement 200 Mercosur norms and regulations. Venezuela has been a member of the World Trade Organization since 1995.

Legal System and Judicial Independence

Venezuela's legal system is based on the civil law tradition, reflecting Napoleonic and continental European influences. The commercial and civil codes address most business matters. The investment law stipulates that foreign investments shall be subject to the jurisdiction of Venezuelan courts and any bodies in which Venezuela might participate within the framework of Latin American and Caribbean integration. Venezuelan legal analysts have conflicting views regarding whether the law eliminates the possibility of arbitration. The legal system is generally slow and inefficient, and lacks independence from the executive branch.

International Arbitration

Venezuelan law provides for commercial arbitration, based on The United Nations Commission on International Trade Law's (UNCITRAL) model arbitration law. The private sector Venezuelan Business Center of Arbitration and Conciliation (CEDCA) offers arbitration services. Venezuela withdrew from the International Centre for Settlement of Investment Disputes (ICSID) in 2012.

Laws and Regulations on Foreign Direct Investment

Navigating the various investment law requirements remains challenging (see Section 2 – Limits on Foreign Control and Right to Private Ownership and Establishment). Obtaining legal counsel is recommended to ensure compliance with laws and regulations.

A 2014 foreign investment law designates the Venezuelan currency commission, the National Center for Foreign Commerce (CENCOEX) as the regulatory authority for foreign investment, under oversight of the Commerce Ministry. This law stipulates the following legal entities and physical persons are subject to its measures: foreign businesses (51 percent or more owned by non-Venezuelans) and their affiliates and subsidiaries (50 percent or more owned by a foreign business); national companies subject to a strategic plan by two or more states; national companies that capture foreign investment as defined by the law; Venezuelans and non-Venezuelans resident abroad who invest in Venezuela; non-Venezuelans resident in Venezuela who undertake investments in Venezuela. The law defines an investment as any legally obtained resources used for the production of goods and services, particularly those of national origin or manufacturing, that contribute to creating jobs, promoting small and medium enterprises (SMEs), local production chains, and innovation. It also includes financial, tangible, and non-tangible assets, as well as reinvested earnings.

Tangible goods are required to make up at least 75 percent of the value of the foreign investment. Foreign investment must be for a minimum value of USD 1 million and for at least five years, CENCOEX may exceptionally approve an investment of no less than USD 100,000 for the promotion of SMEs. After the initial five years and payment of any financial obligations, a foreign investor may repatriate up to 85 percent of the registered foreign investment. This condition is waived if the foreign investor instead sells the business to local investors who will continue to operate the business. In those cases, the foreign investor may repatriate 100 percent of the investment.

The payout of earnings and dividends is done in the local currency in Venezuela. No more than 80 percent of earnings may be repatriated in hard currency in any fiscal year. The GBRV may undertake special measures regarding foreign investments and technology transfer, including limiting earnings and capital repatriation, if extraordinary circumstances affect Venezuela's balance of payments or international reserves. Neither CENCOEX, nor its predecessor, CADIVI, has authorized USD sales for purposes of earnings or capital repatriation since 2008 (see Section 6 on Foreign Exchange and Remittances).

By law, all foreign investors must contribute to the production of goods and services to satisfy domestic demand and promote non-traditional exports; aid in economic development, research, and innovation; participate in Venezuelan government economic policies; implement responsible business conduct programs consistent with international standards; and align to the objectives of Venezuela's national economic policy. Failure to comply subjects a foreign investor to revocation of the foreign investment registration and monetary fines.

Foreign investors will enjoy rights as foreign investors once CENCOEX or another competent authority provides them with a foreign investment registration. New regulations should be available on CENCOEX's website.

Competition and Anti-Trust Laws

Procompetencia, the Superintendence for the Promotion and Protection of Free Competition, is the government agency responsible for regulating businesses to ensure competition exists to benefit consumers and producers. In theory, the agency also helps the Ministry of Commerce development public policies by carrying out studies on economic sectors, research the impact of prices on markets, and review commercial laws. However, its role has been significantly diminished over the past several years as the government has elected to use more direct methods to intervene in cases of perceived anti-competitive behavior.

According to the website, Procompetencia has been rebranded as the Anti-Monopoly Superintendence with the slogan "Combating the Economic War."

Expropriation and Compensation

According to the Law on Expropriation for Public Cause or Social Use (2002), Article 2 explains that expropriation is justified when the State acts "for the benefit of a public or social interest" and can be undertaken through the forced transfer of property or other rights of individuals to the government pending a final judgment by the judiciary and "timely" payment of fair compensation.

Article 3 states that assets are considered of public interest/use when they directly provide uses or improvements for common benefit. This executive power has been interpreted broadly, used regularly as a threat to force businesses to act in accordance with the government's wishes, and carried out frequently in the last fifteen years. In many cases, companies have argued that they have not received the payment of adequate compensation, if any, and foreign companies regularly seek judicial rulings on expropriation outside Venezuela's jurisdiction when possible (see below).

Investment Disputes

The industry association CONINDUSTRIA (*Confederación Venezolana de Industriales*) estimates that there were 700 state interventions (nationalizations or other seizures of private property) during the period 2002 to 2016. The GBRV has not specifically targeted U.S. firms in its expropriations, but many expropriations and investment disputes have involved U.S. businesses. At leave five investment disputes involving firms with U.S. affiliations are ongoing at the International Centre for Settlement of Investment Disputes (ICSID).

Dispute Settlement

ICSID Convention and New York Convention

On January 24, 2012, the GBRV withdrew as a member state from the ICSID Convention. Twenty-four cases pending before ICSID remain active. These pending cases are not affected by Venezuela's renunciation of the ICSID convention. Between the date of the notice of renunciation and the date when it became effective, foreign investors had an additional six months to file new claims against Venezuela. Because the United States and Venezuela do not have a bilateral investment treaty, ICSID may not have jurisdiction to consider claims raised by U.S. businesses against the GBRV. Some businesses have instead filed claims based on the jurisdiction in which subsidiaries of the U.S. based parent corporation are located, when a bilateral investment treaty is in place in that jurisdiction.

Since 2013, ICSID has returned judgments in favor of several claimants. The GBRV has sought to annul ICSID's judgments within the ICSID forum and to challenge claimants' efforts to enforce the judgments in U.S. and European courts.

Venezuela is a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention) and a member of the International Chamber of Commerce's International Court of Arbitration, which covers commercial disputes.

Investor-State Dispute Settlement

The United States does not have a Bilateral Investment Treaty (BIT) or Free Trade Agreement (FTA) with Venezuela. Numerous investment disputes involving U.S. companies have occurred over the past 10 years. Venezuela has a history of extrajudicial action against foreign investors.

International Commercial Arbitration and Foreign Courts

No alternative dispute solution mechanisms are available as a means to settle disputes between two private parties. Venezuelan court processes are not transparent or consistent in their methods of reaching decisions.

Bankruptcy Regulations

Venezuela's bankruptcy laws are outdated and inadequate to permit the reorganization of a debtor as a going concern. Insolvent companies that file for bankruptcy or reorganization generally lose control of their businesses and assets to a receiver and a bankruptcy judge, giving creditors fewer options to assert their interests in the process, compared to bankruptcy proceedings in other jurisdictions. All financial and commercial unsecured creditors are treated equally, but they are subordinated to the debtor's employees, who are due unpaid wages and other labor benefits, as well as to certain taxes. The bankruptcy trustee and advisors also have a statutory preference over all other creditors. Under the commercial code, all creditors that are not secured by a legal and valid security interest, or have a preference as mandated by law (e.g., the debtor's employees) must be treated equally by the bankruptcy court. Lawyers say Venezuela's bankruptcy laws incentivize debtors and creditors to negotiate settlements outside the context of formal bankruptcy proceedings.

Industrial Policies

Investment Incentives

Investment incentives are generally found in the energy and mining sector as described in the Industrial Promotion section.

Foreign Trade Zones/Free Ports/Trade Facilitation

The Free Trade Zone Law provides for free trade zones and free ports. The three existing free trade zones are located in the Paraguana Peninsula, in the state of Falcon, which also has a tourism investment promotion provision; Atuja in the state of Zulia; and the municipalities of Libertador, Campo Elias, Sucre; and Santos Marquina in the state of Merida, but only for cultural, scientific, and technological goods. These zones provide exemptions from most import and export duties and offer foreign-owned firms the same investment opportunities as Venezuelan firms. Venezuela has two free ports that also enjoy exemptions from most tariff duties: Margarita Island (part of Nueva Esparta state) and Santa Elena de Uairen in the state of Bolivar.

Performance and Data Localization Requirements

Venezuela's 2014 investment law contains mandatory language regarding the development of local suppliers, domestic research and development, and non-traditional exports, but it remains to be determined whether the GBRV will enforce these rules in a manner that constitutes a local content requirement. Venezuela's telecommunications law gives regulatory authorities powers to access and intervene in telecommunications infrastructure and services in the interest of national security, defense, and public order. Venezuela's law against computer crimes criminalizes a range of conducts, including unauthorized access to systems, espionage, and sabotage. No information is available regarding requirements that foreign investors store data in Venezuela, although anecdotally many foreign firms store data outside the country.

Protection of Property Rights

Real Property

Expropriations, weak public sector institutions, corruption, and lack of judicial independence undermine real property rights in Venezuela. Mortgages and property liens exist. Real estate lawyers say land registries are generally reliable, although in some cases are subject to abuse and corruption. In 2015, the World Bank ranked Venezuela 130 out of 189 countries for ease of registering property. The World Bank said registering a property interest takes nine administrative procedures, 52 days, and costs 2.5 percent of the property value. Venezuela has a law on indigenous land rights which provides general definitions of indigenous peoples' lands and use rights and assigns the laws implementation to the environment ministry. Data are unavailable on the percentage of Venezuelan land lacking clear title.

A 2013 decree law capped commercial rental rates at 250 VEF/square-meter, which represented 50-75 percent reductions from prior market prices. The law prohibits commercial rent contracts in any currency other than VEF; private arbitration for the resolution of conflicts between landlords and tenants; and foreign companies administering commercial rental contracts.

Intellectual Property Rights

Venezuela's Intellectual Property Rights (IPR) regime remains inefficient and ineffective. Its 1955 Industrial Property Law (IPL), the primary IPR legislation governing trademarks and patents, conflicts with the 1999 Venezuelan Constitution, domestic labor law, and international agreements to which Venezuela is a signatory. In its current form, the IPL is outdated and incapable of addressing modern IPR issues. It also conflicts with the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. The 2012 Organic Law of Labor and Workers further complicated Venezuela's IPR regime because article 325 provides that any intellectual property generated by public sector entities, or using public sector funds, automatically becomes part of the public domain. In 2016, renewed efforts by the National Assembly to update Venezuelan IP law to bring it into compliance with international standards stalled as other more pressing social, political, and economic issues took priority.

In July 2012, recognizing the 1955 industrial property law was outdated and at odds with multiple national and international legal structures, the Venezuelan Supreme Court (TSJ) urged the National Assembly to revise the industrial property law and reconcile it with Article 98 of the 1999 constitution. However, the initiative failed and there have been no new developments since 2014. In 2015, the Autonomous Intellectual Property Service (SAPI) adjusted the fee structure for patents and trademarks, forcing all foreign rights holders to pay fees in dollars at the strongest exchange rate. Limited improvements have occurred in specific areas, such as law enforcement cooperation and the 2015 launch of a "one-stop" SAPI website.

As a WTO member, the GBRV is obligated to adhere to the requirement of the TRIPS Agreement. However, its failure to grant any patents since in 2007 violates TRIPS Articles 2.1 and 62.2. Venezuela is a member of the World Intellectual Property Organization (WIPO). It is also a party to the Berne Convention for the Protection of Literary and Artistic Works, the Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of Their Phonograms, the Universal Copyright Convention, Paris Convention for the Protection of Industrial Property, and the Rome Convention for the Protection of Performers, Producers of Phonograms, and Broadcasting Organizations. Venezuela has not ratified the WIPO Copyright Treaty or the WIPO Performances and Phonograms Treaty, nor is it a party to the Madrid Protocol on Trademarks or the Patent Law Treaty.

According to a multi-year study by the Business Software Alliance (BSA) released in 2014, Venezuela ranked as one of the top 20 economies worldwide for unlicensed software and an estimated 88 percent of the software used in Venezuela in 2014 was unlicensed. The commercial value, if all unlicensed products were purchased legally, would be roughly USD 1 billion. According to the BSA report, the amount more than doubled from 2007 to 2013. No Venezuelan markets were identified in 2016's U.S. Department of Commerce "Notorious Markets" Report. The World Economic Forum's Global Competitiveness Report for 2016-2017 ranked Venezuela last out of 138 countries in IP protection. The Property Rights Alliance's 2016 International Property Rights Index (IPRI) once again ranked Venezuela last out of 128 countries, after slightly improving to 125 out of 129 countries in 2015.

Patents and Trademarks

SAPI has issued no new patents since 2007. Venezuela's 1955 IPL provides that patents of invention, improvement, model, or industrial drawing are valid for five or ten years, depending on the preference of the filer. Patents for technologies developed abroad may be valid for five years or until the original foreign patent term expires, whichever is shorter. These patent durations violate the 20-year patent-term required under the TRIPS Agreement. Article 15 of the IPL excludes several items, including medicine and pharmaceuticals, financial systems and plans, industrial processes, and speculative or theoretical inventions, from patent protection in violation of Article 27 of the TRIPS Agreement.

Venezuelan IP lawyers note that SAPI's handling of trademarks is less hostile to rights-holders than its handling of patents, but trademark issues continue to be a problem. Trademarks must be filed with SAPI and published in SAPI's official Gazette. SAPI grants trademarks for 15 years, and they may be renewed for successive 15-year periods. Trademarks are valid from the date SAPI publishes them in its bulletin. The registration process averages 12-14 months, but the process can take significantly longer if a third party opposes the registration. SAPI continues to reject, under Article 33 of the IPL, most applications for trademarks bearing geographical indications. Data provided by IP attorneys show a steady decline of trademark registrations, from 30,000 in 2005 to 20,000 in 2015. The decrease is due, in part, to companies pursuing trademarks in other Andean countries such as Colombia where IP laws have more clarity and stronger enforcement. From a legal perspective, companies feel trademarks obtained in other AC countries may still be enforceable in Venezuela at a later date. In addition, new fee structures that have increased the overall price for trademarks for foreign companies could also be a factor. Implemented in May 2015, the new fee structure forces foreign rights holders to pay patent and trademark fees in U.S. dollars calculated at the strongest exchange rate, currently 10 bolivars per U.S. dollar, rather than the weaker DICOM rate of approximately 710 bolivars per U.S. dollar. Legal representatives in Venezuela and their foreign rights holders have complained that although the higher fees apply equally to domestic and foreign companies when expressed in bolivars, the regulation requiring foreign rights holders to pay the fees in U.S. dollars at the official exchange rate is discriminatory. The overall effect is a substantial increase in patent and trademark fees for foreign rights holders because they can no longer use more preferential exchange rates for these transactions.

Copyrights

Creative works are protected under the 1993 Copyright Law, the Berne Convention, and the Universal Copyright Convention. The law is modern and comprehensive and extends copyright protection to all creative works including computer software.

Enforcement

Lengthy legal processes, inexperienced judges, and insufficient investigative and prosecutorial resources significantly hamper IP enforcement in Venezuela. The GBRV abolished the Venezuelan copyright and trademark enforcement branch of the federal police in 2010. Although the GBRV has not replaced this organization, SENIAT, the Venezuelan tax and customs authority, occasionally conducts low-level raids against known illegal markets or small vendors of counterfeit goods. In February 2016, SENIAT officials met with Mexican Institute of Industrial Property (IMPI) to finalize a draft Memorandum of Understanding between the two countries to facilitate cooperation on industrial IP. Legal experts, however, note that IP laws are unevenly enforced and cases can take years to resolve without guarantee of a positive outcome. The process is so slow and the penalties are so low that the system does not deter counterfeiters.

Data from industry representatives indicates that copyright piracy, including piracy over the Internet, and trademark counterfeiting remains widespread. Venezuela remains non-compliant with Section Four, Part Three, of the TRIPS Agreement, which mandates special requirements related to border enforcement measures. However, there are examples of cooperation. According to an Interpol press release, Venezuelan law enforcement officials participated in an international operation (Operation Jupiter VII) in October 2015 against criminal organizations involved in counterfeiting of goods that included 11 South American countries.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

Embassy Caracas Economic Section: CaracasEcon@state.gov, 58-0212-975-8418

The Venezuelan-American Chamber of Commerce

U.S. Patent and Trademark Office (USPTO): www.uspto.gov, 1-800-786-9199

National Intellectual Property Rights Coordination Center

International Trade Administration, U.S. Department of Commerce

For a list of local lawyers, go online.

Financial Sector

Capital Markets and Portfolio Investment

Venezuela's financial services sector is heavily regulated. In 2010 the GBRV passed laws to reform the financial sector, including the Organic Law of the National Financial System, the regulatory framework for banks, insurance companies, and the capital markets; the Law for Insurance Activity; the Capital Markets Law, which created a state-run securities exchange; the Bicentennial Public Securities Exchange (BPVB); and the Law of Banking Sector Institutions. Financial services account for a relatively small but growing share of GDP. According to BCV data, financial services represented seven percent of GDP in the first three quarters of 2015, the latest data available. Financial services growth until 2014 was driven by increasing monetary liquidity (M2) resulting from loose fiscal and monetary policy and strict currency controls, which traps VEF earnings in Venezuela.

Venezuelan capital markets are underdeveloped and thinly traded. The leading Caracas stock market index, the Caracas Stock Exchange Index, nearly tripled in bolivars year on year as of April 1, 2017. Private analysts attribute the rise to government spending-driven increases in M2 and currency controls that trap the liquidity in Venezuela, although Venezuela's inflation has eroded any local currency increase in real terms. Activity in Venezuela's securities market has decreased in recent years due to nationalizations of previously listed firms and the GBRV's seizure of 51 brokerages, since 2010, mostly on charges of illegal trading in a now defunct foreign exchange market.

Venezuela's primary stock market is the Caracas Stock Exchange (BVC). On January 31, 2011, the GBRV launched the BPVB, under the November 2010 securities market law, to sell government and corporate bonds and to compete with the BVC. The BPVB was empowered to trade both VEF- and USD-denominated securities, but as of April 2014 it had only traded VEF-denominated debt. Private brokerages have not been allowed to participate in the BPVB. Trading volumes in both the BVC and the BPVB are low and dominated by fixed-income public- and private-sector securities offering negative real interest rates due to an excess of VEF liquidity trapped in Venezuela by currency controls.

Foreign investors can buy or sell stocks and bonds in Venezuelan capital markets as long as they have registered with the securities regulator, the Superintendent of Securities (SNV). Venezuela's 2014 foreign investment law requires foreign investors to obtain a foreign investment registration before they invest directly in Venezuelan firms.

Money and Banking System

Venezuelan credit markets are heavily regulated. The BCV and the Superintendent of Banks (SUDEBAN) regulate Venezuela's banking sector. The 2010 law of banking sector institutions describes banking as a public service and banks as public utilities, permitting the GBRV to nationalize financial institutions without National Assembly approval. The public sector's share of total bank assets has grown in recent years, primarily through GBRV nationalizations. According SUDEBAN data, in February 2017 there were 31 banking institutions – 24 private and 7 public – down from 59 in November 2009. Public-sector banks held an estimated 33 percent of total banking sector assets in February 2017.

Venezuela's banking sector is heavily distorted by the GBRV's and BCV's expansive fiscal and monetary policies, which combined with currency controls trap local currency liquidity in the economy, fuel inflation, reduce loan default rates, and inflate banking sector profitability indicators. Universal and commercial banks enjoyed return on equity of roughly 72 percent in the twelve months to February 2017, with a sector-wide default rate of less than 1 percent, driven by M2 growth and currency controls that constrain capital transfers out of Venezuela. Financial analysts believe reform to the currency control regime would have to be paired with banking sector reforms to avoid widespread stress to the financial system.

The BCV sets maximum and minimum interest rates banks can charge. Limits, as of April 2017, included 24 percent on commercial and personal loans, 29 percent on credit cards, and 16 percent on car loans. With inflation of 180 percent in 2015 and estimated at nearly 500 percent in 2016, real interest rates are negative, giving banks a disincentive to lend. Banks are required to allocate roughly 59 percent of their portfolio for loans to the housing, agriculture, small business, manufacturing, and tourism sectors, at preferential interest rates that have been negative, in real terms, since 2012. Universal and commercial banks are prohibited from making commercial loans for terms longer than three years. The BCV also regulates interest rates on savings accounts and time deposits. Limits as of April 2017 have included 16 percent on savings account balances from 0 to VEF 20,000, 12.5 percent on savings account balances above VEF 20,000, and 14.5 percent on certificates of deposit. Such rates have been negative, in real terms, since 2009, discouraging household saving and incentivizing domestic consumption and the purchase of U.S. dollars in the parallel market as a more stable store of value. Faced with negative real interest rates on bank deposits and VEF-denominated securities, multinationals with VEF earnings trapped in Venezuela have increasingly invested in commercial real estate in an attempt to mitigate inflation risks.

The majority of banking sector assets is concentrated in the country's five largest banks. Total banking assets, at roughly USD 1.5 billion (at the official 10 VEF/USD exchange rate), grew 192 percent from February 2016 to February 2017. Public and private universal and commercial banks control 99 percent of total banking sector assets. The three largest private universal banks are: Banesco, with 15 percent of total sector assets March 2016; Banco Provincial, with 12 percent; and, Banco Mercantil, with 11 percent. Banesco and Banco Mercantil are Venezuelan-owned, while Banco Provincial is majority-owned by BBVA of Spain. Citibank is the only U.S.-owned universal bank with a presence in Venezuela. The two largest state universal banks are Banco de Venezuela and Banco Bicentenario. The GBRV nationalized Banco de Venezuela from Spain-based Banco Santander in May 2009. Banco de Venezuela is now the country's largest bank, with 20 percent of total sector assets in March 2016. Banco Bicentenario was formed in 2010 through the nationalization of four private banks; it held six percent of assets as of March 2016.

The BCV promulgated regulations in September 2012 outlining conditions under which businesses and individuals may open USD-denominated bank accounts at Venezuelan universal and commercial banks. Venezuelan residents may use such accounts for international transfers, overseas debit card transactions, and transactions through the DICOM FX mechanism (see Section 6 on Foreign Exchange and Remittances). Venezuelans may not withdraw U.S. dollars from such accounts in Venezuela, however.

Foreign Exchange and Remittances

Foreign Exchange

Since 2003, the GBRV has maintained strict currency controls. Venezuela's foreign exchange (FX) regime has been in flux for several years, with multiple FX mechanisms and exchange rates introduced, modified, and eliminated. In March 2016, Venezuela again modified its official FX mechanisms, and now authorizes two official FX mechanisms to sell U.S. dollars to private sector firms and individuals. In practice, access to hard currency for the private sector has been severely limited in the last year.

The BCV oversees and provides daily information about the two FX mechanisms. The first, the Protected Rate, or DIPRO, sells USD at the official exchange rate of 10 VEF/USD for imports of goods and services deemed national priorities, primarily food, medicine, and medical supplies. Firms and individuals soliciting dollars from CENCOEX must register with the body and obtain supporting documentation from various GBRV ministries, e.g., certificates of non-national production of the proposed imports and statements of good standing with the tax authorities.

The second mechanism, the Complementary Rate or DICOM, is a managed floating rate, used for imports of non-priority goods and services. The government has not yet published regulations defining which sectors are eligible to purchase FX at either rate. The BCV publishes the DICOM rate daily.

Remittance Policies

Foreign investors in Venezuela have struggled to convert their VEF earnings into U.S. dollars. Since 2008, CENCOEX and its predecessor, CADIVI, virtually ceased approving the sale of U.S. dollars for earnings or capital repatriation. Multinational firms have announced numerous accounting losses due to exchange rate depreciation. As a result, many multinational firms have deconsolidated their

Venezuelan subsidiary from their global financial statements. Venezuela's investment law limits earnings repatriation to a maximum of 80 percent of local currency earnings in any fiscal year. Legally, foreign investors could purchase dollars through DICOM to repatriate earnings, at a significant devaluation compared to the DIPRO exchange rate, but DICOM has not been able to satisfy the demand for hard currency. There is also an unauthorized parallel market for dollars. Private websites hosted outside of Venezuela publish the parallel exchange rate. They report that the rate has been depreciating significantly reaching 4,400 VEF/USD on April 12, 2017, a devaluation of 74 percent since April 11, 2016 and a depreciation of 99 percent since April 2013.

The Organization for Economic Co-operation and Development's (OECD) Financial Action Task Force (FATF) announced in February 2013 that Venezuela was no longer subject to FATF's global anti-money-laundering/combatting terrorist finance (AML/CFT) monitoring process. FATF noted Venezuela would continue to work with the Caribbean FATF regional body to address AML/CFT deficiencies identified in Venezuela's mutual evaluation report.

Sovereign Wealth Funds

Venezuela does not maintain a Sovereign Wealth Fund.

State-Owned Enterprises

State Owned Enterprises (SOEs) are dominant in diverse sectors of the Venezuelan economy, including agribusiness, food, hydrocarbons, media, mining, telecommunications, and tourism. Private firms are at a disadvantage when competing with public enterprises, specifically in terms of accessing foreign currency at the official exchange rate. SOEs generally do not need to go through CENCOEX to request hard currency at the strongest official exchange rate, while private companies struggle with the official mechanisms' limitations and process delays (see Section 6 on Foreign Exchange and Remittances).

In March 2012 the GBRV amended its customs and tax regimes to favor imports by the public sector over those of the private sector. The new rules exempt SOE importers from providing certain customs documentation and grant waivers on value-added taxes, customs duties, and fees on a broad range of imported products. The exemptions do not generally apply to the private sector. The GBRV has extended such benefits to certain private-sector firms. Financial analysts generally believe Venezuela's SOEs contribute to macroeconomic imbalances and undermine domestic output.

OECD Guidelines on Corporate Governance of SOEs

The GBRV does not encourage its SOEs to adhere to the OECD Guidelines on Corporate Governance for SOEs. The CEO of PDVSA and the rest of PDVSA's board members are appointed by the President. GBRV direct appointment of SOE executives is commonplace, such as in the Venezuelan Corporation of Guayana (CVG), a state holding company that includes firms in basic industries such as aluminum, iron ore mining, electricity generation, and steel. Venezuela is not a party to the WTO's Agreement on Government Procurement. Private sector firms are at a disadvantage vis-a-vis SOEs in Venezuelan courts.

Privatization Program

The GBRV does not have privatization programs in place.

Responsible Business Conduct

Article 135 of the Venezuelan constitution declares a general duty for all non-state actors to respect laws regarding social responsibility. Venezuela's 2014 foreign investment law requires foreign investors to promote responsible business conduct (RBC) consistent with international standards. Various Venezuelan laws set forth requirements intended to advance principles generally included under the concept of RBC. GBRV regulation and enforcement of these laws is weak and uneven.

The Venezuelan private sector is generally aware of and promotes RBC. The Venezuelan-American Chamber of Commerce (VenAmCham), for its part, promotes RBC though its Social Alliance program, which organizes RBC-themed events. The Venezuelan Federation of Chambers of Commerce (Fedecamaras) promotes RBC through a standing working group devoted to the dissemination of best practices and an annual award to recognize RBC excellence.

OECD Guidelines for Multinational Enterprises

Venezuela does not encourage foreign or local firms to follow the OECD Guidelines for Multinational Enterprises or the UN Guiding Principles on Business and Human Rights.

Corruption

Venezuela has comprehensive anti-corruption laws but enforcement is weak and inconsistent, as indicated by Venezuela's ranking by Transparency International of 166 out of 176 countries in its 2016 corruption perceptions index. Corruption is endemic in Venezuela, including in government procurement; the awarding of authorizations, particularly in the foreign exchange regime; dispute settlement; the regulatory system; and customs and taxation. The GBRV does not provide protection to NGOs that investigate corruption and often subjects them to harassment.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Venezuela signed the UN Convention against Corruption on December 10, 2003, and ratified it on February 2, 2009. Venezuela has not adopted the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

The GBRV's Public Ministry, roughly equivalent to the U.S. Attorney General's Office, has telephonic and e-mail resources for victims to report crimes, including corruption. The Public Ministry's contact information is:

Sede Principal del Ministerio Publico
Esquinas de Misericordia a Pele El Ojo y Avenida Mexico
Caracas>
58-0212-509-7211 (main)
58-0212-509-7464 (main)

58-0-800-FISCA-00 (speak to a Public Ministry attorney)
58-0-800-VICTIMA (victim hotline)
mp@mp.gob.ve

Transparency International's Venezuela chapter, Transparencia Venezuela, offers consultation and services to victims of corruption. Transparencia Venezuela's contact information is:

Avenida Andres Eloy Blanco
Edificio Camara de Comercio de Caracas
Piso 2
Oficina 2-15
Los Caobos
Caracas 1050
58-0212-576-0863
58-0212-573-3134
comunicaciones@transparencia.org.ve

Political and Security Environment

Increased discontent over the political and economic management of the country by the current administration have led to anti-government protests in cities across the country, some of which have turned violent. Increased scarcity of basic foods and medicines over the last few years has also led to protests. In response, the government agency Superintendent of Fair Prices (SUNDDE) has at times taken action against private businesses it accuses of price gouging or other unfair practices by confiscating merchandise or forcing businesses to cut prices. Looting of stores has resulted after similar actions from SUNDDE in the past

Labor Policies and Practices

Several factors make human resources a challenge for domestic and foreign investors alike: heavily regulated labor markets; talent flight, as skilled Venezuelans have sought employment abroad due to physical insecurity and political and economic uncertainty; government programs that support poorer Venezuelans making it more difficult for companies to attract unskilled labor; and declining traditional trade unions, as the GBRV has supported the establishment of "parallel" unions aligned to government interests and new "workers militias" to monitor the activities of union members. Roughly 10 percent of the total workforce is unionized. The GBRV extended in December 2015 for three more years a firing freeze in place since 2002 that shields most private-sector workers from termination, including for cause. Venezuelan labor law explicitly forbids employers from using contractors in place of direct employees, since May 2015, labeling the practice as a fraud.

In April 2012, former President Chavez used a presidential decree law to pass a long-pending Organic Law of Labor and Workers. The law replaced a 1997 labor law, expanding workers' rights and benefits. The law prohibits employer discrimination on the basis of race, sex, age, civil status, religion, political beliefs, social class, nationality, sexual orientation, union membership, criminal record, or disability. The law prohibits termination without legal justification and requires employers to consult labor courts regarding the lawfulness of a termination. The law also prohibits employers from hiring third-party contractors to perform ongoing, regular duties as a means of avoiding legal obligations owed to those on one's payroll. The law guarantees a retirement pension for workers in both the formal and informal sectors.

The 2012 law reduced the legal workweek from 44 to 40 hours and guaranteed workers 15 days of vacation, plus one day for each additional year of employment, up to a total of 30 days per year. The law also introduced new rights for female workers with children, including: 26 weeks of paid maternity leave for mothers (six pre- and 20 post-natal); two breaks per day for mothers who are breastfeeding; and access to a lactation room, if they work for an employer with more than 20 employees. The law created guidelines for temporary workers, who can work 10-hours daily with a labor inspector's permission; shift workers may not work more than 42 hours per week, on average, over any eight-week period. The GBRV promulgated regulations implementing the new labor law in May 2013.

In 2015, Venezuela saw continued protests and work stoppages by unions across the public and private sectors. While no official statistics are available for 2015, according to the non-governmental organization Venezuelan Observatory of Social Conflict the number of labor protests increased in 2015 compared to 2014 registering 1910 labor protest, an increment of approximately 26 percent compared with 2014. The GBRV has delayed negotiations over collective bargaining agreements for workers in the public sector, leaving more than two million public employees without collective contracts, including teachers and electrical workers. No figures from 2016 were available, but protests and work stoppages continued due to a variety of economic, social, and political concerns.

The GBRV's statistics agency (INE) estimated the unemployment rate at 6.8 percent in 2015. INE estimated 41 percent of the employed worked in the informal sector and 59 percent in the formal sector. No official numbers have been released since the end of 2015.

OPIC and Other Investment Insurance Programs

Overseas Private Investment Corporation (OPIC) programs in Venezuela were suspended in 2005, due to Venezuela's failure to cooperate in suppressing international narcotics trafficking. In 2014, the United States determined that Venezuela failed to make sufficient or meaningful efforts to adhere to its obligations under international counter-narcotics agreements and conventions. However, former President Obama issued a national interest waiver, determining that support for programs to aid Venezuela is vital to the national interest of the United States. Under this waiver, Venezuela is eligible for OPIC programs starting in 2015, but OPIC is not currently open for business in Venezuela.

The U.S. Export-Import Bank (ExIm Bank) has not provided new financing for projects in Venezuela since April 2003. Both OPIC and the Ex-Im Bank still retain significant exposure in Venezuela prior to suspending operations.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2012	$316,482	2013	$371.3 billion	The World Bank
Foreign Direct Investment	Host Country Statistical Source		USG or International Statistical Source		USG or international Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	N/A	N/A	2015	$9068	BEA data available
Host country's FDI in the United States ($M USD, stock positions)	N/A	N/A	2014	$5127	BEA data available
Total inbound stock of FDI as % host GDP	2012	12.8	2013	11.7	N/A

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment (end of 2015)			Outward Direct Investment		
Total Inward	$28,341	100%	Total Outward	NA	100%
United States	$4606	16%	N/A		
Netherlands	$3995	14%	N/A		
Spain	$2,386	8%	N/A		
France	$2,197	8%	N/A		

Russia	$2,121	7%	N/A		
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets – June 2016								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	4,499	100%	All Countries	29	100%	All Countries	4,470	100%
United States	3,291	73%	United States	11	38%	United States	3,280	73%
Cuba	618	14%	Panama	8	28%	Cuba	618	14%
Switzerland	202	4%	Not Specified	10	34%	Switzerland	202	5%
Nicaragua	24	1%				Nicaragua	24	1%
UK	10	<1%				UK	10	<1%

Contact for More Information

U.S. Embassy Caracas Economic Section
Calle F con Calle Suapure
Urbanizacion Colinas de Valle Arriba
Caracas, Venezuela
58-0212-907-8418
CaracasEcon@state.gov

Trade & Project Financing

Methods of Payment

This is the most common concern for U.S. exporters to Venezuela. Prepayment provides the best protection for U.S. exporters, although Venezuelan buyers may have difficulty pre-paying because of economic uncertainty, inadequate access to credit, and lack of access to dollars through the Venezuelan currency control system. Other methods, such as sight payment, may not provide sufficient legal protection in Venezuela to the exporter unless all parties to the transaction are well known to the exporter.

Banking Systems

Please see Capital Markets and Portfolio Investment and Money and Banking System in Chapter 6 for more information on the Venezuelan banking system

Foreign Exchange Controls

Please see Foreign Exchange in the Chapter on Investment Climate Statement for more information on Venezuela's currency control regime.

US Banks & Local Correspondent Banks

Citibank is the only U.S. universal bank with a presence in Venezuela.

Project Financing

Trade Financing

Venezuela is eligible to receive USDA's General Sales Managers-102 (GSM-102) credit guarantees to help facilitate U.S. agricultural exports. The coverage is under the regional South American GSM-102 program. No Venezuelan banks have been approved, so sales made to Venezuela must be conducted through a third-country bank eligible to participate. The economic crisis has limited use of GSM-102, as the volume of imports for all commodities is down significantly. The program has been used mostly to restructure sales made by multi-national grain traders, but can be used for other agricultural or processed food products.

Merchandise – U.S. Export-Import Bank

The U.S. Export-Import (Ex-Im Bank) does not process applications in the public and private sector for Venezuela.

Multilateral Development Banks (World Bank, Inter-American Development Bank)

The Inter-American Development Bank (IDB), and the Andean Development Corporation (CAF) are both multilateral financial institutions that offer project financing in Venezuela. The Commercial Service maintains Commercial Liaison Offices in several Multilateral Development Banks, including the World Bank and the IDB. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the World Bank and to the Inter-American Development Bank.

Financing Web Resources

Commercial Liaison Office to the World Bank

Commercial Liaison Office to the Inter-American Development Bank

Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team:

Export-Import Bank of the United States

Country Limitation Schedule

OPIC

Trade and Development Agency

Small Business Administration's Office of International Trade

USDA Commodity Credit Corporation

U.S. Agency for International Development

Inter-American Development Bank

CAF – Andean Development Corporation

Business Travel

Business Customs

U.S. and Venezuelan companies have enjoyed a high level of commercial interaction for many decades, largely because of geographic proximity, cultural ties, and Venezuela's long history of a petroleum sector-based economy. Despite challenges in recent years, there are still many similarities in how companies in the two countries approach business. Compared to U.S. firms, however, Venezuelan companies often make decisions higher up in the organization and rely on trusted relationships and networks. U.S. vendors should bear in mind that decisions may take longer because of this practice.

Travel Advisory

For the latest security information, Americans traveling abroad should consult the State Department's Country Specific Information on Venezuela and Travel Warning for Venezuela.

Visa Requirements

U.S. travelers require a valid visa to travel to Venezuela. To obtain instructions on obtaining a Venezuelan tourist, business, investment, or work visa, U.S. travelers should contact the Venezuelan Embassy in Washington, DC or nearest Venezuelan consulate in the United States. The U.S. Embassy in Caracas has received reports of U.S. business travelers' experiencing delays on arrival at port of entry in Venezuela and detailed questioning in customs despite the traveler possessing a valid Venezuelan visa and reason for travel. Travelers can also obtain additional information about American Citizen Services from the U.S. Embassy in Caracas.

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

Venezuela requires citizens of the United States and certain other countries to have at least six months' validity remaining on their passports to enter Venezuela. While this rule has not been uniformly enforced, some U.S. citizens have been denied entry. Ensure that your passport has at least six months validity from the date of arrival to Venezuela. Visitors should apply for a business visa three months in advance of their travel. Applicants are required to pay a fee as well as provide documentation outlined on the Venezuelan Embassy website. The validity of a business visa is one year with multiple entries. Business visa holders can stay in Venezuela for up to 180 days, after which the visa cannot be extended. This information is in accordance with the Venezuelan Embassy webpage and is subject to short-term changes in policy, prices, and requirements. The visa policy for U.S. visitors has only been in place since March 2015 and some of the business visa criteria have been applied inconsistently.

U.S. companies that require travel of foreign businesspersons to the United States should be aware of visa requirements for Venezuelans. The waiting time for visa interviews in Venezuela may be longer than at other U.S. Embassies or Consulates around the world. Visa applicants should go to the following links.

State Department Visa Website

U.S. Embassy, Caracas Website

Currency

Multiple FX mechanisms and exchange rates have been introduced, modified, and eliminated over the past several years. Venezuelan law presently authorizes two official FX mechanisms to sell dollars to private sector firms and individuals (Gazette No. 40.865, 2016). The first FX mechanism, called DIPRO, sells dollars at the official exchange rate of 10 bolivars/dollar for priority imports, which include basic foods, medicines, medical supplies, and some hygiene products. A second FX mechanism, DICOM, sells dollars (Bs. 2,200 per dollar as of June) for all other types of products. The DICOM rate is a variable rate determined by a new BCV-managed auction system launched in May 2017, the Government of the Bolivarian Republic of Venezuela's (GBRV) FX regimes have not met market demand for dollars for several years. A robust parallel market has emerged as a result. Foreign exchange on the parallel market is illegal under Venezuelan law. However, rates for currency sales made outside of Venezuela are updated daily on internet sites.

Venezuela's investment law limits earnings repatriation to a maximum of 80 percent of local currency earnings in any fiscal year. Legally, foreign investors could purchase dollars through DICOM to repatriate earnings, at a significant devaluation compared to the DIPRO exchange rate. However, foreign investors have struggled to convert their bolivar earnings into U.S. dollars. Since 2008, CENCOEX and its predecessor, CADIVI, virtually ceased approving the sale of U.S. dollars for earnings or capital repatriation. Multinational firms have announced numerous accounting losses due to exchange rate depreciation. Many multinational firms have deconsolidated their Venezuelan subsidiary from their global financial statements.

Telecommunications/Electric

Local mail service is not dependable, and important correspondence should not be sent by mail. International courier service should be used only for papers and documents and not include anything else or it will be delayed by Venezuelan customs. Independent observers have reported checks, electronics and other valuables being removed from international courier packages. Using messenger delivery is the recommended option within Caracas and other large cities in lieu of the mail (for correspondence, invitations to receptions, etc.). Email or other electronic communication platforms are used for most routine correspondence. There are three cellular telephone service providers offering countrywide service. International voice SMS service to and from Venezuela has problematicsince April 2016 due to payment issues experienced by the telephone service providers. However, international calls and SMS service remain available through internet platforms.

Transportation

Travel between Caracas and its international airport, Maiquetia, can be unpredictable. Highway traffic jams caused by accidents, protests, and construction are common. Airlines require travelers to arrive at the airport three hours before the scheduled flight time, as check-in and security lines tend to be slow.

Most international airlines sell tickets in dollars and have significantly cut capacity by reducing frequencies, downgrading aircraft, and/or suspending Venezuela service. Three U.S. air carriers with service to Venezuela – American Airlines, Delta Airlines, and United Airlines – have downgraded aircraft, restricted ticket sales to dollars only, and have reduced flight frequencies. Domestic flights are available to almost all secondary cities, though the quality of domestic air passenger service is low. Travelers should expect flight delays and aged planes.

Corporate, private, and executive aircraft without cargo or paying passengers require only an International Civil Aviation Organization (ICAO) flight plan, which must be filed at the destination airport before arrival. Initial landing in Venezuela must be at an international airport to pass through customs and immigration. Checks for drugs, weapons, and explosives are possible as well as an aircraft safety ramp check and a check for documents (registration, airworthiness certificate, insurance, and pilot licenses). Flights from the initial arrival airport to domestic destinations are possible, but require a permit in addition to a domestic flight plan. The transport of company-owned cargo or paying passengers constitutes a “commercial flight,” which requires clearance at least 24 hours before arrival.

Language

Venezuela’s official language is Spanish. U.S. companies interested in selling to the GBRV should note that correspondence must be in Spanish, according to Venezuelan law. In the private sector, although some Venezuelan business executives might speak English, many U.S. exporters place themselves at a disadvantage if Spanish language promotional materials are not available. Firms should be aware that the ability to communicate in Spanish could be a major deciding factor on the part of a Venezuelan partner.

Health

Daytime temperatures in Caracas are usually between 75 and 90 degrees Fahrenheit. Locations at sea level – including Maracaibo, Valencia, Puerto La Cruz, and Barquisimeto – are considerably warmer than Caracas. During the rainy season, roughly from April through November, afternoon rain showers are common. Evenings can be cool at any time of the year. Travelers should bring a sweater or light jacket for evening outings and an umbrella for unexpected rainfall.

Vaccination Requirements and Recommendations for travel to Venezuela

A yellow fever vaccination certificate is required for travelers over one year of age arriving from Brazil and for travelers having transited for more than 12 hours through an airport of a country with risk of yellow fever transmission. However, despite lack of data on yellow fever, persons traveling from Venezuela to certain other countries (including but not limited to Costa Rica, El Salvador, Panama, Colombia, Brazil and Belize, and Nicaragua) may be required to show proof of yellow fever vaccination.

The Centers for Disease Control and Prevention (CDC)'s website is a reliable and regularly updated source of information about vaccination requirements and recommendations for travel to Venezuela. The CDC has determined that there is a risk of Zika virus in Venezuela and advises pregnant women to avoid travel to the country. It advises all travelers to strictly follow steps to prevent mosquito bites and other known Zika transmission mechanisms, such as sexual contact, during and after the trip Travelers to Venezuela should consult the CDC website and visit a travel medicine and immunization clinic prior to travel to Venezuela.

Certain vaccinations are recommended for travel to Venezuela. These include routine vaccinations for mumps, measles, rubella, polio, diphtheria, pertussis (whooping cough), tetanus, and chicken pox. Other recommended vaccines include: hepatitis A; hepatitis B for persons at risk for blood exposure through activities such as healthcare work, needle-sharing, sexual contact, acupuncture, and tattooing; yellow fever for travelers over nine months of age to areas other than Caracas, Valencia, Maracaibo, Barquisimeto, Margarita Island, the state of Falcon (Lara state), or the peninsular section of Zulia state); typhoid; rabies for persons likely to have frequent exposure to wild animals (especially bats) and for travelers planning extended stays. Also consider vaccinations for seasonal influenza and pneumococcal vaccination for persons over age 65 or otherwise at increased risk for pneumococcal infection. For current vaccination information specific to Venezuela, go to the Center for Disease Control and Prevention's website.

Water and Food

Due to ongoing infrastructure and supply issues, potable water is not reliably treated and should not be considered safe to drink. Water supply is subject to rationing. Drink only bottled water or carbonated soft drinks and avoid ice in drinks. Note that bottled water is subject to shortages as with most food products. Do not eat raw vegetables or fruits unless they have been disinfected, peeled, or cooked. Wash your hands often with hot, soapy water.

Insect-Borne Disease

Malaria is not a significant problem in Caracas. Malaria is now present in several regions of the country, including but not limited to the states of Barinas, Bolivar, and Amazonas. Sucre state has also seen limited outbreaks of malaria. Review the CDC's website for updated information on malaria in Venezuela. Avoid mosquito bites at all times of the day or night by using long clothing, DEET-containing insect repellant, and bed-netting. If travelling to malaria endemic areas, contact a medical clinic about taking prophylactic anti-malarial medication. Chloroquine resistant strains of malaria are present in Venezuela. Seek medical care if you think you have malaria.

Dengue fever is endemic throughout Venezuela, in urban as well as rural areas, and has become increasingly prevalent in the past several decades. Dengue fever is a viral illness transmitted by mosquito bites during the day (from sunrise to sunset). Symptoms include fever, headaches, body-aches, and sometimes a rash. Though there is no specific treatment, the embassy health unit advises use of only Tylenol or Paracetamol (acetaminophen) for pain and fevers. Given the risk for a rare complication known as hemorrhagic fever, do not use non-steroidal anti-inflammatory medications (NSAIDs) such as aspirin, ibuprofen or naproxen. Dengue is rarely fatal, with a mortality rate generally less than that of influenza. Still, if vomiting or bleeding problems occur, or if a young child is affected, seek medical attention. Prevention is through the use of appropriate clothing and insect repellent.

Chikungunya is another prevalent mosquito-borne virus infection in Venezuela. It is transmitted by the same mosquitoes that transmit dengue so daytime mosquito bite prevention is key. Symptoms are very similar to dengue with fever, muscle aches, and joint pain, which can be severe – affecting particularly the wrists, knees, and ankles. Like dengue, there is no specific treatment. Pain and fever should be treated initially with only Tylenol (acetaminophen) or paracetamol. While Chikungunya is rarely deadly, it can be quite debilitating. If you experience severe symptoms of Chikungunya that are not helped by Tylenol or paracetamol, seek medical attention.

Another mosquito-borne viral infection present in Venezuela is Zika. Presentation of the disease is much like the other mosquito-borne illnesses with fever, body aches, joint pain, and rash. Eye symptoms can also occur. Treatment remains identical to similar infections with fever control with acetaminophen/paracetamol. This infection has received world-wide attention during the past year because of complications resulting from the infection. These include microcephaly in infants born to women infected with Zika while pregnant and a systemic neurological condition known as Guillain-Barre Syndrome. Though rare, these complications serve as reminders of the importance of prevention.

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

Medical Services in Venezuela

Medical services in Caracas and other large cities in Venezuela should take place in private hospitals (which are known locally as "clinics".) Public hospitals and treatment facilities are inadequate and should be avoided.

Private hospitals are generally adequate; however their ability to treat patients is becoming severely limited due to shortages of medical equipment, supplies, and medicines. Shortages have been so severe, that on any given day, it cannot be guaranteed that "U.S. standard of care" practices will be followed. In many instances, life-saving surgeries and treatments that are common in other countries are unable to be performed due to lack of supplies. The number of patients seen daily has increased in the past three years, resulting in a waiting list to see specialists. Physicians at private hospitals are usually well trained, often in the United States or Western Europe. Despite this, the facilities, nursing/support services and quality control systems of hospitals in Venezuela are generally not as good. Public hospitals are greatly lacking in resources and are unable to provide adequate and timely care. The quality of medical services outside of the larger cities drops off considerably. Shortages of medicine are common in Caracas (currently >90 percent). Travelers are advised to bring at least a three-month supply of prescription medication with them, and to have a plan for obtaining medications from a source outside of Venezuela if at all possible.

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

Local Time, Business Hours and Holidays

U.S. companies should note that Venezuela does not have daylight saving time. As of March 12, 2017, the time is equal to U.S. Eastern Daylight Time from March to November and one hour ahead of U.S. Eastern Standard Time the rest of the year.

Recent instability has forced retail stores, restaurants, and factories to adopt reduced or inconsistent hours due to rationing of electricity or protests.

Weekends and holidays are generally off-limits for business meetings. The Christmas holiday season effectively lasts from December 15 through January 15. Offices are typically closed or absent key personnel during Easter week and Carnival as well. Scheduling business trips should be avoided during these periods if at all possible.

Holidays 2017	
New Year's Day 2017	Friday, January 2
Birthday of Martin Luther King, Jr.*	Monday, January 16
Washington's Birthday *	Monday, February 20
Carnival	Monday, February 27
Carnival	Tuesday, February 28
Holy Thursday	Thursday, April 13
Good Friday	Friday, April 14
Declaration of Independence**	Wednesday, April 19
Labor Day	Monday, May 1

Memorial Day*	Monday, May 29
Independence Day (USA)*	Tuesday, July 4
Independence Day (Venezuela)**	Wednesday, July 5
Birthday of Simon Bolivar	Monday, July 24
Labor Day*	Monday, September 4
Columbus Day*	Monday, October 9
Day of Indigenous Resistance**	Thursday, October 12
Veterans Day*	Friday, November 10
Thanksgiving Day*	Thursday, November 23
Christmas Eve	Sunday, December 24
Christmas Day	Monday, December 25
New Year's Eve	Sunday, December 31

* Denotes U.S. holidays, which the U.S. Embassy observes but Venezuelan businesses do not. The other holidays listed above are observed both by the U.S. Embassy and by Venezuelans.

** Denotes Venezuelan holidays: When a Venezuelan holiday falls on Saturday or Sunday, there is no substitute Friday or Monday as a day off.

Temporary Entry of Materials or Personal Belongings

Business travelers are allowed to bring in reasonable quantities of personal belongings without having to pay duties. Luggage checks are at the discretion of the inspector. Personal belongings such as laptops and cameras are allowed without duty. Note that belongings in excess of what the customs official deems "normal" may draw extra scrutiny and, if deemed commercial products, charged duty.

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

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

Travel Related Web Resources

U.S. Embassy Caracas

The U.S. Department of State

U.S. Centers for Disease Control and Prevention - Health Information for Travelers to Venezuela